KERJAYA PROSPEK

The Star

Builders to benefit from strong project flows

Spending on infrastructure at RM41bil so far this year

CONSTRUCTION

PETALING JAYA: Infrastructure project flows are likely to dominate headlines in the coming months while other job opportunities, particularly from industrial segments, should stay robust in positive news for the construction sector.

RHB Research, which maintained an "overweight" call on the construction sector, pointed out government projects awarded in the first nine months of this year were valued at RM41bil – surpassing 2023's RM36.7bil.

"Significant projects include the Penang Light Rail Transit (LRT) expected to break ground in December, Pan Borneo Highway Sabah Phase 1B with a cost of RM15bil and two final packages yet to be awarded and whether or not an LRT or Autonomous Rapid Transit System will be implemented in Johor Baru," the research house added.

RHB Research said it believes that water-related infrastructure may bring new additional opportunities for contractors.

These projects include the Sungai Damansara flood mitigation project in Selangor and the RM4bil allocated for water management in Perak, which includes providing treated water to Penang.

The research house's top picks in construction are Gamuda Bhd, Sunway Construction Group Bhd and Kerjaya Prospek Group Bhd.

> "Water-related infrastructure may bring new additional opportunities for contractors."
>
> RHB Research

RHB Research noted that the Bursa Malaysia Construction Index (BMCI) is trading at a forward price-earnings multiple of 17 times, which is above the 16 times seen during the 2017 construction upcycle.

"While the BMCI is up more than 30% year-to-date, we still think that the sector is not yet ripe for profit-taking, as we envisage steadier news flows, in addition to the water infrastructure and industrial projects to come between now and the first half of 2025 (1H25).

"These include the evaluation of feedback on the Mass Rapid Transit 3 alignment in the Klang Valley, after public inspection and the government's decision on the viability of the Kuala Lumpur-Singapore High Speed Rail by end-2024," it added.

The research house said that there had also been a strong showing in the industrial sub-sector with the surplus of industrial properties declining to 746 units in 1H24 from 819 units a year ago.

This coincided with the 23% year-on-year (y-o-y) jump in industrial property transactions to RM13.5bil in 1H24 versus RM10.9bil a year ago.

Meanwhile, the value of contracts awarded to the non-residential sub-sector comprising commercial buildings, factories, warehouses and data centres totalled RM109bil for the nine-month period, exceeding the full value for 2023 of RM83.5bil.

"The data centre investment cycle is still ongoing with a new centre planned in Delapan, Kedah, on 30 acres of land. Moreover, there is around another 766.9MW worth of data centres committed in Malaysia, according to data centre consultants DC Byte," RHB Research said.

It added that this translated to RM29bil to RM34bil of estimated construction value, based on a construction cost of US$8.5mil to US$10mil per megawatt in Malaysia.

"We have observed that sub-contractor packages from data centre jobs have been awarded in relation to cooling systems, underground cable laying and water management works," the research house said.

It said the downside risks for the sector include delays in project rollouts, unexpected spikes in building-material costs and unforeseen hurdles in hiring foreign workers.

Builders to benefit from strong project flows

Thursday, 17 Oct 2024

RHB Research said it believes that water-related infrastructure may bring new additional opportunities for contractors.

PETALING JAYA: Infrastructure project flows are likely to dominate headlines in the coming months while other job opportunities, particularly from industrial segments, should stay robust in positive news for the construction sector.

RHB Research, which maintained an "overweight" call on the construction sector, pointed out government projects awarded in the first nine months of this year were valued at RM41bil – surpassing 2023's RM36.7bil.

"Significant projects include the Penang Light Rail Transit (LRT) expected to break ground in December, Pan Borneo Highway Sabah Phase 1B with a cost of RM15bil and two final packages yet to be awarded and whether or not an LRT or Autonomous Rapid Transit System will be implemented in Johor Baru," the research house added.

RHB Research said it believes that water-related infrastructure may bring new additional opportunities for contractors.

These projects include the Sungai Damansara flood mitigation project in Selangor and the RM4bil allocated for water management in Perak, which includes providing treated water to Penang.

The research house's top picks in construction are Gamuda Bhd, Sunway Construction Group Bhd and Kerjaya Prospek Group Bhd.

RHB Research noted that the Bursa Malaysia Construction Index (BMCI) is trading at a forward price-earnings multiple of 17 times, which is above the 16 times seen during the 2017 construction upcycle.