Blueprints from Britain

Hunting for Pockets of Opportunities

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Strategy Report

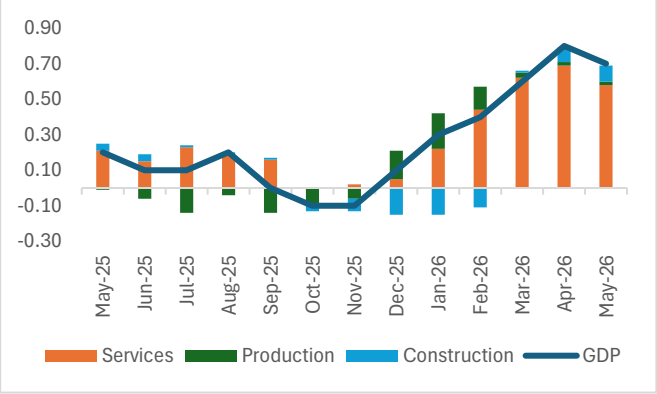
KEY INVESTMENT HIGHLIGHTS

- UK recovery remains uneven, but structural investment is creating selective opportunities
- GBP104b AMP8 programme supports long-term regulated growth for Wessex Water
- Grid expansion, renewables and storage underpin Vantage RE's strategic value to Tenaga
- Prime offices, PBSA and transport-led regeneration remain attractive property niches
- Companies mentioned in the report: **IJM Corp (BUY, TP: RM2.82), Gamuda (BUY, TP: RM5.60), Tenaga Nasional (BUY, TP: RM16.40)** and **YTL Power International (BUY, TP: RM5.65)**

A Macro Overview of the United Kingdom

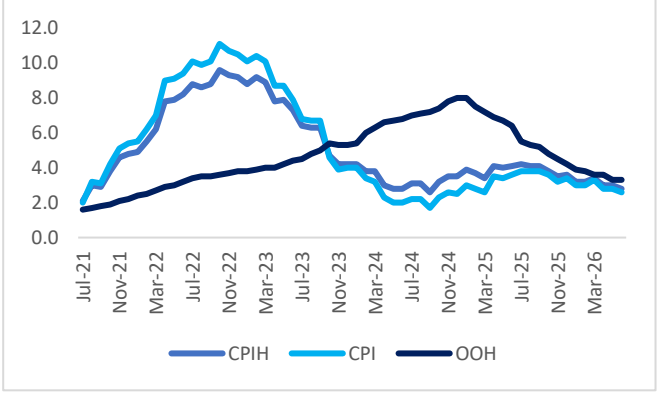
The macroeconomic activity in the United Kingdom (UK) remains subdued despite a temporary improvement at the start of 2026. While real GDP expanded by +0.6%qoq in 1QCY26, the Bank of England (BoE) estimated that underlying growth was closer to +0.2%, suggesting that the headline figure overstated the economy's true economic momentum. Subsequent data remained soft, with GDP rising by just +0.1%mom in May-26 following a -0.1%mom contraction in Apr-26, while output was only +1.1%yoy higher in the three months to May-26. Meanwhile, production and construction also contracted by -0.5% and -0.8%, respectively, during the month. Labour-market conditions have continued to loosen, with unemployment at 4.9% and employment growth remaining weak, weighing on household confidence and spending intentions. Although headline inflation eased to +2.6% in Jun-26, it remained above the BoE's 2% target.

Figure 1: Contributions to 3-month GDP growth (UK)



Source: Office for National Statistics (ONS), MBSBR

Figure 2: CPIH, owner occupiers' housing (OOH) costs component and CPI annual inflation rates (UK)



Source: Office for National Statistics (ONS), MBSBR

Bank Rate maintained at 3.75%

BoE has held the Bank Rate steady at 3.75% since Dec-25, when it was cut by -25bps. The latest Monetary Policy Committee (MPC) meeting last week (30th July) saw the rates being maintained again, although it has now turned slightly more hawkish with a 6-3 vote, with three members supporting a +25bps hike. This was a shift from a 7-2 vote from the June MPC meeting. Governor Andrew Bailey cautioned against interpreting the Jul-25 vote as the BoE edging towards a hike. BoE's projects inflation to rise to around 3.2% in 4QCY26. The MPC noted that financial conditions had tightened materially, raising financing costs for households and companies. It views the Middle East conflict and associated energy-price volatility as the main uncertainty.

A period of political transition under a new Prime Minister

The UK also enters a new political chapter with Andy Burnham as the new Prime Minister following Sir Keir Starmer's resignation. He is the seventh UK Prime Minister since 2016. Burnham has promised a new 10-year plan for Britain later this year, based on devolution, stronger public control of essential services, increased housebuilding, reindustrialisation and greater use of public procurement to support domestic companies. We believe Burnham's administration style may transfer more economic and planning powers from Whitehall to regional mayors and strategic authorities, building on the devolved model he previously implemented in Greater Manchester. This could accelerate regional infrastructure and regeneration projects by allowing transport, housing, land use and skills policies to be planned together. It may also improve the economic contribution of cities outside London by directing more investment towards northern and regional growth corridors.

Returning "life's essentials" to stronger public control

Burnham also pledged to return life's essentials to stronger public control, which we believe is most relevant to water and energy utilities. It comes after public anger over pollution, bills, dividends and the financial distress at Thames Water. Nevertheless, nationalising the entire water sector would require legislation, substantial compensation or restructuring and government responsibility for a very large investment programme. It would also transfer sector debt and future financing requirements closer to the public balance sheet. We do not view wholesale nationalisation as the base case, given the legislation, funding and balance-sheet commitments required. A more plausible near-term outcome is stronger regulatory intervention, tighter scrutiny of dividends and gearing, and a larger role for public-sector entities alongside private capital.

Pockets of opportunities

We were in the UK recently and our fact-finding trip has revealed an infrastructure market entering a period of elevated investment, driven by energy transition requirements, ageing water infrastructure, housing needs and urban regeneration. We view that the weak macro backdrop is nevertheless producing pockets of opportunity, one where several listed Malaysian already have an established foothold. During our working visit, we met the Water Services Regulation Authority (Ofwat), the Office of Gas and Electricity Markets (Ofgem), IJM UK, Gamuda Land UK, Vantage RE (wholly-owned subsidiary of Tenaga Nasional), YTL UK and Wessex Water (wholly-owned subsidiary of YTL Power International) and the Battersea Power Station Development Company.

Water sector overview and key takeaways from Ofwat

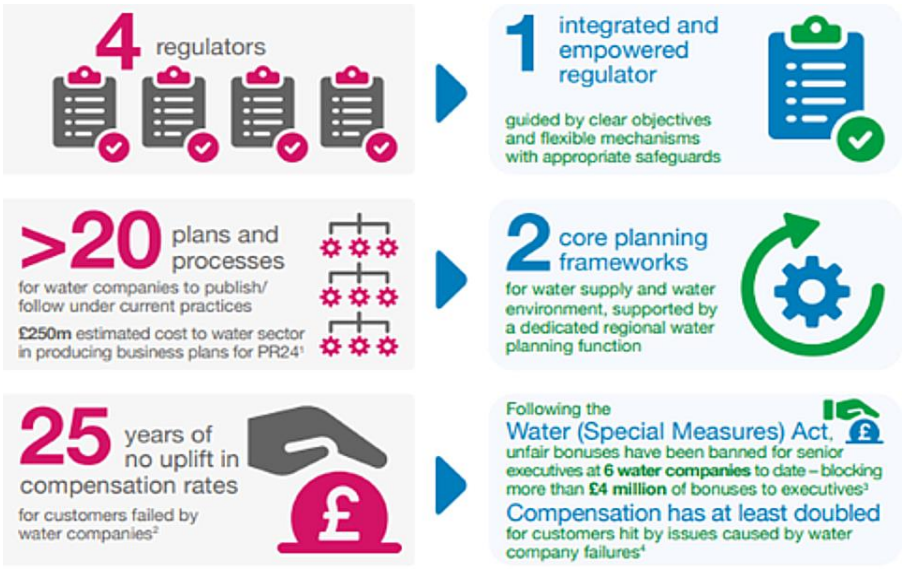
GBP104b of AMP8 expenditure

At Ofwat, we met Jamie Tunnicliffe, the Director of Investor Relations. The UK water sector is now in a prolonged investment upcycle, underpinned by GBP104b of AMP8 expenditure, significant new financing needs and greater third-party participation. Regulatory focus is shifting towards delivery, financial resilience and measurable customer and environmental outcomes.

Transitioning towards a new regulator

The UK government intends to establish a new, integrated water regulator which will consolidate responsibilities that are currently divided among Ofwat, the Environment Agency, the Drinking Water Inspectorate and Natural England. This is to reduce duplication between economic, drinking-water and environmental regulators such as investigation into wastewater treatment works. A separate regulatory arrangement is expected for Wales because the English and Welsh governments operate under different statutory requirements. The government's current intention is to retain the five-year price-review cycle, but place it within longer five-, ten- and 25-year planning horizons. The reforms are intended to give companies and investors greater visibility over long-term infrastructure requirements while improving environmental oversight.

Figure 3: Key reforms planned in the water sector



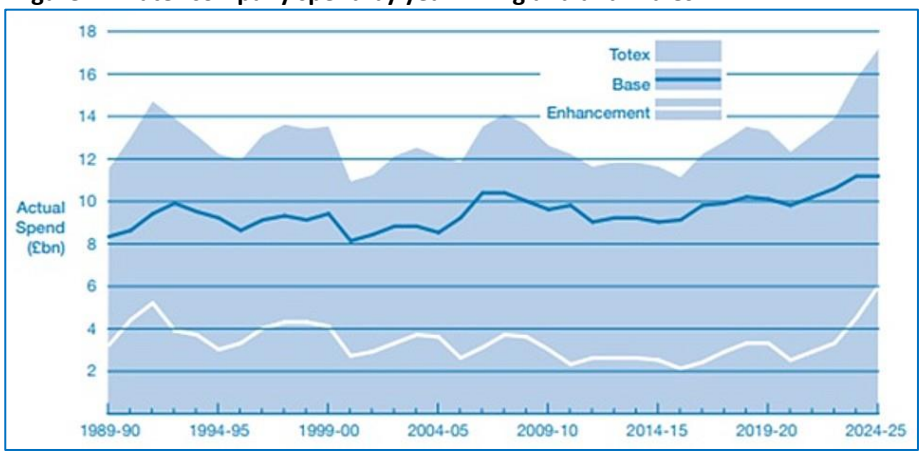
Source: Ofwat

More than GBP50b of external financing throughout the five-year period of AMP8

The Asset Management Period 8 (AMP8) price-control period runs from 2025 to 2030 and currently provides for approximately GBP104b of total expenditure (TOTEX), across the UK water sector. This investment allowance could increase further through three cost-change or reopener windows, with the outcome of the first window expected in August 2026. AMP8 is expected to require more than GBP50b of external financing over the five-year period, of which more than GBP40b is likely to be raised through debt. This external-financing requirement is approximately 2.5x the amount raised during the previous price-control period. Unlike the previous regulatory period, which had little material equity requirement, AMP8 is expected to require at least GBP7b of new equity. Several water companies have already begun pre-financing these requirements by raising capital ahead of their immediate funding needs, an approach viewed positively by Ofwat as it reduces refinancing and execution risks. A significant portion of capital expenditure is added to the regulated asset base and recovered

from customers over the useful life of the assets, rather than being fully recovered in the year the expenditure is incurred. Ofwat has also begun preliminary work on the next price review, which will cover the five-year period from 2030. The final determination is expected in 2029, with the formal consultation and assessment process likely to begin around early 2027, given that price reviews typically require approximately two years of preparation.

Figure 4: Water company spend by year in England and Wales



Source: Ofwat

Thames Water's problems intensified scrutiny on sector

Thames Water's financial distress has intensified scrutiny of debt, ownership and dividends. When Thames Water's shareholders previously indicated that they would not provide further capital, the debt spreads of other water companies initially widened by approximately 10–15 bps. However, the spreads have subsequently returned towards levels consistent with the underlying fundamentals of the individual companies as the market continued to differentiate Thames Water from better-financed peers. The more likely trigger for Thames Water would be insolvency, as the threshold for statutory failure is high. If a market-based solution cannot be achieved, Ofwat could advise the government that Thames Water is insolvent and that special administration should be initiated. The government would make the final decision and appoint a special administrator which would then have two principal duties – to ensure uninterrupted water and wastewater services and transferring the business to a new owner. The government would fund necessary investment during the administration period and would have the first claim on proceeds when the business was transferred to a new owner. An auction or competitive process could be used to identify the new owner.

Water scarcity becoming a structural issue

Northern England generally has greater water availability while water-resource pressures are particularly severe in southern and southeastern England, leading to tighter supply-demand balances. New reservoirs, water transfers and possibly additional desalination capacity will be required. Water companies obtain supplies from reservoirs, rivers and, to a lesser extent, desalination facilities. River abstraction is increasingly restricted because excessive abstraction during periods of low flow can harm ecosystems and wildlife. With the Environment Agency reducing some historical abstraction rights, particularly in southern England, water companies are losing access to some existing water sources and must replace them through new reservoirs, transfers or other supply options. Desalination is available but remains relatively expensive. The UK already has some desalination facilities and is likely to develop more.

Reforming the appeal system

The government is considering harmonising the appeal systems used across economic regulators, with a possible reform being a more judicial and precedent-based system focused on whether the regulator made an identifiable error, rather than allowing the appeal body to apply a different preferred methodology. Under the current water-sector appeals process, a company may challenge Ofwat's price determination by referring the matter to the Competition and Markets Authority (CMA). Although a company may challenge specific items, those items can interact with other elements of the settlement, leading the CMA to reconsider a wider portion of the determination. We view that this would likely make future challenges faster and more predictable but could also raise the threshold for companies seeking to overturn regulatory decisions.

Nationalisation on the cards?

UK's newly minted Prime Minister Andy Burnham had said that he will "bring life's essentials back under public control". While the statement remained vague and does not explicitly commit the government to nationalising water or energy, we believe the immediate focus is on the financially distressed Thames Water that. As far as Ofwat is concerned, it does not have a policy preference and that any move away from the existing privately owned and regulated model would require legislation. We view that nationalisation appears more complicated than a simple transfer of ownership as the government would need to assume responsibility for financing a substantial infrastructure programme. Transferring the sector onto the government balance sheet would have significant fiscal consequences, particularly given the scale of water-company debt, future investment requirements and existing constraints on UK public finances.

Positive outlook for the water sector

We view that the outlook for the UK water sector is positive from an asset-growth perspective. AMP8 represents approximately GBP104bn of expenditure between 2025 and 2030, substantially above the previous regulatory period on the back of decades of underinvestment and increasingly stringent requirements on supply resilience, wastewater treatment and environmental performance. The increase in regulatory allowances will place greater emphasis on the water operators' ability to translate approved expenditure into timely and measurable operational improvements. Against this backdrop, Wessex Water appears well positioned, supported by its strong operating and customer-service record and resilient water-resource network. It also remains comparatively defensive in weak macroeconomic environment, as demand for water and wastewater services is non-discretionary and revenues are governed by the regulatory framework. This should provide **YTL Power International (BUY, TP: RM5.65)** with relatively stable earnings visibility and long-term regulated asset growth, although the eventual returns will depend on Wessex Water's ability to deliver its GBP3.6b AMP8 programme efficiently and meet increasingly demanding performance targets.

Key takeaways from Wessex Water (YTL Power International)

One of the stronger water operators in the UK

We visited Wessex Water at its Saltford Water Recycling Centre in Bath, where we were hosted by CEO Ruth Jefferson and her team. It remains one of the stronger operators in the UK with leading customer service metrics, low complaint levels and strong drinking water quality. Its operating area is geographically dispersed and asset-intensive, comprising around 35,000km of sewers, 2,200 pumping stations and nearly 400 treatment centres. Water-supply resilience is relatively strong, with approximately 75% of supply sourced from groundwater and supported by an interconnected regional grid.

Plans to invest GBP3.6b over 2025–2030

Wessex Water plans to invest GBP3.6b over 2025–2030, more than double its previous five-year investment programme. By the third year of AMP8, construction is expected to be active across 88 sites. The programme will focus principally on wastewater infrastructure, including reducing storm-overflow activity, improving phosphorus and nutrient removal, expanding treatment capacity and renewing ageing assets. The GBP35m Saltford expansion for example, is expected to improve treatment capacity by around 40%, supporting population growth around Bath while reducing the need to divert excess flows into storm storage. **YTL Power (BUY, TP: RM5.65)** has owned Wessex Water since 2002, making it the longest-standing single owner of a UK water company.

Renewable energy overview and key takeaways from Ofgem

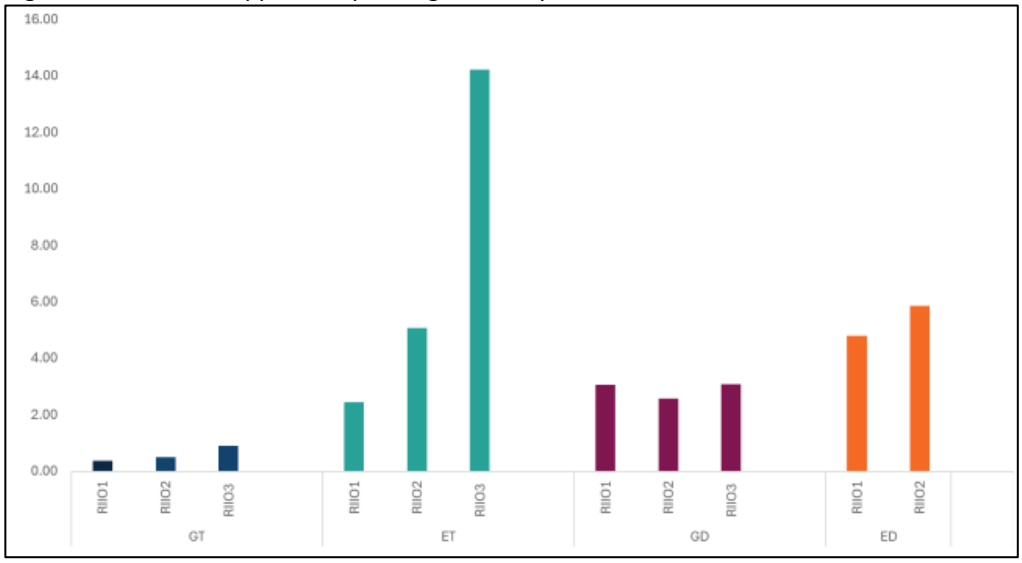
Grid availability, connection reform and alignment with NESO

At Ofgem, our meeting with Robert Nesbitt, the Head of Investor Relations and Energy Transition Finance revealed that the UK remains attractive for investments in renewable generation, storage, transmission and related infrastructure. What developers need to consider is grid availability, connection reform and alignment with the National Energy System Operator's (NESO's) strategic system plan.

GBP70b of electricity-transmission investment

Investment in Great Britain's electricity-transmission network could reach approximately GBP70b during RIIO-ET3 (Revenue = Incentives + Innovation + Outputs for Electricity Transmission, 3rd Generation) between April 2026 and March 2031, up from around GBP26b under RIIO-ET2. However, a substantial proportion of the expenditure remains conditional and will require regulatory approval as individual projects mature.to support electrification, reduce its dependence on gas and integrate a growing share of renewable energy. Most of the country's offshore-wind generation is located in Scotland, while electricity demand is concentrated further south. This requires substantial network expansion to transport renewable electricity from northern generation centres to southern demand centres. The elevated investment cycle is expected to extend beyond the current price-control period, with high expenditure potentially sustained over another two or three regulatory cycles. NESO's longer-term planning also indicates that network expenditure will likely remain elevated beyond 2030. This highlights that grid expansion has become the central infrastructure requirement for supporting renewable generation, electrification and rising power demand.

Figure 3: Annualised approved spending in RIIO by sector



Source: Ofgem RIIO-3 Final Determinations and Ofgem analysis of company reporting

GT: Gas transmission; ET: Electricity transmission; GD: Gas distribution; ED: Electricity distribution

GBP2b of annual constraint costs

Electricity consumers in the UK currently bear approximately GBP2b annually in terms of constraint costs which arise when RE generators such as offshore wind farms are instructed to reduce output because the transmission network cannot move the electricity to where it is required as the RE generators still need to be compensated. NESO estimated that this could rise to GBP8b annually by 2030 if the investment scenario remains status quo. Previously, much of the UK's generation development was market-led, where developers could build solar projects, storage assets or other generation facilities and subsequently seek grid connections, with relatively limited central coordination. This contributed to a mismatch between generation development and available network capacity.

Renewables have become the largest component of the UK's electricity-generation mix, already exceeding the 50% threshold. The latest data as at Jul-26 showed that renewable generation reached a record 153.0TWh (+5.9%) in 2025, accounting for 52.1% of total generation. This was also the first full-year without any generation from coal following the decommissioning of the 2GW Ratcliffe-on-Soar Power Station in Sep-24. The momentum continued into 2026 whereby the five-month period from Jan to May saw renewables supplying 51.8% of electricity generated by major power producers, dominating by wind at 38.9%, as compared to 33.1% from gas and 14.3% from nuclear. This reinforces the long-term investment requirement not only for further renewable capacity, but also for transmission networks, storage and flexible resources capable of integrating increasingly weather-dependent generation.

Table 1: UK Energy Generation by fuel (TWh)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	1Q26
Coal	22.53	16.83	6.92	5.70	6.79	5.94	3.65	2.04	-	-
Oil	1.61	1.57	1.99	1.43	1.96	2.11	2.00	1.74	1.70	0.41
Gas	136.75	131.49	133.09	111.88	122.83	125.82	101.70	87.41	93.19	26.61
Nuclear	70.34	65.06	56.18	50.24	46.10	47.40	40.60	40.59	35.85	8.83
Hydro	5.88	5.44	5.93	6.88	5.42	5.07	5.61	5.73	5.39	1.57
Onshore wind	28.73	30.38	31.86	34.87	29.33	35.10	33.33	34.81	34.42	12.42
Offshore wind	20.92	26.53	31.98	40.75	35.60	45.11	49.43	48.80	52.02	16.90
Shoreline wave/tidal	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.00
Solar	11.46	12.67	12.42	12.55	12.13	13.98	14.89	14.99	20.13	2.70
Bioenergy	31.89	35.10	37.53	38.56	40.00	35.95	34.08	40.13	41.03	10.07
Other fuels	5.22	6.13	7.43	5.73	5.73	6.12	6.27	6.25	6.12	1.52
Energy storage	2.87	2.53	1.84	1.68	1.99	2.19	2.59	3.52	3.71	1.26
Total generation	**338.20**	**333.75**	**327.17**	**310.29**	**307.88**	**324.81**	**294.17**	**286.03**	**293.56**	**82.29**
Total renewables generation	**98.88**	**110.13**	**119.73**	**133.62**	**122.48**	**135.23**	**137.36**	**144.48**	**152.99**	**43.66**

Source: Department for Energy Security and Net Zero

Wind to be a key component of RE in the UK

While the UK does not have a target fixed generation share, its future electricity system is expected to comprise a diversified mix of RE, battery storage and potentially hydrogen. Offshore wind is expected to remain they key component to the UK's decarbonisation strategy though its expansion will depend on sufficient transmission capacity, long-duration storage, interconnection and flexible demand. Nuclear power is also expected to remain part of the generation mix, providing firm low-carbon generation, while gas is likely to continue serving as backup capacity.

DC demand putting pressure on the grid

As in many other countries, the rapid growth of data centre demand in the UK is placing increasing pressure on the grid. However, the large number of applications has raised concerns about the credibility of the connection queue. The UK does not presently require new data centres to build their own generation, but regulators are reviewing connection applications to distinguish credible projects from speculative bids, including cases where developers may be seeking to enhance land value or hyperscalers pursuing multiple sites simultaneously.

Necessity for long-duration energy storage

NESO estimates that the UK requires approximately 7 GW of long-duration electricity storage, generally defined as assets capable of discharging for at least eight hours. Such storage would absorb excess electricity during periods of high renewable generation and release it when output is lower or demand is higher, helping to reduce intermittency and improve system reliability. Potential technologies include pumped-hydro storage and long-duration batteries. However, opportunities for new pumped-hydro projects are limited by geographical constraints, meaning the UK will likely need a portfolio of storage technologies. Ofgem has developed a regulatory support framework and identified projects that could receive assistance to improve investment viability.

The Clean Power 2030 Action Plan is a plan by the Department for Energy Security and Net Zero which establishes the near-term destination for Great Britain's electricity system. In a typical weather year, clean sources should generate at least as much electricity as Great Britain consumes annually and account for at least 95% of total generation, while unabated gas remains available primarily as reserve capacity for periods of insufficient renewable output. By 2030, it envisages 43–50GW of offshore wind, 27–29GW of onshore wind, 45–47GW of solar, 23–27GW of batteries and 4–6GW of long-duration electricity storage, compared with materially lower installed capacity when the plan was prepared. It estimates average investment of approximately GBP40b annually between 2025 and 2030, comprising generation, storage and network infrastructure, and identifies 80 transmission works required for the 2030 objective.

Table 2: Installed RE capacity and vs Clean Power 2030 targets

Technology	Latest installed capacity (as at 1Q26)	Clean Power 2030 range	Additional capacity required
Offshore wind	**16.7GW**	43–50GW	**26.3–33.3GW**
Onshore wind	**15.1GW**	27–29GW	**11.9–13.9GW**
Solar	**22.3GW**	45–47GW	**22.7–24.7GW**
Grid-scale batteries	**7.3GW**	23–27GW	**15.7–19.7GW**
Long-duration electricity storage	**2.8GW**	4–6GW	**1.2–3.2GW**

Source: Department for Energy Security and Net Zero

Key takeaways from Vantage RE (Tenaga Nasional)

Vantage RE has a portfolio of 1.3GW of renewable assets

The Tenaga Nasional team hosted us to site visits to Vantage RE's Whiteside Hill onshore wind farm in Glasgow and Eastfields Solar Farm in Warwickshire. Vantage RE is TNB's wholly owned renewable-energy platform in the UK and Ireland. The portfolio is about 1.3GW, including around 908MW of operating capacity, with a mix of solar and onshore wind. The earnings profile is relatively defensive, with approximately 60% of revenue is contracted through Renewable Obligation Certificates (ROCs), feed-in tariffs and corporate power-purchase agreements, while more than half of revenue is also expected to be inflation-linked in 2026, providing greater cash-flow visibility and some protection against inflation and merchant power-price volatility.

Onshore wind and co-located BESS to drive next phase of growth

The next phase of growth will be centred on onshore wind and co-located battery energy storage systems. Vantage RE has approximately 115MW of onshore wind and 245MW of BESS in its development pipeline, with battery deployment intended to improve utilisation of existing grid connections, reduce curtailment and create additional revenue streams. Unlike Malaysia's largely contracted battery model, UK batteries can participate across wholesale arbitrage, balancing, capacity and frequency-response markets. This provides greater revenue optionality, although it also exposes operators to more market, optimisation and execution risk. There is a planned addition of around 60MW of BESS to the Campana solar portfolio to extract more value from existing assets while limiting incremental infrastructure costs.

Vantage RE is a strategically valuable asset to Tenaga Nasional

We view Vantage RE as a strategically valuable asset to **Tenaga Nasional (BUY, TP: RM16.40)** beyond its immediate earnings contribution. The platform provides exposure to mature renewable markets, CfD auctions, corporate PPAs, merchant power trading, BESS optimisation and more stringent environmental and planning standards. It also serves as a knowledge-transfer platform for TNB personnel, which could support the group's domestic ambitions in battery storage, renewable integration and grid modernisation. While growth is likely to become more technically and commercially complex, TNB's balance-sheet strength and long-term investment horizon leave it well positioned to continue scaling the platform.

UK property sector overview

The operating environment remains challenging, with elevated construction and financing costs, weak economic growth, affordability constraints and a planning system that can materially extend project timelines. Higher required returns have also placed pressure on development appraisals and land values, particularly for projects without secured tenants, infrastructure access or a clear funding strategy. The BoE described fragile confidence among buyers and sellers in the housing market with transactions taking longer to complete while investor and occupier demand in the commercial real estate market is strongest for Grade A, city centre office space. Statistics from the UK House Price index showed that UK-wide prices were still up +2.7%yoy in May-26, but the average London house price was approximately GBP544,814 in May 2026, down -3.7%yoy and -1.2%mom from April.

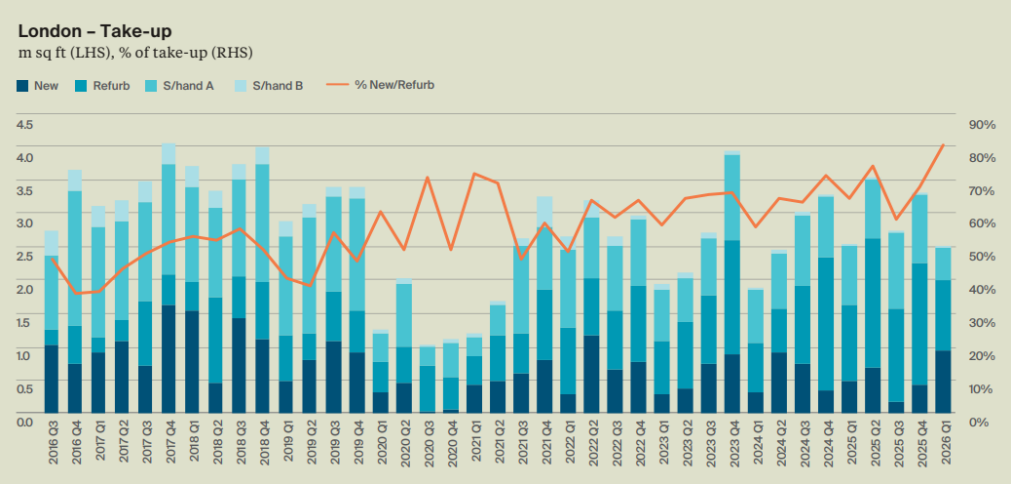
Table 3: Average house price by country and government office region

Country and government office region	Price (GBP)	Monthly change	Annual change
England	292,095	0.10%	2.30%
Northern Ireland (Quarter 1 - 2026)	198,015	1.50%	7.40%
Scotland	195,543	1.50%	4.40%
Wales	215,252	1.30%	4.20%
East Midlands	240,758	-0.40%	3.20%
East of England	338,224	0.30%	2.30%
London	544,814	-1.20%	-3.70%
North East	163,933	0.60%	5.90%
North West	219,506	1.40%	5.80%
South East	381,311	0.80%	1.20%
South West	302,559	-0.30%	1.70%
West Midlands Region	247,764	-0.90%	2.70%
Yorkshire and The Humber	208,549	0.20%	4.30%

Source: HM Land Registry, Office for National Statistics

Nevertheless, our meetings highlighted that the headline weakness in the broader property market masks pockets of structural demand, particularly in prime commercial offices, purpose-built student accommodation, transport-linked regeneration and large mixed-use developments in supply-constrained locations. Demand for secondary and poorly located offices remains weak as occupiers rationalise space and adapt to hybrid working, but there continues to be competition for modern, highly sustainable and well-amenitised buildings in central locations. According to Knight Frank's London Office Market Report for 1Q26, the flight to quality in London's office market has strengthened. New and refurbished offices accounted for 80.4% of total London take-up in 1Q26. In the City and Southbank, the proportion was even higher at 86.3%, suggesting that occupiers are prioritising modern, sustainable and amenity-rich buildings over older office stock. This should be positive for 25 Finsbury Circus and 75 London Wall, by **IJM Corp (BUY, TP: RM2.82)** and **Gamuda (BUY, TP: RM5.60)** respectively.

Figure 6: London office take up rate

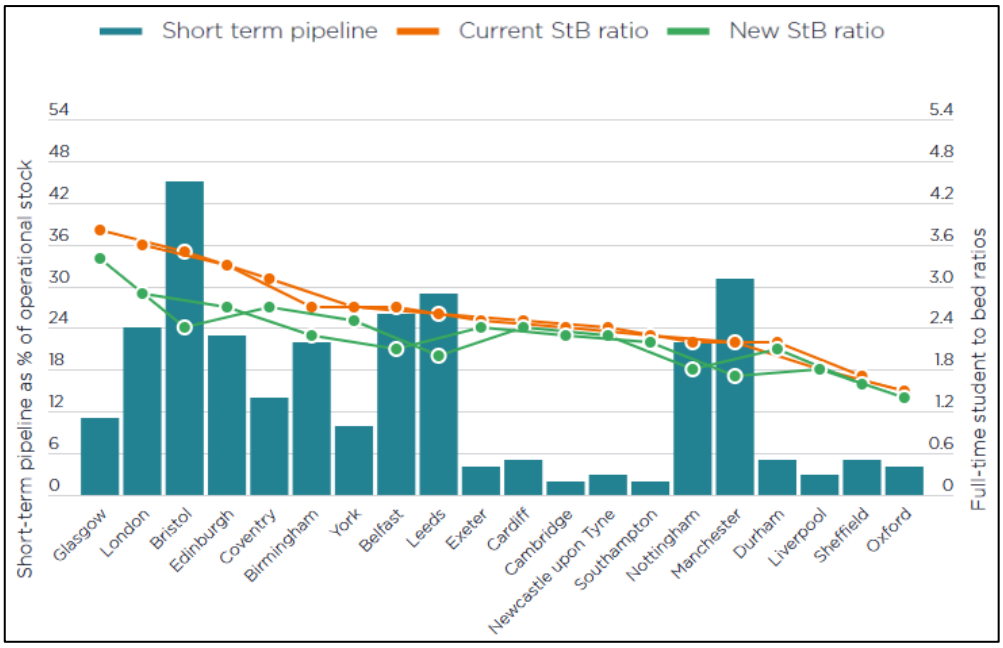


Source: Knight Frank

Lack of supply of student accomodation

Outside the traditional office market, purpose-built student accommodation (PBSA) appears to offer a more defensive demand profile. Savills' latest cross-city comparison placed the ratio of full-time students to PBSA beds at approximately 3.8 times in Glasgow, 3.6 times in London and 3.5 times in Bristol, among the highest of the markets assessed. Supply continues to expand, but delivery remains constrained by planning requirements, construction costs and development viability. This is positive for **Gamuda**'s **(BUY, TP: RM5.60)** PBSA strategy across London and Glasgow, with a portfolio of approximately 1,232 beds. It has a target of up to 3,000 student beds across the UK by 2030. **YTL Power International**'s **(BUY, TP: RM5.65)** Brabazon also benefits from Bristol's constrained student-accommodation market, as its planned 1,514-bed PBSA component plays a broader role within the mixed-use masterplan. The first phase of 745 bedrooms should introduce a sizeable resident population early in the development cycle, supporting retail, food-and-beverage outlets, public spaces and transport usage while the wider housing and commercial components are still being delivered.

Figure 7: Short-term pipeline and student to bed ratio



Source: Savills Research

Diversified mix of residential, commercial and leisure use can unlock the value of underutilised land

We believe large-scale mixed-use regeneration remains one of the more attractive segments of the UK property market, particularly where transport infrastructure and a diversified mix of residential, commercial and leisure use can unlock the value of underutilised land. Brabazon exemplifies this model, with YTL Power International developing the former Filton Airfield into an integrated district anchored by a new railway station, housing, PBSA, build-to-rent, offices, retail and entertainment, although value realisation will be gradual and dependent on execution, leasing and residential absorption. The Battersea Power Station provides a useful precedent for this, demonstrating how an improved connectivity, heritage-led regeneration and a curated destination offering can materially re-rate a brownfield site. While the two projects differ in location, density and maturity, both reinforce the view that UK property opportunities are increasingly driven by infrastructure-enabled regeneration.

Key takeaways from IJM UK

Disciplined and risk-conscious approach in UK

IJM UK Managing Director Mark Lahiff hosted us for site visits to 25 Finsbury Circus and 88 Royal Mint Street, providing a closer look at the group's development strategy and execution capabilities in London. IJM's UK approach remains relatively disciplined and risk-conscious, with the pre-leasing of a substantial portion of 25 Finsbury Circus to Simmons & Simmons has committed to a 20-year lease covering around 62% of net internal area. Completion is targeted for Dec-27. 25 Finsbury Circus is a Grade II-listed office redevelopment of approximately 400,000 sq ft gross internal area. The expected rent roll is approximately GBP21m–22m per annum. At 88 Royal Mint Street, IJM is developing a 454-key aparthotel and 79 residential units over railway infrastructure. Staycity has entered into a long-term lease, with annual rent indicated at under GBP14m. Delivery ahead of programme would be valuable because it accelerates rental income and reduces financing costs.

16 potential opportunities under review

Management's immediate priority is to secure the next UK development project ahead of the completion of 25 Finsbury Circus and 88 Royal Mint Street, with approximately 16 potential opportunities under review. The outlook for prime City of London offices appears increasingly favourable, supported by limited new supply, rising rents and occupiers planning relocations as far as seven years ahead of lease expiry. This is also creating opportunities to partner with owners of assets acquired at aggressive pre-pandemic valuations who may be unable to sell without crystallising substantial losses. While IJM has historically adopted a conservative, tenant-led strategy, management believes the current supply-demand imbalance may justify taking greater development and leasing risk.

JRL has returned to the black

The integration of JRL also provides IJM with greater control over construction costs, project variations and delivery, particularly for technically complex refurbishment projects. Following a rapid turnaround from losses to profitability within a year, the business is expected to record a more meaningful earnings uplift, supported by a strong order book that provides visibility into the following financial year. Management's ambition is for JRL to undertake Tier 1-quality work while retaining Tier 2 cost competitiveness, which could strengthen its position in the UK construction market. Over the longer term, sustained profitability and execution could also create the option for a standalone listing or a broader combination with IJM's construction operations.

Key takeaways from Gamuda Land UK

Favourable leasing expectations for 75 London Wall

We met with Niall Farmer, the head of Gamuda Land UK where we were briefed on the portfolio that is now approaching a meaningful value-realisation phase, led by 75 London Wall and its three PBSA developments. The approximately 500,000 sq ft 75 London Wall project with a GDV of GBP1.2b remains the key asset, with completion targeted for 1Q28. The current construction progress stood at 22%. Management expects a favourable leasing backdrop, supported by limited supply of best-in-class City office space, Grade A vacancy of around 2% and growing interest from financial institutions and law firms. Target rents range from approximately GBP105 to GBP150 per sq ft, with total annual rent expected to exceed GBP50m when stabilised.

1,232 beds across Woolwich, Glasgow and Marshgate Lane

The PBSA portfolio, comprising 1,232 beds across Woolwich, Glasgow and Marshgate Lane, is gaining operating traction. Woolwich is around 65% leased for the Sept-26 intake, with management targeting close to 90% occupancy in the first year and around 98% in the second, while Glasgow was expected to reach about 75% in its first year. Marshgate Lane is particularly important as Gamuda's first wholly originated and managed UK development, with main works due to commence in Sept-26 and completion targeted for 2028. Gamuda continues to assess opportunities in Edinburgh, Bristol, Manchester, Birmingham and Leeds. The immediate priority is therefore to complete, stabilise and monetise the existing portfolio, with 2028–2029 expected to be the key period for earnings recognition and capital recycling.

Asset agnostic strategy

The group's UK strategy remains asset agnostic. Potential future areas include additional PBSA projects, West End offices and higher-value residential developments in Zones 1-3. Gamuda's ultimate model is to create development value, stabilise the assets and sell them to long-term income investors. Capital released from the existing portfolio, particularly during 2028–2029, is expected to fund the next phase of Gamuda Land UK's growth.

Key takeaways from Brabazon/YTL UK

First investors' visit to Brabazon

At the first ever investors' visit to Brabazon, we were hosted by YTL Construction executive director Yeoh Keong Yeen, YTL UK CEO Colin Skellett and YTL Developments (UK) CEO Baldip Singh where they outlined YTL's ambition to transform the former Filton Airfield into a fully integrated city district rather than a conventional residential development. Brabazon already has more than 1,000 residents and approximately GBP1bn invested, with current planning permission for around 6,500 homes, 60 acres of commercial space, schools, hotels and major public amenities. Near-term milestones include the delivery of 1,500 student beds, the opening of Brabazon railway station, a new full-line Waitrose store and approximately 200,000 sq ft of office space, alongside continued residential completions.

Wider master plan for a self-sustaining development

The wider master plan includes a 20,000-capacity arena, a roughly 350-key hotel, a 900-home build-to-rent scheme, a 15-acre park with a three-acre lake and new food, retail and leisure offerings intended to create a self-sustaining community. Management highlighted encouraging early demand, including more than 300,000 sq ft of registered interest for the initial office developments, strong take-up for the student accommodation and robust residential sales. Brabazon also benefits from its proximity to major aerospace, defence, healthcare and university employers, as well as direct access to the M4, M5, Bristol Parkway and the wider Bristol rail network. The proposed 20,000-capacity arena is targeted to open around mid-2029, with Aviva securing naming rights for ten years. Management expects the arena and associated facilities to attract around two million visitors annually, potentially supporting hotels, retail, food and beverage, and wider property values.

Shortlisted for New Towns Programme

The development could become considerably larger if it is selected under the UK government's New Towns Programme, a government initiative intended to accelerate housing delivery and economic growth through large, comprehensively planned communities. Brabazon and the wider West Innovation Arc have been shortlisted as one of seven preferred locations under the programme, pending final designation. Management indicated that the authorities are encouraging a potential increase in housing capacity to as many as 20,000 homes across the wider area, compared with the existing consent for 6,500 units. In our view, Brabazon's advanced stage of delivery, single ownership, existing infrastructure and surrounding employment base place it in a stronger position than many greenfield new-town proposals, although further expansion will depend on public-sector funding for transport, utilities and other enabling infrastructure.

Key takeaways from Battersea Power Station Development Company

Improved connectivity and strong anchor tenants drove sharp uplift in values

The complex and capital-intensive work required to establish the estate as a major mixed-use destination, including the restoration of the power station and more than GBP300m of investment in extending the Northern Line to the site have been completed. The improved connectivity, together with the arrival of anchor tenants such as Apple and a growing retail, hospitality and residential offering, has driven a sharp uplift in values. Residential units initially sold at around GBP800 per sq ft are now reselling at approximately GBP1,800-2,000 per sq ft, while selected units within the power station have achieved higher pricing. Footfall has also continued to grow, supporting the gradual maturation of the retail component, although management expects the full earnings potential to emerge only over the next few years as tenant incentives roll off and rental rates improve.

Entering a more measured monetisation phase

The development is now entering a more measured monetisation phase, with approximately 3.2 million sq ft of remaining development potential to be rolled out over the next 10-15 years. Future phases are expected to focus mainly on residential, offices, hotels and other commercial uses, with management adjusting the mix and timing according to market demand. The completion of much of the underlying infrastructure should reduce development intensity relative to the earlier phases, while capital recycling from completed assets will help fund subsequent projects. Despite higher interest rates and a weaker UK property backdrop, management continues to see encouraging residential sales, strong hotel demand and long-term support from the structural shortage of housing and developable land in London.

Our view

BUY calls on IJM Corp (TP: RM2.82), Gamuda (TP: RM5.60), Tenaga Nasional (TP: RM16.40) and YTL Power International (TP: RM5.65)

Overall, we are optimistic on the UK exposure of selected Malaysian companies, given their specific involvements in areas that are driven less by the economic cycle and more by structural necessities such as water infrastructure, renewable integration, student accommodation, prime office spaces and transport-led regeneration. **IJM Corp (BUY, TP: RM2.82)** and **Gamuda (BUY, TP: RM5.60)** are positioned in the prime office segment of the property market where supply remains constrained and demand is concentrated.

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STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology