

# More than MRT for contractors to be excited about

**KUALA LUMPUR:** Alliance Research has maintained its “overweight” call on the construction sector due to the trend of redevelopment projects in Kuala Lumpur and an expected re-rating of the sector after the elections are done.

“Our analysis on the redevelopment projects within KL indicates that there is more than just the mass rapid transit (MRT) project for contractors to remain excited about. Domestic contract awards are at a record high with the January to July amount at RM22.1 billion compared with RM5.2 billion over the same period last year,” it said in a report.

Despite the strong contract flows, the Bursa Malaysia Construction Index (KLCON) has underperformed the FBM KLCI by 9.8% year-to-

date due to “election risks”. However, Alliance expects a re-rating after the elections.

The brokerage also named Gamuda Bhd and Mudajaya Group Bhd as its top picks, with target prices of RM4.77 and RM4.37, respectively.

“With increasing scarcity of land in KL, we expect to see an increasing trend of redevelopment projects. Some of the recently announced redevelopments include Hotel Equatorial, Bangunan MAS, Crowne Plaza Hotel, Kompleks Antarabangsa and Dang Wangi LRT station,” it said.

Contractors with a strong track record in high-rise structures in the city such as IJM Corp Bhd and Crest Builder Holdings Bhd stand to benefit. Other players with ongoing high-rise

jobs in KL are WCT Bhd, Mudajaya and Ahmad Zaki Resources Bhd.

The redevelopment trend is increasing due to the scarcity of prime land in the city centre, particularly the Golden Triangle and specifically Bukit Bintang, Jalan Sultan Ismail and Jalan Ampang. With this, owners of existing/old buildings are expected to embark on redevelopment to enhance the value of their properties.

“All these redevelopment projects should benefit contractors as they must be employed to execute the construction works. Names with strong track record in high-rise structures in KL include IJM (Troika, Grand Hyatt) and Crest Builder (Menara Binjai, Setia Sky Residence and Verticas),” said Alliance.