

## CONSTRUCTION

**PETALING JAYA:** RHB Research expects 2026 to be a year of execution for most construction industry players, which will trickle down to earnings delivery following contracts secured last year.

In a report, the research house said contract flow is also expected to remain steady as "2026 is the first year of the 13th Malaysia Plan (2026-2030) with a planned gross development expenditure of RM81bil versus the revised estimate of RM80bil in 2025".

According to data from the Construction Industry Development Board, the value of contracts awarded stood at RM202.5bil in 2025.

This was from RM231.6bil in 2024, which was a 12.6% year-on-year (y-o-y) decline.

RHB Research said: "We view this as not a major concern for the construction sector since 2024 was a high base – the highest contract value awarded since the record high of RM241bil seen in 2016."

The value of government contracts awarded was lower by 22.5% y-o-y in 2025 while private contracts awarded dropped by a smaller magnitude of 9% y-o-y in the same year.

Based on the sub-category of contracts (residential, non-residential or infrastructure) – the value of non-residential jobs awarded in 2025 was higher by 6% y-o-y at RM159.6bil compared with RM151bil in 2024, which may likely be driven by data centre (DC) job flows.

# Contract flow likely to remain steady for players

## Year of execution to translate into earnings delivery

**"We understand that there is one more remaining work package that has yet to be awarded in Elmina Business Park 2, which could be easily worth RM2bil."**

RHB Research

Note that 2025 saw major DC contract awards in the Klang Valley to builders such as Gamuda Bhd in Eco Business Park V, Selangor (RM2.1bil) and IJM Corp Bhd in Elmina Business Park, Selangor (RM2.1bil).

"We understand that there is one more remaining work package that has yet to be awarded in Elmina Business Park 2, which could be easily worth RM2bil," RHB Research said.

Additionally, the research house did not discount the possibility of DC awards stemming from the 389-acre owned by Pearl Computing Malaysia in Springhill, Negri Sembilan.

Meanwhile, the value of infrastructure jobs awarded in 2025 slipped by 44% y-o-y to RM24bil from RM44bil, which ties back to the 22% y-o-y drop in government contract awards (since majority of infrastructure jobs are considered government jobs).

Nonetheless, RHB Research said it envisaged that the upcoming infrastructure awards to take place in 2026, namely the systems package and Segment two (connecting Macallum and Penang Sentral) of the Penang Light Rail Transit, Perak-Penang water transfer project and Johor Baru elevated autonomous rapid transit.

It noted that the icing on the cake would be if the Mass Rapid Transit 3 makes its debut in late 2026.

However, "we envisage that it is likely to take place in 2027 post-land acquisition process," it added.

RHB Research maintained an "overweight" call on the construction sector with its top picks being Gamuda, Sunway Construction Group Bhd and Kerjaya Prospek Group Bhd.

The research house cited a key risk that may impact the sector which is the potential rollout of the multi-tiered foreign worker levy, which could increase labour costs.