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July 7, 2026

Property model update

Factoring in the new interest rate reality

- In this note we update our interest rate assumptions, including average cost of debt (BBSW + margin) and an assumed risk-free rate of 4.6% (10-year bond rate). While these changes have an adverse impact on valuations, this has largely been offset by a reduction in our discretionary valuation discount (ie improved sector outlook as the Australian interest rate outlook turns incrementally dovish).
- ***Key picks are DGT, EGH and GLF***, while also noting we believe HCW is approaching the Healthscope catalyst, which should see the business re-rate.

Factoring in updated interest rate expectations

- The c.30-40 bps increase in Australian 2/3-year interest rate swap rates over the past six months has seen us increase our risk-free rate to 4.6% (previously 4.3%), while higher BBSW rates have also adversely impacted forecast FFO (ps) growth rates.

Rating changes

- As we factor in our updated macro assumptions, we make a number of recommendation changes, namely ***GMG downgraded to Accumulate*** on valuation grounds (stock up 19% in three months), ***retail A-REITs HDN and WPR upgraded to Accumulate*** as our confidence improves around their capacity to navigate a more cautious consumer. ***GDF has been upgraded to Buy*** as SEQ industrial markets remain resilient, while its private credit book underpins NTA. We have downgraded ***COF to Trim***, highlighting that, despite trading at a 50% discount to NTA, we expect distributions to fall as disposals drag on FFO.

Key picks

- We remain positive on key residential exposures of EGH (affordable rental accommodation) and GLF (boomer downsize product), as we believe these businesses are best equipped to navigate what remains a challenging residential market.
- Whilst acknowledging the higher risk profile, the turnaround stories of DGT, HCW and HMC (a leveraged play on the underlying funds) have a number of catalysts which should materialise in FY27.
- **DGT:** Capital management in HY27, along with another potential 10MW lease, while increased community opposition to new metro DCs may embed further value in existing stock.
- **HCW:** Transfer of Healthscope assets to new operators, resetting a sustainable NTA and a resumption of distributions.
- We have softened our stance on a number of rent collectors (HDN, WPR), seeing resilient income streams, liquid physical markets and elevated distribution yields as cause for optimism.
- **GDF:** We have upgraded GDF to Buy, on an improved outlook as the business leases half of its Acacia Ridge development and is set to reposition Morningside.

Figure 1: Sector coverage

		Rating	Price	Target Price	TSR	Div Yield	P/NTA
		Current		Current	Current	Current	Dec-25
KEY CALLS							
Gemlife Communities Group	GLF	BUY	4.62	5.66	23	0.2	71
Eureka Group Holdings	EGH	BUY	0.65	0.85	33	2.6	16
Digico Infrastructure REIT	DGT	BUY	2.44	3.60	53	5.7	(36)
HMC Capital	HMC	BUY	3.02	4.05	38	4.0	(6)
Garda Property Group	GDF	BUY	1.04	1.15	19	8.7	(35)
HealthCo REIT	HCW	SPECULATIVE BUY	0.71	0.95	38	4.2	(40)
Goodman Group	GMG	ACCUMULATE	30.89	36.00	18	1.0	176
GPT Group	GPT	ACCUMULATE	4.82	5.50	19	5.3	(13)
HomeCo Daily Needs REIT	HDN	ACCUMULATE	1.26	1.36	15	7.0	(19)
Waypoint REIT	WPR	ACCUMULATE	2.44	2.50	9	6.9	(16)
Centuria Industrial REIT	CIP	HOLD	3.02	3.15	10	5.7	(24)
Dexus Industria REIT	DXI	HOLD	2.43	2.44	7	7.0	(28)
Dexus Convenience Retail REIT	DXC	HOLD	2.63	2.60	6	7.4	(31)
Centuria Office REIT	COF	TRIM	0.89	0.80	(1)	9.6	(48)

Source: Morgans Financial, Company

Highlighted companies

Eureka Group Holdings (EGH)

Reiterate our Buy recommendation as EGH's portfolio of affordable rental accommodation continues to expand.

Digico Infrastructure REIT (DGT)

An improved balance sheet to fund the lease-up runway, along with the prospect of capital management, sees continued upside.

Gemlife Communities Group (GLF)

Maintain our Buy recommendation as GLF has exposure to the resilient LLC sector, which is supported by an ageing demographic tailwind. We expect strong EPS growth as more communities come online.

HMC Capital (HMC)

With c.$2.80/sh of NTA (MorgansF), the residual funds management business is trading at a <3x multiple. Given we expect the HMC satellite funds to course correct in FY27, and AUM continues to grow, we see scope for upside.

Garda Property Group (GDF)

The business is trading at a 35% discount to NTA, despite an asset base underpinned by a vanilla SEQ industrial portfolio and a book of development loans where GDF takes an active and controlled approach to risk.

HealthCo REIT (HCW)

We believe a Healthscope deal is approaching, which could see the NTA reset to c.$1.10-$1.20/sh. And whilst unlikely to trade at NTA, a more modest discount is appropriate.

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Analyst(s) own shares in the following stock(s) mentioned in this report:

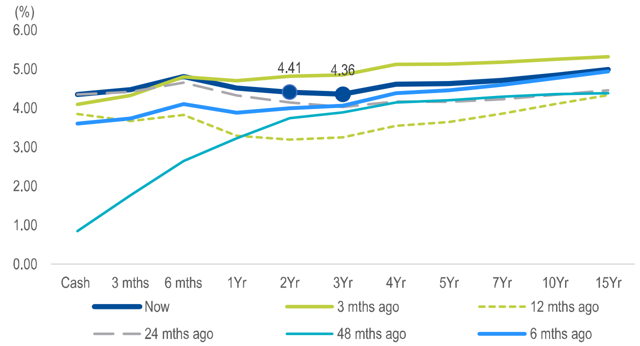
– Centuria Industrial REIT|Digico Infrastructure REIT|Gemlife Communities Group

Key charts

Interest rates – AUD interest rate swap curve

The 2/3-year AUD interest rate swap curve has increased c.30-40 bps over the past six months, which continues to adversely impact our earnings expectations as we factor in higher interest expenses.

However, the softening narrative around future interest rate increases suggests that long-run funding costs are reaching a cyclical peak, which bodes well for the REIT sector.



Source: Morgans

Shifting the discretionary discount

In this note we have harmonised our higher risk-free rate assumption of 4.6% across the REIT coverage. In addition, we have reviewed both our long-term cost of debt assumptions and our expected interest rate expense forecasts. These adverse changes have been offset by a reduction to the discretionary discount, as we explicitly quantify the higher costs in our earnings forecasts.

		Valuation discount	
		Current	Prior
Goodman Group	GMG	-5%	-10%
GPT Group	GPT	-5%	-10%
HomeCo Daily Needs REIT	HDN	0%	-10%
Gemlife Communities Group	GLF	0%	0%
Centuria Industrial REIT	CIP	-10%	-15%
Waypoint REIT	WPR	-5%	-10%
Digico Infrastructure REIT	DGT	0%	-15%
Dexus Industria REIT	DXI	-10%	-20%
Centuria Office REIT	COF	-25%	-25%
Dexus Convenience Retail REIT	DXC	-10%	-15%
HealthCo REIT	HCW	-10%	-20%
Garda Property Group	GDF	-10%	-25%
Eureka Group Holdings	EGH	0%	0%

Source: Morgans

Sector outlook

An improved interest rate trajectory and updated earnings forecasts give us increased confidence in the sector.

We expect that Aug-26 will see higher interest costs largely offset our expectations of continued positive rental income growth, a trend witnessed in HY26 and something we expect to continue through FY27.

While we see it as unlikely that the persistent P/NTA discount can close over the next 12 months, we believe those businesses capable of growing FFO can narrow the gap.

		Rating	TOTAL RETURN		
		Current	3 MTH	6 MTH	12 MTH
KEY CALLS					
Gemlife Communities Group	GLF	BUY	8	(8)	14
Eureka Group Holdings	EGH	BUY	21	37	18
Digico Infrastructure REIT	DGT	BUY	44	(7)	(22)
HMC Capital	HMC	BUY	20	(19)	(28)
Garda Property Group	GDF	BUY	(5)	(6)	(11)
HealthCo REIT	HCW	SPECULATIVE BUY	1	(2)	(3)
Goodman Group	GMG	ACCUMULATE	19	2	(11)
GPT Group	GPT	ACCUMULATE	11	(8)	(1)
HomeCo Daily Needs REIT	HDN	ACCUMULATE	6	(3)	4
Waypoint REIT	WPR	ACCUMULATE	4	1	5
Centuria Industrial REIT	CIP	HOLD	7	(5)	1
Dexus Industria REIT	DXI	HOLD	7	(5)	(4)
Dexus Convenience Retail REIT	DXC	HOLD	2	(4)	(6)
Centuria Office REIT	COF	TRIM	(2)	(14)	(13)

Source: Morgans

Figure 2: Sector changes

		Rating			Price	Target Price			TSR	Div Yield	P/NTA	FACTSET EARNINGS REV			TOTAL RETURN			EBITDAg	FFOg	DPSg
		Current	Prior	Chg		Current	Prior	Chg	Current	Current	Dec-25	3 MTH	6 MTH	12 MTH	3 MTH	6 MTH	12 MTH	FY26-29	FY26-29	FY26-29
KEY CALLS																				
Gemlife Communities Group	GLF	BUY	BUY	NO CHG	4.62	5.66	5.66	0.0	23	0.2	71	1	n.a	n.a	8	(8)	14	13	12	196
Eureka Group Holdings	EGH	BUY	BUY	NO CHG	0.65	0.85	0.85	0.0	33	2.6	16	n.a	n.a	n.a	21	37	18	18	9	12
Digico Infrastructure REIT	DGT	BUY	BUY	NO CHG	2.44	3.60	3.60	0.0	53	5.7	(36)	(2)	1	n.a	44	(7)	(22)	17	22	10
HMC Capital	HMC	BUY	BUY	NO CHG	3.02	4.05	4.05	0.0	38	4.0	(6)	(2)	(17)	(23)	20	(19)	(28)	6	6	0
Garda Property Group	GDF	BUY	HOLD	CHG	1.04	1.15	1.00	15.0	19	8.7	(35)	n.a	n.a	n.a	(5)	(6)	(11)	7	4	3
HealthCo REIT	HCW	SPECULATIVE BUY	SPECULATIVE BUY	NO CHG	0.71	0.95	0.85	11.8	38	4.2	(40)	1	(9)	(16)	1	(2)	(3)	17	22	n.a
Goodman Group	GMG	ACCUMULATE	BUY	CHG	30.89	36.00	36.00	0.0	18	1.0	176	(0)	(0)	10	19	2	(11)	12	10	0
GPT Group	GPT	ACCUMULATE	ACCUMULATE	NO CHG	4.82	5.50	5.20	5.8	19	5.3	(13)	(2)	2	6	11	(8)	(1)	6	6	6
HomeCo Daily Needs REIT	HDN	ACCUMULATE	HOLD	CHG	1.26	1.36	1.25	8.8	15	7.0	(19)	(1)	(4)	1	6	(3)	4	6	4	2
Waypoint REIT	WPR	ACCUMULATE	HOLD	CHG	2.44	2.50	2.45	2.0	9	6.9	(16)	(1)	4	3	4	1	5	3	3	0
Centuria Industrial REIT	CIP	HOLD	HOLD	NO CHG	3.02	3.15	3.05	3.3	10	5.7	(24)	(2)	(5)	3	7	(5)	1	6	5	3
Dexus Industria REIT	DXI	HOLD	HOLD	NO CHG	2.43	2.44	2.25	8.4	7	7.0	(28)	1	n.a	(2)	7	(5)	(4)	5	4	2
Dexus Convenience Retail REIT	DXC	HOLD	HOLD	NO CHG	2.63	2.60	2.50	4.0	6	7.4	(31)	(3)	(1)	(1)	2	(4)	(6)	6	0	(0)
Centuria Office REIT	COF	TRIM	HOLD	CHG	0.89	0.80	0.90	(11.1)	(1)	9.6	(48)	(1)	(1)	(5)	(2)	(14)	(13)	2	3	(4)

Source: Morgans estimates, company data

Earnings changes

A summary of earnings changes is shown below, with the more material HMC changes detailed further on Page 6.

Figure 3: Earnings changes

GMG: *Rating change on valuation grounds.*

Goodman Group GMG	Operating EPS FY25	FY26	FY27	FY28	FY25-28 CAGR	Recommendation	Price Target
Morgans - Current	**118.0**	**129.5**	**141.6**	**154.6**	**9%**	**ACCUMULATE**	**36.00**
Morgans - Prior	118.0	129.5	141.6	154.6	9%	BUY	36.00
Morgans - Chg	0.0%	0.0%	0.0%	0.0%	0.0%	CHG	0.0%

GPT: *Slight earnings upgrade following recent retail centre acquisitions. Target price increases on a lower valuation discount – now -5%, previously -10%.*

GPT Group GPT	FFO per unit FY25	FY26	FY27	FY28	FY25-28 CAGR	Recommendation	Price Target
Morgans - Current	**34.0**	**35.6**	**38.1**	**40.1**	**6%**	**ACCUMULATE**	**5.50**
Morgans - Prior	34.0	35.4	37.6	39.6	5%	ACCUMULATE	5.20
Morgans - Chg	0.0%	0.5%	1.2%	1.3%	0.0%	NO CHG	5.8%

GLF: *No change.*

Gemlife Communities Group GLF	FFO per unit FY25	FY26	FY27	FY28	FY25-28 CAGR	Recommendation	Price Target
Morgans - Current	**23.7**	**29.5**	**33.2**	**38.7**	**18%**	**BUY**	**5.66**
Morgans - Prior	23.7	29.5	33.2	38.7	18%	BUY	5.66
Morgans - Chg	0.0%	0.0%	0.0%	0.0%	0.0%	NO CHG	0.0%

EGH: *No change.*

Eureka Group Holdings EGH	FFO per unit FY25	FY26	FY27	FY28	FY25-28 CAGR	Recommendation	Price Target
Morgans - Current	**3.1**	**3.4**	**3.8**	**4.1**	**10%**	**BUY**	**0.85**
Morgans - Prior	3.1	3.4	3.8	4.1	10%	BUY	0.85
Morgans - Chg	0.0%	0.0%	0.0%	0.0%	0.0%	NO CHG	0.0%

DGT: *No change.*

Digico Infrastructure REIT DGT	FFO per unit FY25	FY26	FY27	FY28	FY25-28 CAGR	Recommendation	Price Target
Morgans - Current	**7.1**	**11.6**	**14.8**	**16.2**	**32%**	**BUY**	**3.60**
Morgans - Prior	7.1	11.6	14.8	16.2	32%	BUY	3.60
Morgans - Chg	0.0%	0.0%	0.0%	0.0%	0.0%	NO CHG	0.0%

HMC: *We have removed any forecast revaluation gains from the energy transition division, factoring in only the asset management fees associated with the KKR transaction. Additional detail on page 6.*

HMC Capital HMC	FFO per unit FY25	FY26	FY27	FY28	FY25-28 CAGR	Recommendation	Price Target
Morgans - Current	**52.5**	**28.6**	**27.4**	**30.8**	**-16%**	**BUY**	**4.05**
Morgans - Prior	52.5	28.7	31.6	34.5	-13%	BUY	4.05
Morgans - Chg	0.0%	-0.5%	-13.3%	-10.6%	0.0%	NO CHG	0.0%

HCW: *Lower earnings resulting from reduced UHF distributions. Valuation increase on a reduced discount (now -10%, previously -20%), reflecting increased confidence in a Healthscope deal in FY27, following the recent Perth hospital re-lease.*

HealthCo REIT HCW	FFO per unit FY25	FY26	FY27	FY28	FY25-28 CAGR	Recommendation	Price Target
Morgans - Current	**6.6**	**4.2**	**4.8**	**7.3**	**4%**	**SPECULATIVE BUY**	**0.95**
Morgans - Prior	6.6	4.3	5.1	7.5	4%	SPECULATIVE BUY	0.85
Morgans - Chg	0.0%	-3.3%	-6.1%	-2.4%	0.0%	NO CHG	11.8%

HDN: *Reduced development realisations (and disposals). Reduced valuation discount from -10% to nil, as LFR assets remain well bid, while lower forecast development earnings reduce risk.*

HomeCo Daily Needs REIT HDN	FFO per unit FY25	FY26	FY27	FY28	FY25-28 CAGR	Recommendation	Price Target
Morgans - Current	**8.8**	**8.8**	**9.0**	**9.4**	**2%**	**ACCUMULATE**	**1.36**
Morgans - Prior	8.8	9.1	9.6	10.0	4%	HOLD	1.25
Morgans - Chg	0.0%	-3.7%	-6.9%	-6.1%	0.0%	CHG	8.8%

Source: Morgans estimates, company data

Figure 4: Earnings changes (continued)

CIP: *Higher interest costs impact FFO. We have reduced our valuation discount across the industrial coverage to a consistent 10%.*

Centuria Industrial REIT	FFO per unit				FY25-28	Recommendation	Price Target
CIP	FY25	FY26	FY27	FY28	CAGR		
Morgans - Current	**17.5**	**18.4**	**19.3**	**20.4**	**5%**	**HOLD**	**3.15**
Morgans - Prior	17.5	18.5	19.6	20.9	6%	HOLD	3.05
Morgans - Chg	0.0%	-0.4%	-1.5%	-2.0%	0.0%	NO CHG	3.3%

WPR: *Higher interest costs. We have slightly reduced our valuation discount to 5% (previously 10%), reflecting incrementally lower risk across our retail REIT coverage.*

Waypoint REIT	FFO per unit				FY25-28	Recommendation	Price Target
WPR	FY25	FY26	FY27	FY28	CAGR		
Morgans - Current	**16.6**	**16.7**	**16.7**	**17.4**	**2%**	**ACCUMULATE**	**2.50**
Morgans - Prior	16.6	17.2	17.7	18.3	3%	HOLD	2.45
Morgans - Chg	0.0%	-2.5%	-5.8%	-5.0%	0.0%	CHG	2.0%

DXI: *Higher interest costs.*

Dexus Industria REIT	FFO per unit				FY25-28	Recommendation	Price Target
DXI	FY25	FY26	FY27	FY28	CAGR		
Morgans - Current	**18.2**	**17.3**	**17.2**	**18.0**	**0%**	**HOLD**	**2.44**
Morgans - Prior	18.2	17.4	17.8	18.7	1%	HOLD	2.25
Morgans - Chg	0.0%	-0.3%	-3.6%	-3.7%	0.0%	NO CHG	8.4%

COF: *Higher interest costs, lower distributions. Gearing concerns and disposals to weigh on outlook.*

Centuria Office REIT	FFO per unit				FY25-28	Recommendation	Price Target
COF	FY25	FY26	FY27	FY28	CAGR		
Morgans - Current	**11.8**	**11.2**	**11.1**	**11.0**	**-2%**	**TRIM**	**0.80**
Morgans - Prior	11.8	11.2	11.2	11.5	-1%	HOLD	0.90
Morgans - Chg	0.0%	0.0%	-1.0%	-4.4%	0.0%	CHG	-11.1%

DXC: *Higher interest costs. We have reduced our valuation discount to -10% (previously -15%).*

Dexus Convenience Retail REIT	EPS				FY25-28	Recommendation	Price Target
DXC	FY25	FY26	FY27	FY28	CAGR		
Morgans - Current	**20.7**	**20.2**	**19.6**	**19.4**	**-2%**	**HOLD**	**2.60**
Morgans - Prior	20.7	21.0	21.4	21.0	1%	HOLD	2.50
Morgans - Chg	0.0%	-3.7%	-8.6%	-7.9%	0.0%	NO CHG	4.0%

GDF: *Adjusted NPI to reflect Acacia lease-up and Morningside redevelopment.*

Garda Property Group	EPS				FY25-28	Recommendation	Price Target
GDF	FY25	FY26	FY27	FY28	CAGR		
Morgans - Current	**7.5**	**9.8**	**10.0**	**10.7**	**13%**	**BUY**	**1.15**
Morgans - Prior	7.5	10.0	11.0	11.6	16%	HOLD	1.00
Morgans - Chg	0.0%	-1.7%	-9.3%	-8.0%	0.0%	CHG	15.0%

Source: Morgans estimates, company data

Notable changes

HMC Capital (HMC)

Earnings. We have modified our earnings forecasts to reflect the 'Energy Transition' division's KKR deal, which will see the business earning an asset management fee, while any revaluation gain will be deferred until crystallisation.

With NPBT run-rate guidance for FY26/27 at $0.40/sh (c.$165m), we are in line with guidance in FY26 (MorgansF: $164.5m), but below in FY27 (MorgansF: $156.1m), albeit above consensus in both FY26 (Consensus: $160.7m) and FY27 (Consensus: $142.2m).

Valuation. We leave our group valuation discount unchanged at -10%, acknowledging that we double count the HCW discount where the co-invest valuation is also risked at 10%.

Figure 5: HMC earnings changes

P&L		FY26F			FY27F			FY28F		
		Pre	Post	Chg	Pre	Post	Chg	Pre	Post	Chg
Base management fees	A$M	190.1	186.3	-2.0%	212.6	207.2	-2.5%	248.6	243.0	-2.3%
Performance + transaction fees	A$M	9.1	6.2	-31.9%	8.3	6.5	-21.9%	10.0	7.6	-23.3%
Co-investments	A$M	33.3	33.5	0.4%	54.1	53.9	-0.4%	55.7	62.1	11.6%
Principal investments	A$M	69.2	72.1	4.2%	50.3	31.6	-37.3%	44.4	25.1	-43.6%
Other	A$M	0.0	0.0	n.a	0.0	0.0	n.a	0.0	0.0	n.a
Total Revenue	**A$M**	**301.7**	**298.1**	**-1.2%**	**325.3**	**299.2**	**-8.0%**	**358.7**	**337.8**	**-5.8%**
Salaries and wages	A$M	(66.7)	(64.0)	-4.0%	(70.4)	(67.8)	-3.8%	(86.7)	(86.2)	-0.6%
Corporate expenses	A$M	(49.4)	(49.4)	0.0%	(49.4)	(49.4)	0.0%	(49.4)	(49.4)	0.0%
Other	A$M	0.0	0.0	n.a	0.0	0.0	n.a	0.0	0.0	n.a
Group EBITDA	**A$M**	**185.5**	**184.6**	**-0.5%**	**205.5**	**182.0**	**-11.4%**	**222.5**	**202.2**	**-9.1%**
Net interest expense	A$M	(20.1)	(20.1)	0.0%	(25.5)	(26.0)	1.6%	(26.5)	(26.9)	1.7%
Underlying NPBT	**A$M**	**165.4**	**164.5**	**-0.5%**	**180.0**	**156.1**	**-13.3%**	**196.1**	**175.3**	**-10.6%**
Underlying NPBT	**A$/SH**	**40.1**	**39.9**	**-0.5%**	**43.6**	**37.8**	**-13.3%**	**47.5**	**42.5**	**-10.6%**
Underlying NPAT	**A$M**	**118.8**	**118.2**	**-0.5%**	**130.5**	**113.1**	**-13.3%**	**142.2**	**127.1**	**-10.6%**
Underlying NPAT	**A$/SH**	**28.8**	**28.6**	**-0.5%**	**31.6**	**27.4**	**-13.3%**	**34.5**	**30.8**	**-10.6%**
Growth	**%**	**-44%**	**-44%**		**10%**	**-4%**		**9%**	**12%**	
Dividend per share	A$/SH	12.0	12.0	0.0%	12.0	12.0	0.0%	12.0	12.0	0.0%
WANOS	#m	413.5	413.5	0.0%	412.6	412.6	0.0%	412.6	412.6	0.0%
SOI (diluted)	#m	412.6	412.6	0.0%	412.6	412.6	0.0%	412.6	412.6	0.0%

Source: Morgans estimates, company data

Investment views

Gemlife Communities Group (GLF)

GLF offers exposure to a structurally attractive segment of the residential market in land-lease communities for discretionary downsizers, underpinned by ageing demographics, housing affordability pressures and government-backed rental support. Unlike traditional builders and developers, GLF's earnings are far more insulated from the interest rate cycle, with demand driven more by demographic tailwinds rather than credit conditions. We rate GLF a BUY, based on an equal blend of our DCF, PER and SOTP which provides a A$5.66 target price.

Eureka Group Holdings (EGH)

EGH owns and operates affordable rental communities for seniors, with revenues underpinned by government-backed demand and a structural undersupply of affordable housing. The business is more insulated from the interest rate cycle, delivering sector-leading earnings growth through a combination of same-store rent increases and a growing community footprint. The capital-efficient modular construction pipeline reduces execution risk and supports a continued rollout at attractive returns, while trading at NTA. We rate EGH a BUY with a A$0.85/sh target price, based on a risk-adjusted average of NTA and PER.

Digico Infrastructure REIT (DGT)

DGT's investment case centres on SYD1, a genuinely scarce Tier 1 CBD carrier hotel with secured power and full planning approval in a power-constrained market. The 88MW expansion program provides a clear, time-bound pathway to materially higher NAV, with management's roadmap to full occupancy well-defined. The stock trades at a significant discount to NAV that does not yet reflect the full value of the expansion pipeline. Our target price of A$3.60/sh reflects higher assumed capex and a moderation in $/MW revenue growth assumptions. We rate DGT a BUY, based on a risk-adjusted average of NAV and DCF.

HMC Capital (HMC)

HMC is an alternative asset manager with a growing, diversified platform spanning energy transition, healthcare infrastructure and daily needs real estate. Recurring management fee revenue is growing as AUM expands, with the business progressively transitioning toward a more predictable, fee-based earnings profile. Our target price of A$4.05/sh reflects lower performance and transaction fee assumptions, with these income streams excluded from our fee-related earnings base and valued at a lower multiple to reflect their variability. We rate HMC a BUY, based on a risk-adjusted average of SOTP (P/FRE) and PER.

Garda Property Group (GDF)

GDF operates a dual-engine business model, generating NPI growth from its industrial and commercial property portfolio while growing a private credit lending book positioned to benefit from higher rates. Low balance sheet gearing provides flexibility to allocate incremental capital toward higher-returning lending activities. Our target price of A$1.15/sh reflects an implied distribution yield of 7.8% and a P/NTA discount of ~28%, with the reduction reflecting sector-wide rate assumptions. We rate GDF a BUY, based on a risk-adjusted average of NTA and DCF.

HealthCo REIT (HCW)

HCW owns a diversified healthcare real estate portfolio and is progressing toward a negotiated resolution of the Healthscope hospital leases, a resolution we view as increasingly achievable with executable agreements in place with alternative operators for all 11 hospitals at unchanged face rents. Conservative gearing provides a sufficient buffer as the timing of resolution remains uncertain. Our target price of A$0.95/sh incorporates an adjusted SOTP, retaining a residual margin to reflect execution risk on final terms. We rate HCW a SPECULATIVE BUY, based on a risk-adjusted average of SOTP and NTA.

Goodman Group (GMG)

GMG is the leading global industrial and data centre developer, leveraging scarce power-enabled metro land, long-dated capital partnerships and a conservative balance sheet to compound development earnings at scale. The business is transitioning toward a higher proportion of data centre development where margins are superior to traditional logistics, supporting earnings growth while extending development timeframes. We rate GMG an ACCUMULATE with a $36.00/sh target price, based on a risk-adjusted average of DCF and NAV.

GPT Group (GPT)

GPT is a high-quality diversified REIT with a portfolio spanning office, retail and industrial assets, complemented by a growing funds management platform that the market continues to undervalue. GPT's scale and liquidity make it one of the most accessible ways to gain exposure to Australian commercial property, and one of the names best positioned to re-rate as the interest rate outlook moderates. Our target price of A$5.50/sh reflects an increase in our cost of debt assumptions, partially offset by the compounding value of the funds management business as the business acquires additional retail assets. We rate GPT an ACCUMULATE, based on a risk-adjusted average of NTA and DCF.

HomeCo Daily Needs REIT (HDN)

HDN's portfolio of neighbourhood and convenience retail centres benefits from near-full occupancy, positive leasing spreads and the defensive characteristics of non-discretionary retail. The development pipeline provides further incremental upside, as HDN improves existing assets and curates the portfolio. A deep and liquid physical asset market for large format retail assets gives us confidence in the NTA, while the rental reversion potential should see NPI growth remain positive, even if market rental growth were to soften. We rate HDN an ACCUMULATE, with a A$1.36/sh target price, based on a risk-adjusted average of NTA and DCF.

Waypoint REIT (WPR)

WPR is a yield-focused REIT owning a portfolio of service station properties leased predominantly to Viva Energy on long-term leases, providing highly predictable, inflation-linked income streams with limited near-term execution risk. The portfolio trades at a discount to NTA and offers a distribution yield of ~7%, supported by a well-structured balance sheet with no near-term debt maturities. Our target price of A$2.50/sh reflects improved earnings assumptions and a margin benefit from recently refinanced debt facilities. We rate WPR an ACCUMULATE, based on a risk-adjusted average of NTA and dividend yield.

Centuria Industrial REIT (CIP)

CIP owns a portfolio of well-located Australian industrial assets with strong rental reversion potential. Above-market leasing spreads and meaningful residual under-renting support a medium-term NPI growth outlook of ~5% pa. The portfolio trades at a material discount to both NTA and replacement cost, with recent asset divestments occurring at premiums to book, underscoring underlying value. However, higher interest costs continue to weigh on FFO growth, limiting potential upside. We rate CIP a HOLD with a A$3.15/sh target price, based on a risk-adjusted average of NTA and DCF.

Dexus Industria REIT (DXI)

DXI is an industrial REIT with a high-quality portfolio of well-located assets, underpinned by fixed and CPI-linked rent escalators that provide above-sector earnings visibility. The balance sheet is conservatively positioned below the target gearing range, affording DXI flexibility to pursue value-accretive development opportunities. While the portfolio trades at a meaningful discount to NTA, the prospect of increasing interest rates reduces the near-term re-rating potential as the business digests higher interest expenses. We rate DXI a HOLD with a A$2.44/sh target price, based on a risk-adjusted average of NTA, with a 10% valuation discount.

Dexus Convenience Retail REIT (DXC)

DXC is a pure-play convenience retail REIT with a portfolio focused on metro and highway locations, providing defensive, non-discretionary income streams. The portfolio trades at a ~30% discount to NAV and offers an implied distribution yield of ~7%, though near-term earnings remain constrained by higher rates. We rate DXC a HOLD with a A$2.60/sh target price, based on a risk-adjusted average of NTA, with a 10% valuation discount.

Centuria Office REIT (COF)

COF faces a challenging combination of elevated gearing, a distribution level that appears too high relative to incentive-adjusted income, and vacancy concentrated in office markets where leasing conditions remain structurally difficult. The prospect of higher rates compounds these headwinds for a leveraged portfolio with limited near-term earnings growth. Our target price of A$0.80/sh applies a -25% valuation discount to reflect these factors. We rate COF a TRIM, based on a risk-adjusted average of NTA.

Risks to price targets being met

- **Interest rates:** A renewed move higher in the swap curve, or a stalling of the current dovish narrative, would remove both the direct earnings offset and the recent reduction in our discretionary valuation discount, a double hit to valuations.
- **Turnaround execution:** DGT, HCW and HMC's re-rate cases each rely on a specific FY27 catalyst (capital management, the Healthscope resolution, and further leasing deals). Delays to any of these push out the thesis and removes support for the current target prices.
- **Distribution sustainability:** Elevated gearing in combination with higher rates and ongoing disposals, most notably at COF, leave scope for further distribution cuts if asset sales and a soft office leasing market continue to drag on FFO.
- **Earnings visibility:** Development timing, pre-completion income treatment and asset recycling (DGT's CHI1, GMG's 2H skew, HMC's guidance tied to valuation gains) make run-rate earnings harder to read from half-year actuals, raising the risk that reported results overstate underlying momentum.
- **Private credit and cyclical sentiment:** Names with private credit or disposal exposure remain vulnerable to a further narrative-driven de-rating if credit market conditions or the broader economic outlook deteriorate.

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Regulatory disclosures: Analyst owns shares in the following mentioned company(ies): Centuria Industrial REIT|Digico Infrastructure REIT|Gemlife Communities Group