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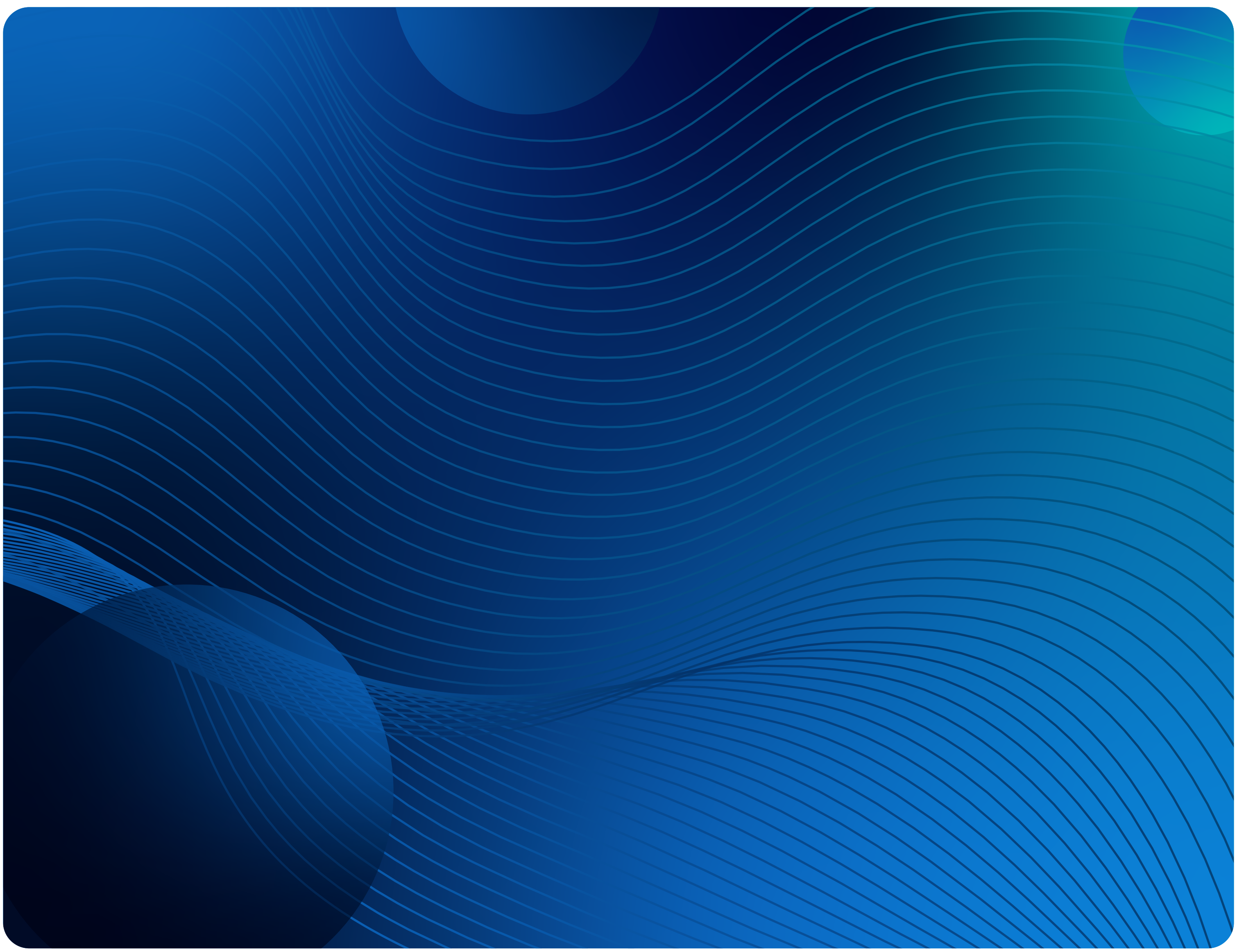
The Mortgage REIT Playbook: Strategies for a Market in Motion



Introduction

For mortgage Real Estate Investment Trusts (mREITs), 2025 is anything but business as usual. Navigating higher for longer interest rates, increasing operational complexity, and evolving investor expectations more than ever demand strategic adaptation and technology innovation.

Clearwater Analytics' inaugural REIT Summit gathered industry leaders to identify six key trends reshaping the mREIT sector—from interest rate pressures and data demands to diversification and technology modernization.

mREITs have been in a tough spot these past several years and investors are looking for a rebound in 2025 – the stakes are high. Those who implement comprehensive platforms to support their anticipated growth and added complexities will gain significant competitive advantages. Breaking down silos between asset management, accounting and treasury, streamlining data aggregation, automating reconciliations and reporting requirements, improving control processes and reducing audit risk, and establishing a "single source of truth" for data is what REIT leaders have identified as key areas of focus.

Our Experts

This report is backed by decades of expertise, with insights from top REIT finance leaders—including Chief Financial Officers, Chief Accounting Officers and Controllers who manage financial reporting, risk, and capital strategy across multiple asset classes, including residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), public and private credit, derivatives, and construction financing.

Six Critical Trends in the REIT Industry in 2025

1. Navigating a High-Interest Rate Environment

REITs face significant headwinds from higher interest rates, impacting everything from borrowing costs to portfolio valuations. Elevated rates are squeezing profit margins while depressing property values. This combination has increased pressure on debt financing rates as well as reducing borrowing capacities and increasing margin requirements, resulting in narrower spreads. This stands in stark contrast to the low-rate environment of the pandemic era, which reshaped investor expectations around returns.

Still, REIT leaders expressed optimism about certain segments, predicting increased private fund activity and the deployment of equity in mREITs, including public and private non-traded REITs (NTRs).

Private and non-bank lenders have emerged as common funding sources, helping REITs pursue acquisitions and development, even as traditional financing tightens. Forward-thinking institutional investors are already partnering with private credit providers to maintain growth trajectories.

2. Emerging Investment and Finance Opportunities

Firms are expanding into new asset classes, products and structures, such as residential transition loans (RTLs), business-purpose loans (BPLs), build-to-rent, home equity sharing, joint ventures (JVs), and securitizations. These are helping firms unlock capital and diversify portfolios.

Shifting demographics and remote work trends are reshaping real estate demand, with population movement toward secondary and tertiary U.S. cities, driving retail and logistics expansion. The aging baby boomer generation is increasing demand for senior housing, while the increased use of artificial intelligence (AI) and cloud computing has fueled the ever-increasing need for data centers. Successful mREITs and alternative asset managers are exiting declining markets and pivoting toward high-growth opportunities.

> **"The residential transition loan space is growing rapidly," noted one REIT Summit participant. "Scarcity in housing and shifting buyer preferences, especially among millennials, are making these types of investments highly profitable."**

Many asset managers are distinguishing themselves by providing direct origination, in-house servicing, and more active portfolio and fund management. This diversification creates competitive advantages and new revenue streams through their taxable REIT subsidiaries (TRSs).

Strategic investment diversification is gaining traction, particularly with insurance companies and asset managers entering the mix through M&A and new partnerships, giving REITs more flexibility, greater liquidity and access to capital, and improved performance across market cycles.

3. Demand for Increased Transparency

Investor expectations around transparency have shifted—clarity, trust, and accountability are now non-negotiable.

One industry leader highlights that every investor involved with a REIT scrutinizes the management team. This evaluation goes beyond mere performance metrics; it fundamentally revolves around a critical question: can I place my confidence in this team to safeguard and enhance my financial future?

Although there is a growing preference for internally managed mREITs where investor and manager incentives can be more aligned, there are still several cases where mREITs are essentially subsidiaries of their external manager. NTRs continuing to see strong interest, including renewed interest in net lease investments.

Regardless of the structure, REITs must deliver timely, complete, and accurate data to effectively manage their bottom line and maintain investor confidence. As diversification efforts through inorganic growth and expansion into new asset classes pick up, the ability to consolidate and review underlying investment data is key for performance. In a competitive market, real-time access to insights—even self-service for investors—can be a powerful differentiator.

4. Growing Operational Complexity

mREITs are expanding into new asset classes, entering strategic partnerships, and navigating tighter oversight on controls—creating ripple effects across organizational workflows.

"The REIT model hasn't necessarily changed much, but the way we manage assets and insights is now much different than before," explains one industry expert.

Each new layer of complexity–new partnerships, regulations, asset types–demands specialized processes, skills, and systems.

This complexity extends externally, as well. Teams must manage relationships with servicers, investors, auditors, regulators, rating agencies, and more—each with unique reporting protocols.

To compete, mREITs must embrace operational transformation—not just technology adoption, but full process redesign across departments.

5. The Growing Data Management Challenge

Beyond operations, mREITs must contend with the distinct complexity of their data.

> **"The main issue is complexity—unique data, challenges, and systems all built to solve specific needs," noted one industry expert.**

mREIT data includes both structured and unstructured elements, from financial metrics to legal agreements. Each transaction generates unique data, requiring tailored accounting and reporting.

This creates challenges in three areas:

- Investment teams must synthesize investment, collateral and market data for decision-making each day
- Accounting teams manage data across disparate systems, each with their own formats and datapoints necessary for monthly and quarterly reporting
- Risk and compliance teams need visibility into performance, exposure, and debt covenant compliance

Construction loans, such as RTLs, compound complexity, with partial funding, draw schedules, and completion risks—often tracked manually from servicer PDFs and statements.

Most firms acknowledge the need for purpose-built technology, but many still rely on general-purpose systems, introducing duplication, shadow books, and risk. In some cases, mREITs try to take on this data management challenge themselves – deploying operational and IT resources to build and maintain data feeds and data warehouses. In other cases, mREITs (who run lean by nature) partner with specialized technology providers to help accomplish this critical task.

6. Technology's Transformative Role

Forward-thinking REITs are leveraging technology to modernize strategy and operations. This includes sophisticated platforms that aggregate and store investment data, analyze performance and market trends, and analyze risk, while automating routine yet critical tasks such as reconciliation, generating journal entries, completing audit requests and performing compliance checks.

> **"Different companies are at different stages in their technology transformation journeys," observed one REIT summit participant. "With rapid developments, all companies can implement new solutions to drive efficiencies across operations."**

Automation is now tied directly to profitability, reducing the need to triple-check data and enabling better decision-making.

"It all comes back to profitability and delivering for clients," noted one executive. "If we can leverage technology to remove the need to double or triple check data, it will ultimately reflect in the bottom line."

A major focus has emerged around connecting front and back offices, with one executive describing the "'Holy grail' as having a single source of truth for all parts of the business on one platform."

However, implementation of new technologies brings its own challenges. There are several areas ripe for improvement in this niche mREIT market, so many times it requires collaborative discussions to assess gaps and prioritize transformation efforts accordingly. mREITs increasingly recognize the need for trusted technology partners who understand their unique business needs and bring proven innovation capabilities. As mREITs have been an underserved market for data management, investment and accounting operations–many vendors have tried to make their system fit but without configurable and adaptable technology it becomes the age old "square peg in a round hole" dilemma. Addressing lessons learned on both sides is key to understanding if a certain provider would be a good fit.

Clearwater and the REIT Industry

Modernizing outdated systems is no small feat. As one REIT executive put it:

"Our setup was unique, with specific functionalities built for tax implications and hard-to-account-for assets. We needed a solution that addressed these needs cost-effectively."

Clearwater Analytics brings proven expertise across complex financial firms, supporting 23 mortgage loan clients with 245,000+ loans and 14,000 limited partnerships. More specifically, of the 40 or so public mREITs today, 7 have partnered with Clearwater over the past 4 years to help establish a specialized vertical for sustainable growth in the years to come. Clearwater has learned valuable lessons and made necessary adjustments to help the onboarding and servicing efforts for our existing clients, and we continue to develop and roll out new functionality to echo our commitment to this alternative space.

Clearwater helps mREITs unify data, streamline workflows, and connect trading, treasury, accounting, and operations—all on a single platform trusted by CFOs, asset management leaders and auditors.

Firms can skip common transformation pitfalls and adopt battle-tested best practices to improve transparency, reduce manual processes, and scale efficiently.

As mREITs navigate the shifting economic landscape, they face rising rates, operational complexity, and increasing investor scrutiny. However, with these challenges comes opportunity.

The firms that succeed will be those that modernize operations, deliver transparency, and move decisively into high-growth areas.

Clearwater Analytics is committed to supporting that evolution, bringing unmatched experience, mREIT specific solutions, and a platform built for the future.

Data in this whitepaper includes insights from a 2024 survey of 365 executives supported by comprehensive research and analysis. The surveyed organizations manage a wide range of assets, from under $20 billion to over $1 trillion. Although responses were gathered globally, the majority were from U.S.-based executives.