# Table of Contents

- What are REITs 4
- Different Type of REITs 5
- Why REITs 9
- Speculation Strategy 13
- Dividend Strategy 16
- REITs and CFDs 19
- REITs - A Strategic Weapon Post Covid-19 24
- Mastering REITs 27
What are REITs

Real estate investment trusts (REITs) are exactly as they sound – these are special purpose investment trusts that invest in real estate. Sometimes they are also called ‘listed property trusts’ or LPTs. Essentially, they are both one and the same thing.

A REIT’s purpose is to own and manage a portfolio of properties for the benefit of its shareholders (also referred to as unit holders). This typically means investing in good quality properties with strong tenants and favourable lease terms, then passing the rental income stream on to shareholders.

As is common with property investing and business in general, REITs usually take on a certain amount of debt to grow their portfolio and/or enhance returns.

Just like any trust, a REIT also has trustees, managers, settlors and beneficiaries. The beneficiaries of the trust are effectively the shareholders that hold units in a trust. A unit or a share, is effectively a portion of the entire asset base held by the trust.
Different Type of REITs

At a high level, REITs can be classified into one of the following types of trusts. Actually, these aren’t different types, more so like different asset classes the REITs hold on their books - somewhat like being specialists in certain type of real estate.

So at a broad level, some of the different focus areas an REIT could have are:

- **Residential REITs:** These are REITs that only hold assets in the residential housing market. Some have a mixture of houses, units and apartments, while others have a focus on one or the other.

- **Then we have Retail:** These are REITs that focus on commercial properties but only in the retail sector. This includes your neighbourhood shops, large shopping centres such as Malls and also ‘large-format’ (big-item) retailers like furniture stores, Bunnings Warehouse etc.
**Office Space REITs:** These are REITs that specialise exclusively in office buildings. There are several such REITs and now might be a good time for you to know that not all REITs are publicly listed. A group of investors could come together and setup a REIT and decide to not list it publicly. It is still an REIT, just not publicly listed. A lot of Office space REITs aren’t listed, but there are a few across Australia, New Zealand, USA, Canada, Singapore etc. that are listed on the national stock exchanges of the countries.

**Industrial/Commercial REITs:** These are REITs that focus on industrial real estate such as large warehouses, large factory space, storage facilities and so on.
Then there are **Hotel REITs:** These are quite common and are mostly focused on holding hotel assets on their books. While some are strictly hotel oriented, there are others that cover the wider accommodation assets such as hotels, motels and also caravan parks and motor home parks. Traditionally very profitable but in times of crisis such as the coronavirus crisis, these REITs usually tend to struggle a lot. No surprises there I guess…

**Fuel Pump REITs:** These guys focus only on owning petrol pumps and servos around the country. These are an interesting bunch and not many across Australia & New Zealand tend to focus on these, at least not the listed ones.
Lastly we have the **REIT Indices**. These are an index assigned to a bunch of REITs on an exchange. To give you an example, if a country has 25 different REITs across all the sectors I have mentioned so far, the exchange could have a combined index which is based on a weighted average performance across all REITs in the country that are part of the index. There are pros and cons, of looking at REIT indices and it is covered in our REIT Masters course in quite a lot of detail.
Why REITs

REITs typically **pay a higher yield (often 7-11%)** rather consistently which may be greater than the typical yield you could get from an investment rental property (~4-5%).

REIT income can be **tax-efficient**. Distributions often come with a ‘tax-deferred’ component, which means an investor will only pay tax on some of the income. However, you must seek specialist accounting advice on this to make sure it is relevant to your country or state.

Almost all REITs structure their leases to include mandatory rent increases each year. This is either a fixed rate like 4% per annum, or it could be CPI inflation based at +1-2%. This **offers higher certainty around future earnings** and income for the REIT and the investor.

REITs are **relatively low effort investments**. You don’t have to worry about property management, maintenance, stamp duties or take on huge amounts of debt to front up the deposit required to buy a rental property.

Commercial real estate has huge economic
value, and much of it is not available for investment to regular property investors because 1) they are a very high capital investment and 2) the loan term for commercial properties isn’t the typical 25 years.

IN TIMES OF CRISIS, REITS ARE AN ABSOLUTE MISSILE THAT GETS YOU INTO A MARKET WHERE VOLATILITY COULD POTENTIALLY PROVIDE SOME QUICK PROFITS.
During a crisis, the volatility created in the market creates massive opportunities. Day traders use this volatility to get in and out of a REIT trade multiple times with variable amount of profit at each time.

For a REIT that's trading at $2 per share, it could potentially be trading at around 80 cents per share during a crisis, depending on when you enter the market.

If you have done your research properly and picked up the right REIT for this period, then as the market comes back to normalcy, your capital gains alone could be quite massive.

Let's say REIT ABC was trading at $2 per share paying 7% dividend before the crisis.

As the crisis hit, the price dropped to $0.75 and you decided to buy $30,000 worth of shares in the REIT.

That would give you 40,000 shares.

The dividend payout from the REIT would be $2,100 per year. That’s not a bad cashflow return for an investment of $30,000. Way better than keeping $30,000 in the bank…

But let's say the market begins to bounce back in 6 months time and the REIT has moved up to $1.20 per share. Your $30,000 capital investment is now worth $48,000.
For most of us, REITs are relatively easy to understand and can provide a high yield in a low interest rate environment. For retirees or those paying very little tax, that’s pretty desirable. So when you have interest rates dropping, or worse yet, going into negative territory, REITs offer a much better passive income solution compared to a term deposit.
Speculation Strategy

Making money through volatility in the market is not something entirely new. Market speculation is a very common trading approach adopted by savvy investors and in-fact, it is the number one reason why you’ll hear stories of a few “in-the-know” investors raking in 7 or 8 figure returns during the early days of a crisis. It’s all because of market speculation.

Any time there’s uncertainty in the market place, be it related to a particular industry, such as a severe drop in oil prices, which would affect trust companies, that hold Petrol Stations for instance; Or be it related to a wider economic issue such as the covid-19 crisis, which affects the entire market across the board - uncertainty creates panic. Panic creates volatility, and Volatility creates quick profits, if you know how to sail in turbulent waters.

So if making quick cash from speculative trading of Real Estate Investment Trusts is your jam, then you need to look for strong price action, meeting strong volume action, creating strong volatility. Thats when you have a clear signal of which direction to speculate in.

You can speculate on REITs in 3 ways.

1. Through a managed account with a brokerage. You can setup an account with a qualified broker that has a financial advisory team or a trading desk. You can then instruct them to trade the specific REITs that you identify and you can also tell them how to trade those, with maximum acceptable downside risk, and minimum upside potential, and just let them run the show for you.
2. You can trade yourself. Just open an account with a brokerage of your choice. As long as you follow the basic steps, it’s not that hard to learn how to trade, using software such as MT4 or cTrader.

3. You can find a signalling service that provides entry and exit signals by email through a community trading scenario, whereby you don’t have to do the due diligence per trade. There are communities of traders out there, that do this for a living, and allow others to copy their trades, in real time, through plugins and extensions on the trading platform. You have to be very careful, because not every trader knows what he or she is doing, and the signal market is full of fake performance reports, and all sorts of skull duggery.

In order to make money from speculation in the REIT market, you will need to know how to firstly identify the direction of the market. If you are not highly experienced, then you should always stick to the direction of the general trend.

Secondly, you will also need to familiarise yourself with additional concepts, ideas and systems to understand how to place trades, the different types of orders that exist and what each order type means. You will also need to know how to manage your losses using stops and how to maximise your profitability using trailing “take-profit” systems.

Sounds hectic? Yes, it is. But if you want to make Triple digit gains through market speculation, you surely cannot expect that to be a walk in the park. Right?

The good news however, is that the REIT Masters course shows you exactly how to achieve all these results and do so with confidence with our Mock
Deal sessions where you get to spend one on one time with someone from the Property Magnets team to practice what you’re going to learn in the REIT Masters course.

I’ve had the uncommon privilege of being a high-frequency trader across all major markets and multiple asset classes. I’ve poured out years of trading experience and skills into the REIT Masters Course. Let me show you how to make money from the Real Estate Investment Trust market.

- Manas, Founder & CEO of Property Magnets

Introducing the REIT Masters Course

This course was developed in response to the Covid-19 Crisis and is part of our Crisis Investing Course Bundle, but also available on its own as a specialist module that can be added onto any other property investing course from Property Magnets

What Are REITs

This is the very first lesson in the REIT Masters course and is designed to familiarise you with the concept of Real Estate Investment Trusts at a high level.

- Speculation using REITs
- Cashflow Investment Approach
- REIT Market Analysis
- REIT Due Diligence Part 1
- REIT Due Diligence Part 2
- REIT Due Diligence Part 3
- Funding & Debt Instruments

Introduction to CFDs

Contracts for Difference (CFDs) are a powerful way for anyone to get into the trading floor of this opportunity with REITs. A CFD allows anyone (with an online brokerage account) to be able to trade shares in a company listed on the stock exchange without ever owning the share itself.

- REITs Vs. REIT Indices
- Case Studies
- AU Case Study
- NZ Case Study
- Introduction to Tools
- Mock Deals
Dividend Strategy

Most REITs usually stick to a six monthly payment schedule for dividends and in this lesson, I am going to discuss how dividends work and what your strategic approach should be when implementing this strategy in times of crisis.

One of the first things to realise is that given these REITs have underlying assets in the property sector, it is natural that they will be negatively impacted with the imminent drop in the housing market, just like everyone else would with this whole Covid-19 issue.

So the first thing I would suggest is that you manage your expectations well at this time. Secondly, it is sensible to diversify your dividend strategy across different REITs that are made up of different type of assets.

If you remember, from earlier in this handbook, I mentioned the various type of properties REITs tend to focus on. Lets do a quick recap of those now. We looked at the following property types:

- Residential REITs
- Office Space REITs
- Then we have Hotel REITs
- Retail
- Industrial/Commercial REITs
- Fuel Pump REITs and lastly
- REIT Indices

Now of all these, Retail, Office, Industrial and Petrol pump REITs tend to carry the longest lease terms with their tenants. Further, when a REIT holds long term leases, usually, periodic rent increases are automatically built into
those leases at either a stable rate of 3-4% per term or based on CPI inflation of between 1-2% per term.

Depending on when those leases are up for renewal, the REIT might be exposed to short term risk from market movements. Furthermore, if the local government has implemented any new policies around rent increases to ease pressure on tenants, then that would play a role in the dividend paying capacity of the REITs too.

So when choosing the right kind of investment vehicle, at this time, besides doing the usual due diligence on the REIT, you will also need to dive deeper into the announcements REITs are required to make at the stock exchange level to understand how, if at all, REITs are affected by this dynamic situation in the market.

In the REIT Masters course, when we get to the part about REIT due diligence, I provide live examples of where and how you can get access to this information to be better informed and make educated decisions.

In fact, in the full course, I also show you a lesser known, but incredibly powerful strategy used by professionals to create sustainable cashflow from trading REITs. The strategy is designed to simply use REITs to capture the dividend payment from the stock and keep replicating the process for any and all dividend paying stocks in the market.
The sole aim of that strategy is to provide you cashflow.

I AM A HUGE SUPPORTER OF CASHFLOW BECAUSE IN THE BEST OF TIMES, CASHFLOW IS KING AND IN TIMES OF CRISIS, I DON’T KNOW... CASHFLOW IS GOD.

Unfortunately, majority of investors have been taught to focus more on capital gains. The state’s narrative also seems to support that idea because of how much emphasis is laid on items such as capital gains taxes and so on. Capital gains is a novel idea. Don’t get me wrong. But in order for you to experience capital gain, more than the gain happening through markets rising, you’ve got to have the ability to realise those gains at that level by having someone pay you the money for it - simply put, if the market isn’t ready to pay a premium, you can’t possibly expect to make a gain. In times of crisis, that’s not what is going to happen. No one is ready to pay a premium for anything. You know that.

In times of crisis, your primary objective has to be to continue to live the same lifestyle you did in peacetimes without having to stress about where the next dollar is going to come from. Passive income, that’s the name of the game at any time, and undeniably more so during times of crisis.

REITS PROVIDE A VERY SMART WAY OF GENERATING CASHFLOW INCOME FROM THE PROPERTY SECTOR WITHOUT OWNING ANY PROPERTY DIRECTLY. THAT’S THE POWER OF REITS.
REITs and CFDs

When you think about buying REITs, the first thought most of you will have, is to buy shares in a REIT. You might think that it’s going to take lots of money and a brokerage account with someone like a bank, or a traditional stock broker. While it is true that you’re going to need to have a brokerage account, it is not true that you’re going to need lots of money, to start trading in REITs.

This is possible through something called a CFD, or Contract for Difference.

A contract for difference, or (CFD), offers traders and investors, an opportunity to profit from price movement, without owning the underlying asset.

YOU CAN TRADE SHARES WITHOUT OWNING THEM, AND TAKE FULL ADVANTAGE OF EVERY ASPECT OF SPECULATION, INCLUDING THE DIVIDENDS YOU CAN COLLECT, USING THE DIVIDEND CAPTURE STRATEGY THAT YOU WILL LEARN ABOUT IN THE REIT MASTERS COURSE.

This type of a trading instrument falls in the category of derivatives, in that the CFD itself isn’t the asset such as shares in the REIT. Its a derivative of the asset, in the form of a contract, which gives you the ability to buy and sell the asset, based on the arrangement with a broker.
In today’s computerised trading world, everything is done electronically. In fact, there are no more book traders out there, anywhere. Everything is handled through electronic trade and settlement systems such as COMEX, Computershare, and other similar systems around the world.

So if you have a broker that can clear those trades for you, of which, there are literally thousands, you can **instantly access the capital markets from significantly low deposits**, such as a few hundred dollars, and begin trading using CFDs.

It’s a relatively simple instrument, in that it is calculated by the asset's movement between trade entry and exit, computing only the price change, without any consideration of the asset’s underlying value.

Trading CFDs offer several major advantages that have increased their popularity enormously, in the past decade.

If a stock has an ask price of $25.26, and the trader buys 100 shares, the cost of the transaction is $2,526, plus commission and fees. Because when you are buying or selling, you are only entering into one side of the transaction, traditional brokers would require 50% margin on the account. Margin, by the way, is the cash available, to enter a trade. So in this example, that would have been at least $1,263. However, a CFD broker might require as little as just a 5% margin, or $126.30.

**HENCE, USING CFDS, THE TRADER CAN ENTER INTO THE SAME TRADE, FOR SIGNIFICANTLY LOWER UPFRONT CASH.**
Now the difference between the ask price, (the price you buy something at), and the bid price, (the price you sell something at), is what is known as the spread. The spread exists so that the man in the middle, the broker, can make some money, in facilitating this trade.

As soon as you place a CFD trade, it will show a loss equal to the size of the spread, at the time of the transaction, so if the spread is 5 cents, the stock needs to gain 5 cents, for the position to hit the breakeven price. You'll see a 5-cent gain if you owned the stock outright, but would have paid a commission, and incurred a larger capital outlay.

If the stock in our example rallies to a bid price of $25.76, in a traditional broker account, it can be sold for a $50 gain, or $50 divided by $1263, which = 3.95%, profit. However, when the national exchange reaches this price, the CFD bid price may only be $25.74. The CFD profit will be lower, because the trader must exit at the bid price, and the spread is larger than on the regular market.

This is the trade-off, for having the privilege of trading with small amount of cash, without compromising the ability to make larger purchases on the market. It is for this reason, CFDs are classed much higher risk, because most traders don’t understand, that whatever price movement they are banking on, must be greater than the spread at minimum, in order to break even.

ONE OF THE BIGGEST ADVANTAGES OF USING CFDS TO TRADE REITS IS THAT YOU ARE ALLOWED TO “SHORT” A STOCK.
Shorting means, you are banking on the price of an asset to go down.

Typically, you can’t sell something you don’t own. But in case of CFDs, that’s not how it works. CFD instruments can be shorted at any time, without having to borrow stock, which is what you would need to do, in a traditional trading environment. This is possible because in CFDs, you never own the underlying asset anyway. It’s like betting on an asset you don’t own..

This is incredibly powerful if you take a moment to truly understand the opportunity it gives you to bet against a market that is trending heavily down.

Imagine this in the context of Airline Stocks, Retail REITs, Hotel REITs/Stocks and industries you know are going to be devastated in the aftermath of the covid-19 crisis. IF you know how to use this to your advantage, there’s absolutely no limit to what you could achieve.
Another great advantage of CFD REIT trading, is that by holding a CFD, you are eligible for many of the same benefits you would receive, if you owned the shares outright through traditional means of trading.

This includes, being able to get a dividend adjustment from CFDs.

There are a few exceptions to the rule, such as voting rights, as you do not physically hold the share with a CFD. Other exceptions are more beneficial, such as being able to short shares, which is something you cannot do through the traditional route without either holding the shares in the first place, or borrowing the shares from a third party. CFD share trading mirrors the underlying equity market it tracks. This means that when a share pays a dividend to its shareholders, most CFD providers will do the same.

If you hold a CFD in a REIT, immediately prior to market open, on the morning of that share’s ex-dividend date, your account will have a dividend adjustment posted to it. If you have a long position in the REIT, you will have a positive dividend adjustment, and if you have a short position, you will have a negative dividend adjustment. The amount of the dividend adjustment, is the declared cash dividend, multiplied by the number of share CFDs held. However, you need to also understand that like every investment activity, CFDs are risky. In some ways, riskier than others.
REITs - A Strategic Weapon Post Covid-19

There’s obviously a lot more to REITs and the path to making money from trading REIT stocks is not devoid of hurdles and pitfalls. At a fundamental level, REIT trading is no different to traditional stock trading and the concepts around speculation and dividends are virtually identical.

Trading requires an understanding of how the markets work, the different order types, the reliance on brokers and the need for speed when it comes to order execution - especially if you’re interested in the speculative aspects of trading.

In addition to that, if you’re looking to create a cashflow income for yourself, using the dividend strategy, then the most important thing is to understand how to carry out fundamental as well as technical analysis on the stock, to understand your risk as well as the reward on the other side.

CFDs provide a powerful way of getting into the market with a few hundred dollars. Now that’s way better than having to come up with tens of hundreds of thousands of dollars to own property.

REITS OFFER A POWERFUL WAY FOR EVERYONE TO PARTICIPATE IN THE REAL ESTATE MARKET WITHOUT OWNING ANY PROPERTY.
Sure, owning property should be everyone’s goal, but there are so many out there that can’t afford to buy a property or just don’t have the income to support the crazy house prices in most major cities around the world.

For those individuals, REITs offer a powerful and meaningful way of being a market participant without massive capital exposure or market risk.

Trading REITs in some countries is far more profitable than banking on rental income from a property. In the full course, I’ve actually presented a complete analysis of a comparison between owning a rental property and investing that same money in a diversified REIT trading strategy. The results are just unequivocally in favour of a REIT play.

Now consider the current environment of uncertainty and the massive pressure on the housing market as well as ultra weak fundamentals (jobs, economy, interest rates, low consumer confidence etc.) and you will soon realise that locking up $50,000 or $100,000 in a deposit for a property may be a mistake.

I say so because in the current environment, agility and liquidity will trump capital gains anytime. For one, it is unlikely that you will have capital gains in
the next 2-3 years given the expected trajectory the housing market is likely to take in the coming months.

Secondly, even if you do see capital gains, it is unlikely to be enough to serve as the refinancing widget you’d use to grow your property portfolio.

As an investor, if you’re not entering the market with a goal of expanding your portfolio with speed and scale, then none of what I’m saying here or in any of our other Property Investing Strategies will be of any use to you. However, on the other hand, if growing your portfolio is something you’re interested in, then you’ve got to enter a property transaction with a timeframe by when, you can use the capital gain of that property to refinance buying another one and then another one and keep repeating that process.

It is imperative you understand that this repetitive growth is only possible if there are capital gains over time. Ask yourself. Do you see that happening in the next 2-3 years with what’s on the horizon with Covid?

Now imagine being able to diversify that same deposit into 2 or 3 different trading strategies and pretty soon, you’ll find yourself in a position of not only having cashflow, capital gains and financial outcome, you will also preserve your agility and liquidity because REIT stocks are HIGHLY LIQUID.

If you need to, you can potentially liquidate all your holdings in a day, cash out and take care of business whichever way you want. On the other hand, selling a property is not that easy.
Mastering REITs

REITs can provide a solid and tax-effective income stream. They’re underpinned by valuable real estate and have built-in rent increases. But they’re certainly not without risk. It is important you spend the time and make the effort to properly learn how REITs work and how to trade REITs in the market.

The REITs Masters Course is something that was developed solely for the purpose of helping everyday people, those that have the desire button necessarily the bundles of cash, to partake in the greatest Real Estate opportunity of a lifetime brought forth by Covid19.

If you are serious about something, be it REITs or just Property Investing in general, it is important you spend the time and make the effort to learn how to read the market in times of a crisis. The opportunity is there, but you need to know where to look, how to separate all the facts from the noise, understand the direction of the market and where those opportunities are.

Consider enrolling for the REIT Masters course or at the very least schedule a call with someone from our team to learn more about REITs and explore the possibilities.
REIT Trading, like any trading activity in capital markets, is highly risky. Nothing mentioned in this handbook is to be seen as any advice, encouragement, instruction, or recommendation to trade any specific REIT or any capital market asset or item in general, including, but not limited to REITs themselves. Examples shared in this handbook are for illustration and educational purposes only. No solicitation made. No advice given. No guarantees or warranties made. No representations made. No responsibility taken for anything.