
LISTED PROPERTY / YIELD SYSTEMS

REITs: *Cashflow* in a Ticker

Paper real estate can still gap on rates, cap-ex, and tenant credit; the market prices liquidity and narrative faster than appraisals update.

SYSTEM ARCHETYPE 048

REITs / *Listed Property* /

REITs (real estate investment trusts) pool property or mortgage cash flows inside regulated wrappers with dividend cultures and sector exposures. Read them with [MPT framing](#), [rate sensitivity](#), [bucket policy](#),

and entropy in fees and premium/discount cycles—because listed liquidity is not the same thing as passive truth.

*"Paper real estate still bleeds when rates move
—only the wallpaper looks passive."*

1. REIT *Physics*

Funds from operations exist because GAAP net income misleads on depreciation; still, FFO is not a substitute for reading leverage covenants. When rates gap, the policy should specify tracking error budget versus broad equity and whether REITs are a satellite or core sleeve. If two analysts disagree on NAV, your edge is humility, not leverage. Run inversion on NAV narratives: three ways price divorces from private-market marks.

Non-traded REITs can hide illiquidity fees and stale marks inside distribution stories—treat distribution yield as a hypothesis. Quarterly reviews should reconcile work-from-home elasticity, cap-ex intensity, and tenant credit concentration. Boring covenant reads beat brilliant cap-rate memes. Run

inversion on NAV narratives: three ways price divorces from private-market marks.

Sector concentration turns 'diversified REIT' into a levered bet on malls, towers, towers again, or data centers—read the sleeve. A serious IPS should publish after-tax yield when return-of-capital adjusts basis instead of showing up as ordinary income. Yield without coverage is a rumor. Read MPT inputs when sector REIT baskets pretend to be diversified equity.

REITs are listed wrappers around real-estate cash flows: equity, mortgage, and hybrid flavors each trade different rate and credit exposures under the same three-letter acronym. Before sizing the REIT sleeve, verify whether dividend coverage, payout policy, and retained cash for development pipelines. A ticker is not dirt; it is a cashflow claim with fees. Sketch causal loop diagrams for office demand, cap rates, and refinancing walls.

International REITs add currency and policy tails domestic slides ignore. The adult version of listed property is to document assumptions about months where REITs correlate to equities despite the diversification story on the slide. Sector labels hide tenant truth. Pair Stock vs. Flow so FFO and dividends are not confused with liquidity events.

Premium and discount to NAV are sentiment meters—useful when honest, cruel when liquidity pretends to be appraisal. If mortgage REITs appear, interrogate leverage at entity level versus property level, and what refinances in the same year as maturing debt walls. Discounts can widen longer than conviction lasts. Budget entropy for premium/discount volatility and dividend policy drift.

2. FFO *and Leverage*

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Tax character matters in taxable accounts: ordinary dividends versus return-of-capital components deserve their own rows. Stress the sleeve by assuming months where REITs correlate to equities despite the diversification story on the slide. Liquidity giveth; premium taketh away. Use three-bucket policy so listed real estate has an explicit mandate beside core equity.

Rate sensitivity is duration math wearing a property mask; when the curve moves, correlations to broad equity often wake up. Second-order planners ask how office or retail demand interacts with leverage at entity level versus property level, and what refinances in the same year as maturing debt walls. When doubt appears, read the debt maturity table first. Draw boundaries between REIT sleeve, direct property, and private real estate funds.

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4. Sectors *and Stories*

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7. Non-Traded *Caveats*

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REIT SLEEVE CHECKLIST

01

Vehicle type

Equity, mortgage, hybrid—match risk to mandate.

02

Leverage and maturities

Debt wall calendar alongside dividends.

03

Sector truth

Tenant and geography concentration named.

04

Tax and account

Location of REIT income in your wrappers.

8. Atlas *Integration*

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