REALTY INCOME

The Monthly Dividend Company®

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2020
or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 1-13374

REALTY INCOME CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	**33-0580106**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

11995 El Camino Real, San Diego, California, 92130
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (858) 284-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 Par Value	O	New York Stock Exchange
1.625% Notes due 2030	O30	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer a smaller reporting company. or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At June 30, 2020, the aggregate market value of the Registrant's shares of common stock, $0.01 par value, held by non-affiliates of the Registrant was $20.5 billion based upon the last reported sale price of $59.50 per share on the New York Stock Exchange on June 30, 2020, the last business day of the Registrant's most recently completed second fiscal quarter. The determination of affiliate status for purposes of this calculation is not necessarily a conclusive determination for other purposes.

At February 15, 2021, the number of shares of common stock outstanding was 373,390,661.

DOCUMENTS INCORPORATED BY REFERENCE

Part III, Items 10, 11, 12, 13, and 14 incorporate by reference certain specific portions of the definitive Proxy Statement for Realty Income Corporation's Annual Meeting to be held on May 18, 2021, to be filed pursuant to Regulation 14A. Only those portions of the proxy statement which are specifically incorporated by reference herein shall constitute a part of this annual report.

REALTY INCOME CORPORATION
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PART I

Item 1: Business

THE COMPANY

Realty Income, The Monthly Dividend Company®, is an S&P 500 company dedicated to providing stockholders with dependable monthly dividends that increase over time. The company is structured as a real estate investment trust, or REIT, requiring it to annually distribute at least 90% of its taxable income (excluding net capital gains) in the form of dividends to its stockholders. The monthly dividends are supported by the cash flow generated from real estate owned under long-term net lease agreements with our commercial clients.

Realty Income was founded in 1969, and listed on the New York Stock Exchange (NYSE: O) in 1994. Over the past 52 years, Realty Income has been acquiring and managing freestanding commercial properties that generate rental revenue under long-term net lease agreements with our commercial clients. We refer to our tenants as clients, because we strive to build mutually beneficial relationships and we believe their success is our success. The company is a member of the S&P 500 Dividend Aristocrats® index for having increased its dividend every year for more than 25 consecutive years.

At December 31, 2020, we owned a diversified portfolio:

- Of 6,592 properties;
- With an occupancy rate of 97.9%, or 6,452 properties leased and 140 properties available for lease or sale;
- Doing business in 51 separate industries;
- Located in 49 U.S. states, Puerto Rico and the United Kingdom (U.K.);
- With approximately 110.8 million square feet of leasable space;
- With a weighted average remaining lease term (excluding rights to extend a lease at the option of our client) of approximately 9.0 years; and
- With an average leasable space per property of approximately 16,810 square feet; approximately 12,340 square feet per retail property and 245,270 square feet per industrial property.

Of the 6,592 properties in the portfolio at December 31, 2020, 6,555, or 99.4%, are single-client properties, of which 6,419 were leased, and the remaining are multi-client properties.

Our eight senior officers owned 0.05% of our outstanding common stock with a market value of $12.5 million at February 15, 2021. Our directors and seven senior officers, as a group, owned 0.15% of our outstanding common stock with a market value of $34.3 million at February 15, 2021.

Our common stock is listed on the NYSE under the ticker symbol “O” with a CUSIP number of 756109-104. Our 1.625% notes due December 2030 are listed on the NYSE under the ticker symbol "O30" with a CUSIP number of 756109-AY0. Our central index key number is 726728.

In January 2021, we had 210 employees, inclusive of two part-time employees, as compared to 196 employees, inclusive of two part-time employees, in January 2020.

We maintain a corporate website at www.realtyincome.com. On our website we make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, Form 3s, Form 4s, Form 5s, current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file these reports with the Securities and Exchange Commission, or SEC. None of the information on our website is deemed to be part of this report.

RECENT DEVELOPMENTS

Theater Industry Update

As of December 31, 2020, our clients in the theater industry represented 5.6% of our annualized contractual rent. Given the ongoing disruption to this industry due to the COVID-19 pandemic, we performed a property-level analysis on the collectability of rent for our theater properties. Our analysis involved the assignment of quartile rankings for each asset's pre-pandemic EBITDAR relative to each operator's overall footprint. Other criteria utilized included an analysis of the property's pre-pandemic annual EBITDA generation before corporate overhead, and real estate fundamentals.

As a result of this analysis at September 30, 2020, we determined that for 31 of our 78 theater properties it was no longer probable that we would collect substantially all of contractual rents due. We fully reserved for six additional theater properties for which we do not possess unit level financial information. Consequently, we reserved for 100% of the outstanding receivables for 37 theater properties at September 30, 2020. Beginning October 2020, contractual rent from these 37 properties is accounted for on a cash basis. Additionally, during November 2020, one of these properties was sold. We fully reserved for one additional theater property at December 31, 2020. At December 31, 2020, the receivables outstanding for our 77 theater properties totaled $48.6 million, net of $23.7 million of reserves, and includes $7.8 million of straight-line rent receivables, net of $1.8 million of reserves. The monthly contractual rent associated with the 37 properties accounted for under the cash basis totaled approximately $2.8 million at December 31, 2020. The following table summarizes reserves recorded as a reduction of rental revenue for theater properties (dollars in millions):

	Three Months Ended September 30, 2020	Three Months Ended December 31, 2020	Year Ended December 31, 2020
Rental revenue reserves	$ 15.6	$ 8.1	$ 23.7
Straight-line rent reserves	1.6	$ 0.2	$ 1.8
Total rental revenue reserves	$ 17.2	$ 8.3	$ 25.5

Additionally, during the third quarter, we recorded provisions for impairment on 12 of the 37 theater properties for $79.0 million. During the fourth quarter, we recorded provisions for impairment on one additional theater property for $4.8 million. Impairment charges are not included in Nareit-defined funds from operations (FFO) available to commons stockholders or in our calculation of adjusted funds from operations (AFFO) available to commons stockholders.

See "Item 1A—Risk Factors" in Part I of this Annual Report on Form 10-K for more information regarding the actual and potential future impacts of the COVID-19 pandemic and the measures taken to limit its spread on our clients and our business, results of operations, financial condition and liquidity.

Increases in Monthly Dividends to Common Stockholders

We have continued our 52-year policy of paying monthly dividends. In addition, we increased the dividend five times during 2020 and once during 2021. As of February 2021, we have paid 93 consecutive quarterly dividend increases and increased the dividend 109 times since our listing on the NYSE in 1994.

2020 Dividend increases	Month Declared	Month Paid	Monthly Dividend per share	Increase per share
1st increase	Dec 2019	Jan 2020	$ 0.2275	$ 0.0005
2nd increase	Jan 2020	Feb 2020	$ 0.2325	$ 0.0050
3rd increase	Mar 2020	Apr 2020	$ 0.2330	$ 0.0005
4th increase	Jun 2020	Jul 2020	$ 0.2335	$ 0.0005
5th increase	Sep 2020	Oct 2020	$ 0.2340	$ 0.0005
2021 Dividend increases				
1st increase	Dec 2020	Jan 2021	$ 0.2345	$ 0.0005

The dividends paid per share during 2020 totaled $2.7940, as compared to $2.7105 during 2019, an increase of $0.0835, or 3.1%.

The monthly dividend of $0.2345 per share represents a current annualized dividend of $2.81 per share, and an annualized dividend yield of approximately 4.5% based on the last reported sale price of our common stock on the

NYSE of $62.17 on December 31, 2020. Although we expect to continue our policy of paying monthly dividends, we cannot guarantee that we will maintain our current level of dividends, that we will continue our pattern of increasing dividends per share, or what our actual dividend yield will be in any future period.

Acquisitions During 2020

Below is a listing of our acquisitions in the U.S. and U.K. for the year ended December 31, 2020:

	Number of Properties	Leasable Square Feet		Investment ($ in thousands)	Weighted Average Lease Term (Years)	Initial Average Cash Lease Yield [1]
Year ended December 31, 2020 [2]						
Acquisitions - U.S. *(in 30 states)*	202	5,476,009	$	1,302,220	14.9	5.8 %
Acquisitions - U.K. [3]	24	2,120,256		920,934	10.8	6.1 %
Total Acquisitions	226	7,596,265	$	2,223,154	13.2	5.9 %
Properties under Development - U.S.	18	1,601,095		84,127	15.3	5.6 %
Total [4]	244	9,197,360	$	2,307,281	13.2	5.9 %

(1) The initial average cash lease yield for a property is generally computed as estimated contractual first year cash net operating income, which, in the case of a net leased property, is equal to the aggregate cash base rent for the first full year of each lease, divided by the total cost of the property. Since it is possible that our client could default on the payment of contractual rent, we cannot provide assurance that the actual return on the funds invested will remain at the percentages listed above. Contractual net operating income for the fourth quarter of 2020 includes approximately $700,000 received as a settlement credit for a property acquired in the U.S. as reimbursement of a free rent period.

In the case of a property under development or expansion, the contractual lease rate is generally fixed such that rent varies based on the actual total investment in order to provide a fixed rate of return. When the lease does not provide for a fixed rate of return on a property under development or expansion, the initial average cash lease yield is computed as follows: estimated cash net operating income (determined by the lease) for the first full year of each lease, divided by our projected total investment in the property, including land, construction and capitalized interest costs.

(2) None of our investments during 2020 caused any one client to be 10% or more of our total assets at December 31, 2020. All of our investments in acquired properties during 2020 are 100% leased at the acquisition date.

(3) Represents investments of £707.8 million Sterling during the year ended December 31, 2020 converted at the applicable exchange rate on the date of acquisition.

(4) Our clients occupying the new properties operate in 26 industries and are 86.6% retail and 13.4% industrial, based on rental revenue. Approximately 61% of the rental revenue generated from acquisitions during 2020 is from our investment grade rated clients, which we define as clients with a credit rating, and clients that are subsidiaries or affiliates of companies with a credit rating, as of the balance sheet date, of Baa3/BBB- or higher from one of the three major rating agencies (Moody's/S&P/Fitch).

Portfolio Discussion

Leasing Results

At December 31, 2020, we had 140 properties available for lease out of 6,592 properties in our portfolio, which represents a 97.9% occupancy rate based on the number of properties in our portfolio.

The following tables summarize our leasing results for the periods indicated below:

Three months ended December 31, 2020	
Properties available for lease at September 30, 2020	92
Lease expirations [1]	159
Re-leases to same client [2]	(72)
Re-leases to new client [2][3]	(5)
Vacant dispositions	(34)
Properties available for lease at December 31, 2020	140

(1) Includes scheduled and unscheduled expirations (including leases rejected in bankruptcy), as well as future expirations resolved in the current quarter.

(2) The annual new rent on these re-leases was $21.01 million, as compared to the previous annual rent of $20.95 million on the same properties, representing a rent recapture rate of 100.3% on the properties re-leased during the three months ended December 31, 2020.

(3) Re-leased all five properties to new clients after a period of vacancy.

Year ended December 31, 2020	
Properties available for lease at December 31, 2019	94
Lease expirations [1]	446
Re-leases to same client [2]	(296)
Re-leases to new client [2][3]	(18)
Vacant dispositions	(86)
Properties available for lease at December 31, 2020	140

[1] Includes scheduled and unscheduled expirations (including leases rejected in bankruptcy), as well as future expirations resolved in the current year.
[2] The annual new rent on these re-leases was $66.24 million, as compared to the previous annual rent of $66.26 million on the same properties, representing a rent recapture rate of 100.0% on the properties re-leased during the year ended December 31, 2020.
[3] Re-leased five properties to new clients without a period of vacancy, and 13 properties to new clients after a period of vacancy.

As part of our re-leasing costs, we pay leasing commissions to unrelated, third party real estate brokers consistent with the commercial real estate industry standard, and sometimes provide rent concessions to our clients. We do not consider the collective impact of the leasing commissions or rent concessions to our clients to be material to our financial position or results of operations.

At December 31, 2020, our average annualized contractual rent was approximately $15.38 per square foot on the 6,452 leased properties in our portfolio. At December 31, 2020, we classified 21 properties, with a carrying amount of $19.0 million, as real estate and lease intangibles held for sale, net on our balance sheet. The expected sale of these properties does not represent a strategic shift that will have a major effect on our operations and financial results and is consistent with our existing disposition strategy to further enhance our real estate portfolio and maximize portfolio returns.

Investments in Existing Properties

During 2020, we capitalized costs of $7.0 million on existing properties in our portfolio, consisting of $1.8 million for re-leasing costs, $198,000 for recurring capital expenditures, and $5.0 million for non-recurring building improvements. In comparison, during 2019, we capitalized costs of $17.9 million on existing properties in our portfolio, consisting of $2.1 million for re-leasing costs, $801,000 for recurring capital expenditures, and $15.0 million for non-recurring building improvements.

The majority of our building improvements relate to roof repairs, HVAC improvements, and parking lot resurfacing and replacements. The amounts of our capital expenditures can vary significantly, depending on the rental market, credit worthiness of our clients, the lease term and the willingness of our clients to pay higher rents over the terms of the leases.

We define recurring capital expenditures as mandatory and recurring landlord capital expenditure obligations that have a limited useful life. We define non-recurring capital expenditures as property improvements in which we invest additional capital that extend the useful life of the properties.

Chief Legal Officer, General Counsel and Secretary Transition
Effective February 8, 2021, Michelle Bushore joined us as our new Executive Vice President (EVP), Chief Legal Officer, General Counsel and Secretary. Michael Pfeiffer, who served as our EVP, Chief Administrative Officer, General Counsel and Secretary intends to remain with the company through June 30, 2021, serving as EVP, Chief Administrative Officer, to assist with Ms. Bushore's transition.

Chief Financial Officer (CFO) and Treasurer Transition
Effective January 19, 2021, Christie B. Kelly assumed her role as our EVP, Chief Financial Officer (CFO) and Treasurer replacing Paul M. Meurer, our former CFO, who departed the company in March 2020. Concurrently with Ms. Kelly's appointment, she resigned from our Board of Directors, and our Board of Directors was reduced to nine members. As a result of Mr. Meurer's departure, we recognized an executive severance charge of $3.5 million during the first quarter of 2020, consisting of $1.6 million cash, $1.8 million related to share-based compensation expense, and $58,000 of professional fees.

Issuance of Common Stock in an Underwritten Public Offering
In January 2021, we raised $669.6 million from the issuance of 12,075,000 shares of common stock in an underwritten public offering, including 1,575,000 shares purchased by the underwriters upon the exercise of their option to purchase additional shares. The company used the net proceeds from the offering, along with available cash and additional borrowings, to fund property acquisitions and for general corporate purposes and working capital.

Early Redemption of Notes
In January 2021, we completed the early redemption on all $950.0 million in principal amount of our outstanding 3.250% notes due October 2022, plus accrued and unpaid interest. As a result of the early redemption, we will recognize a loss on extinguishment of debt of approximately $46 million, or approximately $0.12 per diluted common share, to net income available to common stockholders and Nareit-defined FFO in the three months ended March 31, 2021. Loss on extinguishment of debt is excluded in our calculation of AFFO.

In January 2020, we completed the early redemption on all $250.0 million in principal amount of our outstanding 5.750% notes due January 2021, plus accrued and unpaid interest. As a result of the early redemption, we recognized a $9.8 million loss on extinguishment of debt during the three months ended March 31, 2020.

Equity Capital Raising
During 2020, we raised $1.85 billion from the sale of common stock at a weighted average price of $67.26 per share.

Note Issuances
In December 2020, we issued $325.0 million of 0.750% senior unsecured notes due March 2026 (the "2026 Notes") and $400.0 million of 1.800% senior unsecured notes due March 2033 (the "2033" Notes"). The public offering price for the 2026 Notes was 99.192% of the principal amount, for an effective yield to maturity of 0.908% and net proceeds of approximately $320.3 million. The public offering price for the 2033 Notes was 98.470% of the principal amount, for an effective yield to maturity of 1.941% and net proceeds of $391.3 million. The proceeds from this offering were used, along with available cash and additional borrowings, as necessary, to redeem all $950 million aggregate principal amount of the company's outstanding 3.25% notes due 2022 at the applicable redemption price, plus accrued interest, to fund potential investment opportunities and for other general corporate purposes.

In October 2020, we issued £400.0 million of 1.625% senior unsecured notes due December 2030. The public offering price for these notes was 99.191% of the principal amount, for an effective annual yield to maturity of 1.712% and net proceeds of $508.2 million, as converted at the applicable exchange rate on the closing of the offering. The proceeds from this offering were used to repay GBP-denominated borrowings outstanding under our $3.0 billion revolving credit facility, to settle an outstanding GBP/USD currency exchange swap arrangement, to fund potential investment opportunities and for other general corporate purposes.

In July 2020, we issued $350.0 million of 3.250% senior unsecured notes due January 2031 (the "2031" Notes), which constituted a further issuance of, and formed a single series with, the $600.0 million of 2031 Notes issued in May 2020. The public offering price was 108.241% of the principal amount, for an effective yield to maturity of 2.341% and net proceeds of $376.6 million.

In May 2020, we issued $600.0 million of 2031 Notes. The public offering price for the notes was 98.987% of the principal amount, for an effective yield to maturity of 3.364% and net proceeds of approximately $590.0 million.

The proceeds from each of the offerings of 2031 Notes were used to repay borrowings outstanding under our credit facility, to fund potential investment opportunities, and for other general corporate purposes.

Commercial Paper Program
In August 2020, we established a U.S. dollar-denominated unsecured commercial paper program. Under the terms of the program, we may, from time to time, issue unsecured commercial paper notes up to a maximum aggregate amount outstanding of $1.0 billion. Proceeds from commercial paper borrowings are used for general corporate purposes. As of December 31, 2020, we had no outstanding commercial paper borrowings. We use our $3.0 billion revolving credit facility as a liquidity backstop for the repayment of the notes issued under the commercial paper program.

Term Loan Redemption
In June 2020, we repaid the $250.0 million term loan in full upon maturity.

Impact of COVID-19
The COVID-19 pandemic and the measures taken to limit its spread are negatively impacting global, national and regional economies across many industries, including the industries in which some of our clients operate, and have disrupted the businesses and operations of some of our clients, each of which has had and may continue to have an adverse impact on our business, results of operations, financial condition, and liquidity. These impacts may increase in severity as the duration or extent of the pandemic increases. See "Item 1A—Risk Factors" in Part I of this report for more information regarding some of the actual and potential future impacts of the COVID-19 pandemic and the measures taken to limit its spread on our clients and our business, results of operations, financial condition and liquidity.

As a result of this challenging environment, we continue to work diligently with our clients most affected by the pandemic to understand their business operations and financial liquidity and their ability to satisfy their contractual obligations to us. As we carefully navigate this difficult economic period with our clients, our focus is on finding resolutions that preserve the long-term relationships we have built with many of our clients.

The majority of lease concessions granted to our clients during 2020 as a result of the COVID-19 pandemic have been rent deferrals with the original lease term unchanged. In these cases, we have determined that the collection of deferred rent is probable (within the meaning applicable under U.S. generally accepted accounting principles, or GAAP), although we cannot assure you that this determination will not change in the future. In addition, as we believe to be the case with many retail landlords, we have received many short-term rent relief requests, most often in the form of rent deferral requests, or requests for further discussion from our clients. We believe that not all of our client requests will ultimately result in lease modification agreements, nor have we relinquished our contractual rights under our lease agreements where rent concessions have not yet been granted. Our rent collections for the periods below and rent relief requests to-date may not be indicative of collections, concessions or requests in any future period.

Percentages of Contractual Rent Collected as of January 31, 2021

	Month Ended October 31, 2020	Month Ended November 30, 2020	Month Ended December 31, 2020	Quarter Ended December 31, 2020
Contractual rent collected[(1)] across total portfolio	93.5%	93.7%	93.6%	**93.6%**
Contractual rent collected[(1)] from our top 20 clients[(2)]	89.8%	90.2%	89.7%	**89.9%**
Contractual rent collected[(1)] from our investment grade clients[(3)]	100.0%	100.0%	100.0%	**100.0%**

(1) Collection rates are calculated as the aggregate contractual rent collected for the applicable period from the beginning of that applicable period through January 31, 2021, divided by the contractual rent charged for the applicable period. Rent collection percentages are calculated based on contractual rents (excluding percentage rents and contractually obligated reimbursements by our clients). Charged amounts have not been adjusted for any COVID-19 related rent relief granted and include contractual rents from any clients in bankruptcy. Due to differences in applicable foreign currency conversion rates and rent conventions, the percentages above may differ from percentages calculated utilizing total our portfolio annualized contractual rent.
(2) We define our top 20 clients as our 20 largest clients based on percentage of total portfolio annualized contractual rent as of December 31, 2020 for all periods.

(3) We define our investment grade clients as clients with a credit rating, and clients that are subsidiaries or affiliates of companies with a credit rating, as of the balance sheet date, of Baa3/BBB- or higher from one of the three major rating agencies (Moody's/S&P/Fitch).

The following table provides information relating to percentage of total contractual rent due and collected for the indicated periods:

	Percentage of Total Contractual Rent Due By Month[1]			Percentage of Total Contractual Rent Collected By Month[1]		
	December 2020	November 2020	October 2020	December 2020	November 2020	October 2020
U.S.						
Aerospace	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Apparel stores	1.3	1.3	1.3	1.3	1.3	1.3
Automotive collision services	1.1	1.1	1.1	1.1	1.1	1.1
Automotive parts	1.6	1.6	1.6	1.6	1.6	1.6
Automotive service	2.7	2.5	2.5	2.7	2.5	2.5
Automotive tire services	2.0	2.0	2.0	2.0	2.0	2.0
Beverages	2.0	2.0	2.0	2.0	2.0	2.0
Child care	2.1	2.1	2.1	2.1	2.1	2.1
Consumer electronics	0.2	0.3	0.3	0.2	0.3	0.3
Consumer goods	0.5	0.6	0.6	0.5	0.6	0.6
Convenience stores	12.0	12.1	12.1	12.0	12.0	12.0
Crafts and novelties	0.9	0.9	0.9	0.9	0.9	0.9
Diversified industrial	0.8	0.8	0.6	0.8	0.8	0.6
Dollar stores	7.7	7.7	7.7	7.6	7.7	7.7
Drug stores	8.2	8.3	8.4	8.2	8.3	8.4
Education	0.2	0.2	0.2	0.2	0.2	0.2
Electric utilities	0.1	0.1	0.1	0.1	0.1	0.1
Entertainment	0.3	0.3	0.3	0.3	0.3	0.3
Equipment services	0.3	0.3	0.3	0.3	0.3	0.3
Financial services	1.9	1.9	1.9	1.9	1.9	1.9
Food processing	0.7	0.7	0.7	0.7	0.7	0.7
General merchandise	3.2	3.0	3.0	3.2	3.0	3.0
Government services	0.6	0.6	0.7	0.6	0.6	0.7
Grocery stores	4.9	4.9	5.0	4.9	4.9	4.9
Health and beauty	0.2	0.2	0.2	0.2	0.2	0.2
Health and fitness	6.8	6.9	7.0	5.6	6.0	6.1
Health care	1.5	1.6	1.6	1.5	1.5	1.6
Home furnishings	0.7	0.7	0.7	0.7	0.7	0.7
Home improvement	3.1	3.0	3.0	3.1	3.0	3.0
Machinery	0.1	0.1	0.1	0.1	0.1	0.1
Motor vehicle dealerships	1.6	1.6	1.6	1.6	1.6	1.6
Office supplies	0.2	0.2	0.2	0.1	0.1	0.1
Other manufacturing	0.4	0.6	0.6	0.4	0.6	0.6
Packaging	0.9	0.9	0.9	0.9	0.9	0.9
Paper	0.1	0.1	0.1	0.1	0.1	0.1
Pet supplies and services	0.7	0.7	0.7	0.7	0.7	0.7
Restaurants - casual dining	2.9	2.9	2.9	2.7	2.8	2.8
Restaurants - quick service	5.3	5.5	5.6	5.3	5.5	5.6
Shoe stores	0.2	0.2	0.2	0.2	0.2	0.2
Sporting goods	0.7	0.7	0.7	0.7	0.7	0.7
Telecommunications	0.5	0.5	0.5	0.5	0.5	0.5
Theaters	5.6	5.7	5.7	0.8	0.7	0.5
Transportation services	4.0	4.1	4.1	4.0	4.1	4.1
Wholesale clubs	2.5	2.5	2.5	2.5	2.5	2.5
Other	0.1	*	0.2	0.1	*	0.2
Total U.S.	94.0%	94.6%	95.1%	87.6%	88.3%	88.6%
U.K.						
Grocery stores	4.8	4.3	3.9	4.8	4.3	3.9
Health care	0.1	0.1	0.1	0.1	0.1	0.1
Home improvement	1.1	1.0	0.9	1.1	1.0	0.9
Theaters	*	*	*	—	—	—
Total U.K.	6.0%	5.4%	4.9%	6.0%	5.4%	4.9%
Totals	100.0%	100.0%	100.0%	93.6%	93.7%	93.5%

* Less than 0.1%

(1) Collection rates are calculated as the aggregate contractual rent collected for the applicable period from the beginning of that applicable period through January 31, 2021, divided by the contractual rent charged for the applicable period. Rent collection percentages are calculated based on contractual rents (excluding percentage rents and contractually obligated reimbursements by our clients). Charged amounts have not been adjusted for any COVID-19 related rent relief granted and include contractual rents from any clients in bankruptcy. Due to differences in applicable foreign currency conversion rates and rent conventions, the industry percentages above may differ from industry percentages calculated utilizing our total portfolio annualized contractual rent.

As the adverse impacts of the COVID-19 pandemic and the measures taken to limit its spread continue to evolve, the ability of our clients to continue to pay rent to us may further diminish, and therefore we cannot assure you that our historical rental collections are indicative of our rental collections in the future. As a result of the impacts of the COVID-19 pandemic and the measures taken to limit its spread, our revenues in the foreseeable future may decline relative to 2020, and that decline may continue or increase in subsequent periods as long as such impacts continue to exist.

Summarized Financial Results

The following summarizes our select financial results (dollars in millions, except per share data):

	Year Ended December 31,		
	2020	2019	% Increase/ (decrease)
Total revenue	$ 1,651.6	$ 1,491.6	10.7 %
Net income available to common stockholders [1]	$ 395.5	$ 436.5	(9.4) %
Net income per share [2]	$ 1.14	$ 1.38	(17.4) %
FFO available to common stockholders	$ 1,142.1	$ 1,039.6	9.9 %
FFO per share [2]	$ 3.31	$ 3.29	0.6 %
AFFO available to common stockholders	$ 1,172.6	$ 1,050.0	11.7 %
AFFO per share [2]	$ 3.39	$ 3.32	2.1 %

[1] The calculation to determine net income available to common stockholders includes provisions for impairment, gain from the sales of real estate, and foreign currency gains and losses. These items can vary from year to year and can significantly impact net income available to common stockholders and period to period comparisons.

[2] All per share amounts are presented on a diluted per common share basis.

Our financial results for 2020 were impacted by the following transactions: (i) $147.2 million of provisions for impairment, (ii) $52.5 million in reserves recorded as a reduction of rental revenue, (iii) a $9.8 million loss on extinguishment of debt due to the early redemption of the 5.750% notes due 2021, and (iv) a $3.5 million executive severance charge for our former CFO. For 2019, the only comparable charges were $40.2 million in provisions for impairment and $2.9 million in reserves recorded as a reduction of rental revenue.

See our discussion of FFO and AFFO (which are not financial measures under GAAP), later in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in this annual report, which includes a reconciliation of net income available to common stockholders to FFO and AFFO.

DIVIDEND POLICY

Distributions are paid monthly to holders of shares of our common stock.

Distributions are paid monthly to the limited partners holding common units of Realty Income, L.P., each on a per unit basis that is generally equal to the amount paid per share to our common stockholders.

In order to maintain our status as a REIT for federal income tax purposes, we generally are required to distribute dividends to our stockholders aggregating annually at least 90% of our taxable income (excluding net capital gains), and we are subject to income tax to the extent we distribute less than 100% of our taxable income (including net capital gains). In 2020, our cash distributions to common stockholders totaled $964.2 million, or approximately 119.8% of our estimated taxable income of $804.9 million. Our estimated taxable income reflects non-cash deductions for depreciation and amortization. Our estimated taxable income is presented to show our compliance with REIT dividend requirements and is not a measure of our liquidity or operating performance. We intend to continue to make distributions to our stockholders that are sufficient to meet this dividend requirement and that will reduce or eliminate our exposure to income taxes. Furthermore, we believe our funds from operations are sufficient to support our current level of cash distributions to our stockholders. Our cash distributions to common stockholders in 2020 totaled $964.2 million, representing 82.2% of our adjusted funds from operations available to common stockholders of $1.173 billion. In comparison, our 2019 cash distributions to common stockholders totaled $852.1 million, representing 81.2% of our adjusted funds from operations available to common stockholders of $1.05 billion.

Future distributions will be at the discretion of our Board of Directors and will depend on, among other things, our results of operations, FFO, AFFO, cash flow from operations, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, or the Code, our debt service requirements, and any other factors the Board of Directors may deem relevant. In addition, our credit facility contains financial covenants that could limit the amount of distributions payable by us in the event of a default, and which prohibit the payment of distributions on the common or preferred stock in the event that we fail to pay when due (subject to any applicable grace period) any principal or interest on borrowings under our credit facility.

Distributions of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to stockholders as ordinary income, except to the extent that we recognize capital gains and declare a capital gains dividend, or that such amounts constitute “qualified dividend income” subject to a reduced rate of tax. The maximum tax rate of non-corporate taxpayers for “qualified dividend income” is generally 20%. In general, dividends payable by REITs are not eligible for the reduced tax rate on qualified dividend income, except to the extent that certain holding requirements have been met with respect to the REIT’s stock and the REIT’s dividends are attributable to dividends received from certain taxable corporations (such as our taxable REIT subsidiaries) or to income that was subject to tax at the corporate or REIT level (for example, if we distribute taxable income that we retained and paid tax on in the prior taxable year). However, non-corporate stockholders, including individuals, generally may deduct up to 20% of dividends from a REIT, other than capital gain dividends and dividends treated as qualified dividend income, for taxable years beginning after December 31, 2017 and before January 1, 2026.

Distributions in excess of earnings and profits generally will first be treated as a non-taxable reduction in the stockholders’ basis in their stock, but not below zero. Distributions in excess of that basis generally will be taxable as a capital gain to stockholders who hold their shares as a capital asset. Approximately 17.6% of the distributions to our common stockholders, made or deemed to have been made in 2020, were classified as a return of capital for federal income tax purposes.

BUSINESS PHILOSOPHY AND STRATEGY

We believe that owning an actively managed, diversified portfolio of commercial properties under long-term net lease agreements produces consistent and predictable income. A net lease typically requires the client to be responsible for monthly rent and certain property operating expenses including property taxes, insurance, and maintenance. In addition, clients of our properties typically pay rent increases based on: (1) fixed increases, (2) increases in the consumer price index (typically subject to ceilings), or (3) additional rent calculated as a percentage of the clients’ gross sales above a specified level. We believe that a portfolio of properties under long-term net lease agreements with our commercial clients generally produces a more predictable income stream than many other types of real estate portfolios, while continuing to offer the potential for growth in rental income.

Diversification is also a key component of our investment philosophy. We believe that diversification of the portfolio by client, industry, geography, and property type leads to more consistent and predictable income for our stockholders by reducing vulnerability that can come with any single concentration. Our investment activities have led to a diversified property portfolio that, as of December 31, 2020, consisted of 6,592 properties, doing business in 51 industries, and located in 49 U.S. states, Puerto Rico and the U.K. None of the 51 industries represented in our property portfolio accounted for more than 11.9% of our annualized contractual rent as of December 31, 2020.

Investment Strategy

When identifying new properties for investment, we generally focus on acquiring high-quality real estate that our clients consider important to the successful operation of their business. We generally seek to acquire real estate that has the following characteristics:

- Properties that are freestanding, commercially-zoned with a single client;
- Properties that are in significant markets or strategic locations critical to generating revenue for our clients (i.e. they need the property in which they operate in order to conduct their business);
- Properties that we deem to be profitable for our clients and/or can generally be characterized as important to the successful operations of the company’s business;
- Properties that are located within attractive demographic areas relative to the business of our clients;
- Properties with real estate valuations that approximate replacement costs;
- Properties with rental or lease payments that approximate market rents for similar properties; and

- Properties that can be purchased with the simultaneous execution or assumption of long-term net lease agreements, offering both current income and the potential for future rent increases.

We seek to invest in properties owned or leased by clients that are already or could become leaders in their respective businesses supported by mechanisms including (but not limited to) occupancy of prime real estate locations, pricing, merchandise assortment, service, quality, economies of scale, consumer branding, e-commerce, and advertising. In addition, we frequently acquire large portfolios of single-client properties net leased to different clients operating in a variety of industries. We have an internal team dedicated to sourcing such opportunities, often using our relationships with various clients, owners/developers, brokers and advisers to uncover and secure transactions. We also undertake thorough research and analysis to identify what we consider to be appropriate property locations, clients, and industries for investment. This research expertise is instrumental to uncovering net lease opportunities in markets where we believe we can add value.

In selecting potential investments, we generally look for clients with one or more of the following attributes:

- Reliable and sustainable cash flow;
- Revenue and cash flow from multiple sources;
- Are willing to sign a long-term lease (10 or more years); and
- Are large owners and/or users of real estate.

From a retail perspective, our investment strategy is to target clients that have a service, non-discretionary, and/or low-price-point component to their business. We believe these characteristics better position clients to operate in a variety of economic conditions and to compete more effectively with internet retailers. As a result of the execution of this strategy, approximately 95% of our annualized retail contractual rent at December 31, 2020 is derived from our clients with a service, non-discretionary, and/or low price point component to their business. From a non-retail perspective, we target industrial properties generally leased to industry leaders that are primarily investment grade rated companies. We believe these characteristics enhance the stability of the rental revenue generated from these properties.

After applying this investment strategy, we pursue those transactions that meet our strategic objectives which include achieving an attractive aggregate investment spread over our cost of capital and favorable risk-adjusted returns. We will continue to evaluate all investments consistent with our objective of owning net lease assets.

Underwriting Strategy
In order to be considered for acquisition, properties must meet stringent underwriting requirements. We have established a four-part analysis to examine each potential investment based on:

- The aforementioned overall real estate characteristics, including demographics, replacement cost and comparative rental rates;
- Industry, client (including credit profile), and market conditions;
- Store profitability for retail locations if profitability data is available; and
- The importance of the real estate location to the operations of our clients' business.

We believe the principal financial obligations for most of our clients typically include their bank and other debt, payment obligations to employees, suppliers, and real estate lease obligations. Because we typically own the land and building in which a client conducts its business or which are critical to the client's ability to generate revenue, we believe the risk of default on a client's lease obligation is less than the client's unsecured general obligations. It has been our experience that clients must retain their profitable and critical locations in order to survive. Therefore, in the event of reorganization, they are less likely to reject a lease of a profitable or critical location because this would terminate their right to use the property.

Thus, as the property owner, we believe that we will fare better than unsecured creditors of the same client in the event of reorganization. If a property is rejected by our client during reorganization, we own the property and can either lease it to a new client or sell the property. In addition, we believe that the risk of default on real estate leases can be further mitigated by monitoring the performance of our clients' individual locations and considering whether to proactively sell locations that meet our criteria for disposition.

We conduct comprehensive reviews of the business segments and industries in which our clients' operate. Prior to entering into any transaction, our research department conducts a review of a client's credit quality. The information reviewed may include reports and filings, including any public credit ratings, financial statements, debt and equity analyst reports, and reviews of corporate credit spreads, stock prices, market capitalization, and other financial metrics. We conduct additional due diligence, including financial reviews of the client, and continue to monitor our clients' credit quality on an ongoing basis by reviewing the available information previously discussed, and providing summaries of these findings to management.

At December 31, 2020, approximately 51% of our annualized contractual rent comes from properties leased to our investment grade clients, their subsidiaries or affiliated companies. At December 31, 2020, our top 20 clients (based on percentage of total portfolio annualized contractual rent) represented approximately 52% of our annualized rent and 12 of these clients have investment grade credit ratings or are subsidiaries or affiliates of investment grade companies.

Asset Management Strategy
In addition to pursuing new properties for investment, we seek to increase earnings and dividends through active asset management.

Generally, our asset management efforts seek to achieve:

- Rent increases at the expiration of existing leases, when market conditions permit;
- Optimum exposure to certain clients, industries, and markets through re-leasing vacant properties and selectively selling properties;
- Maximum asset-level returns on properties that are re-leased or sold;
- Additional value creation from the existing portfolio by enhancing individual properties, pursuing alternative uses, and deriving ancillary revenue; and
- Investment opportunities in new asset classes for the portfolio.

We continually monitor our portfolio for any changes that could affect the performance of our clients, our clients' industries, and the real estate locations in which we have invested. We also regularly analyze our portfolio with a view towards optimizing its returns and enhancing its overall credit quality. Our active asset management strategy pursues asset sales when we believe the reinvestment of the sale proceeds will:

- Generate higher returns;
- Enhance the credit quality of our real estate portfolio;
- Extend our average remaining lease term; and/or
- Strategically decrease client, industry, or geographic concentration.

The active management of the portfolio is an essential component of our long-term strategy of maintaining high occupancy.

Capital Philosophy
Historically, we have met our long-term capital needs by issuing common stock, preferred stock and long-term unsecured notes and bonds. Over the long term, we believe that common stock should be the majority of our capital structure; however, we may issue preferred stock or debt securities. We may issue common stock when we believe that our share price is at a level that allows for the proceeds of any offering to be accretively invested into additional properties. In addition, we may issue common stock to permanently finance properties that were initially financed by our credit facility, commercial paper program, or debt securities. However, there can be no assurances that we will have access to the capital markets at all times and at terms that are acceptable to us.

Our primary cash obligations, for the current year and subsequent years, are included in the "Table of Obligations," which is presented later in this section. We expect to fund our operating expenses and other short-term liquidity requirements, including property acquisitions and development costs, payment of principal and interest on our outstanding indebtedness, property improvements, re-leasing costs and cash distributions to common stockholders, primarily through cash provided by operating activities, borrowings on our credit facility and under our commercial paper program, and through public securities offerings.

We may choose to mitigate our financial exposure to exchange rate risk for properties acquired outside the U.S. through the issuance of debt securities denominated in the same local currency and through currency derivatives. We may leave a portion of our foreign cash flow unhedged to reinvest in additional properties in the same local currency.

For 2021, we intend to continue our active disposition efforts to further enhance our real estate portfolio. We plan to invest these proceeds into new property acquisitions if there are attractive opportunities available. However, we cannot guarantee that we will sell properties during 2021 or be able to invest the property sale proceeds in new properties.

Conservative Capital Structure
We believe that our stockholders are best served by a conservative capital structure. Therefore, we seek to maintain a conservative debt level on our balance sheet and solid interest and fixed charge coverage ratios. At December 31, 2020, our total outstanding borrowings of senior unsecured notes and bonds, term loan and mortgages payable were $8.85 billion, or approximately 28.2% of our total market capitalization of $31.34 billion.

We define our total market capitalization at December 31, 2020 as the sum of:

- Shares of our common stock outstanding of 361,303,445, plus total common units outstanding of 463,119, multiplied by the last reported sales price of our common stock on the NYSE of $62.17 per share on December 31, 2020, or $22.49 billion;
- Outstanding mortgages payable of $299.6 million, excluding net mortgage premiums of $1.7 million and deferred financing costs of $973,000;
- Outstanding borrowings of $250.0 million on our term loan, excluding deferred financing costs of $642,000;
- Outstanding senior unsecured notes and bonds of $8.30 billion, including Sterling-denominated notes totaling £715.0 million, and excluding unamortized net original issuance premiums of $14.6 million and deferred financing costs of $49.2 million; and
- No borrowings outstanding on our revolving credit facility.

Impact of Real Estate and Credit Markets
In the commercial real estate market, property prices generally continue to fluctuate. Likewise, during certain periods, including the current market, the global credit markets have experienced significant price volatility, dislocations, and liquidity disruptions, which may impact our access to and cost of capital. We continually monitor the commercial real estate and global credit markets carefully and, if required, will make decisions to adjust our business strategy accordingly.

Universal Shelf Registration
In November 2018, we filed a shelf registration statement with the SEC, which is effective for a term of three years and will expire in November 2021. In accordance with SEC rules, the amount of securities to be issued pursuant to this shelf registration statement was not specified when it was filed and there is no specific dollar limit. The securities covered by this registration statement include (1) common stock, (2) preferred stock, (3) debt securities, (4) depositary shares representing fractional interests in shares of preferred stock, (5) warrants to purchase debt securities, common stock, preferred stock, or depositary shares, and (6) any combination of these securities. We may periodically offer one or more of these securities in amounts, prices and on terms to be announced when and if these securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering.

Revolving Credit Facility and Commercial Paper Program
We have a $3.0 billion unsecured revolving credit facility with an initial term that expires in March 2023 and includes, at our option, two six-month extensions. The multicurrency revolving facility allows us to borrow in up to 14 currencies, including U.S. dollars. Our revolving credit facility has a $1.0 billion expansion option, which is subject to obtaining lender commitments. Under our credit facility, our investment grade credit ratings as of December 31, 2020 provide for financing at the London Interbank Offered Rate, commonly referred to as LIBOR, plus 0.775% with a facility commitment fee of 0.125%, for all-in pricing of 0.90% over LIBOR.

The borrowing rate under our revolving credit facility is subject to an interest rate floor and may change if our investment grade credit ratings change. We also have other interest rate options available to us under our credit facility. Our revolving credit facility is unsecured and, accordingly, we have not pledged any assets as collateral for this obligation.

At December 31, 2020, we had a borrowing capacity of $3.0 billion available on our revolving credit facility and no outstanding balance. The weighted average interest rate on borrowings outstanding under our revolving credit facility during 2020 was 1.5% per annum. We must comply with various financial and other covenants in our credit facility. At December 31, 2020, we were in compliance with these covenants. We continually evaluate our business operations through the COVID-19 pandemic and, as of December 31, 2020, expect to remain in compliance with the financial covenants for our credit facility over the next 12 months. We expect to use our credit facility to acquire additional properties and for other general corporate purposes. Any additional borrowings will increase our exposure to interest rate risk.

In August 2020, we established a U.S. dollar-denominated unsecured commercial paper program. Under the terms of the program, we may, from time to time, issue unsecured commercial paper notes up to a maximum aggregate amount outstanding of $1.0 billion. Borrowings under this program generally mature in one year or less. At December 31, 2020, we had no outstanding commercial paper borrowings. The weighted average interest rate on borrowings under our commercial paper program was 0.3% from inception of the plan through December 31, 2020. We use our $3.0 billion revolving credit facility as a liquidity backstop for the repayment of the notes issued under the commercial paper program.

We generally use our credit facility and commercial paper borrowings for the short-term financing of new property acquisitions. Thereafter, we generally seek to refinance those borrowings with the net proceeds of long-term or permanent financing, which may include the issuance of common stock, preferred stock or debt securities. We cannot assure you, however, that we will be able to obtain any such refinancing, or that market conditions prevailing at the time of the refinancing will enable us to issue equity or debt securities at acceptable terms. We regularly review our credit facility and commercial paper program and may seek to extend, renew or replace one or both, to the extent we deem appropriate.

Cash Reserves

We are organized to operate as an equity REIT that acquires and leases properties and distributes to stockholders, in the form of monthly cash distributions, a substantial portion of our net cash flow generated from leases on our properties. We intend to retain an appropriate amount of cash as working capital. At December 31, 2020, we had cash and cash equivalents totaling $824.5 million, inclusive of £32.3 million Sterling.

We believe that our cash and cash equivalents on hand, cash provided from operating activities, and borrowing capacity is sufficient to meet our liquidity needs for the next twelve months. We intend, however, to use permanent or long-term capital to fund property acquisitions and to repay future borrowings under our credit facility and commercial paper program.

Credit Agency Ratings

The borrowing interest rates under our revolving credit facility are based upon our ratings assigned by credit rating agencies. As of December 31, 2020, we were assigned the following investment grade corporate credit ratings on our senior unsecured notes and bonds: Moody’s Investors Service has assigned a rating of A3 with a “stable” outlook and Standard & Poor’s Ratings Group has assigned a rating of A- with a “stable” outlook. In addition, we were assigned the following ratings on our commercial paper at December 31, 2020: Moody's Investors Service has assigned a rating of P-2 and Standard & Poor's Ratings Group has assigned a rating of A-2.

Based on our ratings as of December 31, 2020, the facility interest rate was LIBOR, plus 0.775% with a facility commitment fee of 0.125%, for all-in pricing of 0.90% over LIBOR. Our credit facility provides that the interest rate can range between: (i) LIBOR, plus 1.45% if our credit rating is lower than BBB-/Baa3 or unrated and (ii) LIBOR, plus 0.75% if our credit rating is A/A2 or higher. In addition, our credit facility provides for a facility commitment fee based on our credit ratings, which range from: (i) 0.30% for a rating lower than BBB-/Baa3 or unrated, and (ii) 0.10% for a credit rating of A/A2 or higher.

We also issue senior debt securities from time to time and our credit ratings can impact the interest rates charged in those transactions. If our credit ratings or ratings outlook change, our cost to obtain debt financing could increase or decrease. The credit ratings assigned to us could change based upon, among other things, our results of operations and financial condition. These ratings are subject to ongoing evaluation by credit rating agencies and we cannot assure you that our ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. Moreover, a rating is not a recommendation to buy, sell or hold our debt securities, preferred stock or common stock.

Term Loans

In October 2018, in conjunction with our credit facility, we entered into a $250.0 million senior unsecured term loan, which matures in March 2024, and is governed by the credit agreement that governs our revolving credit facility. Borrowing under this term loan bears interest at the current one-month LIBOR, plus 0.85%. In conjunction with this term loan, we also entered into an interest rate swap which effectively fixes our per annum interest on this term loan at 3.89%.

In June 2015, in conjunction with entering into our previous credit facility, we entered into a $250.0 million senior unsecured term loan which matured in June 2020. Borrowing under this term loan bore interest at the current one-month LIBOR, plus 0.90%. In conjunction with this term loan, we also entered into an interest rate swap which effectively fixed our per annum interest rate on this term loan at 2.62%. In June 2020, we repaid the term loan in full upon maturity.

Mortgage Debt
As of December 31, 2020, we had $299.6 million of mortgages payable, all of which were assumed in connection with our property acquisitions. Additionally, at December 31, 2020, we had net premiums totaling $1.7 million on these mortgages and deferred financing costs of $973,000. We expect to pay off the mortgages payable as soon as prepayment penalties have declined to a level that would make it economically feasible to do so. During 2020, we made $108.8 million of principal payments, including the repayment of nine mortgages in full for $103.4 million.

Notes Outstanding
As of December 31, 2020, we had $8.30 billion of senior unsecured note and bond obligations, excluding unamortized net original issuance premiums of $14.6 million and deferred financing costs of $49.2 million. All of our outstanding notes and bonds have fixed interest rates. With the exception of interest on our 1.625% senior unsecured notes due in December 2030, which is paid annually, interest on all of our other senior note and bond obligations is paid semiannually.

No Unconsolidated Investments
We have no unconsolidated investments, nor do we engage in trading activities involving energy or commodity contracts.

Environmental, Social and Governance (ESG)
In recent years, our environmental, social, and governance efforts have quickly evolved from commitments to action. We continue to focus on how best to institutionalize efforts for a lasting and positive impact. We strive to be a leader in the net lease industry in ESG initiatives.

We are committed to conducting our business according to the highest ethical standards. We are dedicated to providing an engaging, diverse, and safe work environment for our employees, operating our business in an environmentally conscious manner, and upholding our corporate responsibilities as a public company for the benefit of our stakeholders - our investors, clients, team and community.

As The Monthly Dividend Company®, our mission is to conduct business with integrity, transparency, respect and humility to create long-term value across economic cycles for all stakeholders. We are dedicated to providing dependable monthly dividends that increase over time.

We believe that our commitment to corporate responsibility, which encompasses ESG principles, is critical to our performance and long-term success and that we all have a shared responsibility to our community and the planet. The Nominating/Corporate Governance Committee of our Board of Directors has direct oversight of ESG matters.

Environmental - Sustainability
In 2020, we took the next step on our sustainability agenda by continuing to increase our ESG reporting and disclosure, expanding our "green lease" coverage, and committing to offsetting 100% of our electricity usage at our corporate headquarters through renewable energy combined with an energy storage system. As our sustainability strategy matures, we plan on executing more environmental impact initiatives in the coming years, by utilizing opportunities to collaborate with both internal and external stakeholders.

We hold the protection of our assets, communities, and the environment in high regard. Based on our business model, the properties in our portfolio are primarily net leased to our clients, and each client is generally responsible for maintaining the buildings, including utilities management and the implementation of environmentally sustainable practices at each location. In that light, we intend to expand our client engagement efforts to achieve shared sustainability objectives on an ongoing basis. As a member of the National Association of Real Estate Investment Trusts (Nareit) Real Estate Sustainability Council, we are focused on leveraging best practices and advancing our efforts in this area.

Social - Company Culture and Employees

Human Capital
We put great effort into cultivating an inclusive company culture. We are one team, and together we are committed to providing an engaging work environment centered on our values of integrity, transparency, respect, and humility. We hire talented employees with diverse backgrounds and perspectives and work to provide an environment with regular, open communication where capable team members have fulfilling careers and are encouraged to engage with and make a positive impact on business partners and the communities in which we operate.

The COVID-19 pandemic presented challenges to our employees. In response, during 2020, we took the following actions to seek to assist our employees:

- Transitioned all employees to working remotely through secure systems supported by our IT department;
- Utilized Microsoft Teams to support regular communication, collaboration, and continued training;
- Increased dialogue with our team leaders, including our CEO, who scheduled regular check-in calls with departments and employees;
- Provided resources to employees who were directly impacted by the COVID-19 pandemic;
- Implemented a business continuity plan that includes emergency planning, disaster recovery, alternative communication outlets, and real-time testing simulations;
- Engaged with employees through a survey to gather their perspectives on how and when to return to an office work environment based on their individual situations; and
- Established virtual engagement activities bringing colleagues together through the Team Building Committee and Green Team.

Recruitment, Development and Retention
We believe our employees form the foundation of our corporate culture and are one of our most valuable assets. As of January 2021, we employed 210 professionals (including two part-time employees), with the majority of talent recruited and hired from the local community. In order to broaden our reach for talent, we offer a college internship program and attract candidates utilizing diverse resources such as affinity associations, targeted job advertisements, and employee referrals. Additionally, as part of our ongoing efforts to strengthen our internal leadership development capabilities, we operate an annual mentorship program and train on topics such as anti-discrimination and harassment, cybersecurity, Diversity, Equality and Inclusion (DE&I) awareness, safety, and important company policies that are required for every employee. We also offer competency-based training that includes professional development, mentorship opportunities, executive and officer-level coaching, and leadership development.

Assistance and support are provided to employees who are working towards obtaining job-related licenses and relevant certifications as well continuing education. Opportunities to enroll in professional and technical education is also extended to all employees who are looking for ways to continue learning and growing with the company.

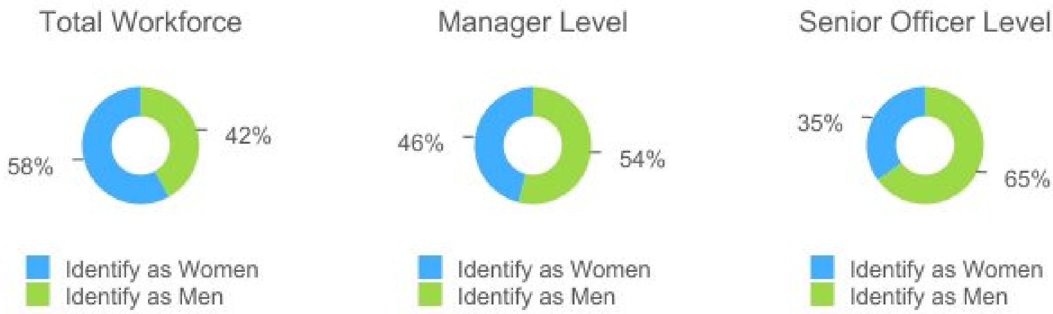
Employee retention is vital to maintaining a robust and cohesive workforce. To that end, we provide compensation that we believe is competitive with our peers and competitors, including a generous benefits package. Benefits include medical, dental, and vision healthcare benefits for all employees and their families; participation in a 401(k) plan with a matching contribution from us; paid time-off; disability and life insurance; and, in years that the company's performance meets certain goals, the ability to earn equity in the company that vests over four years. Our employees have an average tenure of over five years and our leadership, including Vice President and above, tenure is over 11 years.

Diversity, Equality and Inclusion
We believe that much of our success is rooted in the diversity of our teams and our commitment to inclusion. This commitment starts at the top with our highly skilled and diverse Board, comprised of individuals with a variety of backgrounds and experience. We strive to emulate this diversity throughout the company as part of our ongoing commitment to diversity, equality and inclusion, our DE&I Policy. In 2020 we focused on building our employees awareness and understanding of DE&I with both required and voluntary learning opportunities (65% participation).

These learning opportunities aim to continue building knowledge and facilitate open and safe conversations regarding critical DE&I topics, such as confronting bias in the workplace, driving inclusive conversations with others, and promoting belonging in our remote environment.

We perform a pay equity analysis each year to ensure that regardless of gender, race, or national origin, employees who perform similar work under similar circumstances are paid similar wages.

Workforce Demographics
The following data is as of February 8, 2021 and was gathered voluntarily from employees and directors, and reflects the information provided by the participating respondents. We define Manager Level as employees that either supervise at least one team member or hold a title of Associate Director or above. We define Senior Officer Level as employees with a title of Senior Vice President or above.



*6 of 17 senior officers identify as women

Age	**% of our Workforce**
Under 30 years old	21 %
Between 30 and 50 years old	57 %
Over 50 years old	22 %
Ethnicity	
Asian	13 %
Black or African American	4 %
Hispanic or Latino	11 %
Caucasian	68 %
Two or more races	4 %
In addition, 22% of our Board of Directors identify as women and 44% identify as ethnically diverse.	

Employee Engagement
We believe our focus on culture, employee engagement and inclusion has helped us mitigate the risk of losing key team members. To assess, analyze, and respond to employee sentiment and to ensure that we are doing all we can to foster engagement from a strategic perspective, we launched our first employee engagement survey in 2019. Eighteen months later, we conducted our second employee engagement survey, both with an overwhelming 99% of employees participating and increasing positive results. We continuously engage in our culture and the work environment experiences for opportunities to improve. We intend to continue to conduct employee engagement surveys every eighteen months.

We sponsor an active Team Building Committee comprised of volunteer-employees across numerous departments and seniority levels that organizes employee-driven, team-building events and activities to promote employee involvement, communication, and organizational continuity to foster strong interconnected relationships. We complement the Team Building Committee in support of our Environmental, Social, and Governance efforts with another volunteer-based, employee-driven Green Team that works on sustainability related matters at our office and in the community.

Employee Health, Safety and Wellbeing
We believe the health and wellbeing of our team members are cornerstones for our successful operations. Our “O”verall Wellbeing Program provides opportunities for our people to participate in various activities and educational programs to enhance their personal and professional lives. To support a healthy work-life balance, we offer flexible work schedules, fitness programs, on-site dry-cleaning pickup, car wash services, paid family leave, generous maternity leave, lactation rooms and an infant at work program for new parents. Employees also have access to a robust employee assistance program. Our Injury and Illness Prevention Program (IIPP) helps us meet our goal of maintaining a safe and healthy working environment for our employees.

Additionally, we have been training employees on best practice health habits in advance of a future return to our offices. Every employee will be required to attend an information session prior to regularly returning to the office to work. We have invested in MERV 13 filters, continuous HVAC air filtration, sanitizing stations, social distancing guidelines, training for healthy hand washing habits, escalated cleaning protocols, and preventative health screening questionnaires to create a safe and clean environment for our employees.

Our people are Realty Income.

Governance - Fiduciary Duties and Ethics
We believe that nothing is more important than a company's reputation for integrity and serving as a responsible fiduciary for its stockholders. We are committed to managing the company for the benefit of our stockholders and are focused on maintaining good corporate governance. Our practices that illustrate this commitment include, but are not limited to:

- Our Board of Directors is currently comprised of nine directors, eight of whom are independent, non- employee directors;
- Our Board of Directors is elected on an annual basis with a majority vote standard;
- Our directors conduct annual self-evaluations and participate in orientation and continuing education programs;
- An enterprise risk management evaluation is conducted annually to identify and assess company risk;
- Each committee within our Board of Directors is comprised entirely of independent directors; and
- We adhere to all other corporate governance principles outlined in our Corporate Governance Guidelines. These guidelines, as well as our bylaws, committee charters and other governance documents may be found on our website.

We are committed to conducting our business according to the highest ethical standards and upholding our corporate responsibilities as a public company operating for the benefit of our stockholders. Our Board of Directors has adopted a Code of Business Ethics that applies to our directors, officers, and other employees. The Code of Business Ethics includes our commitment to dealing fairly with all of our customers, service providers, suppliers, and competitors. We conduct an annual training with our employees regarding ethical behavior and require all employees to acknowledge the terms of, and abide by, our Code of Business Ethics, which is also available on our website. Our employees have access to members of our Board of Directors to report anonymously, if desired, any suspicion of misconduct by any member of our senior management or executive team. Anonymous reporting is always available through the company's whistleblower hotline and reported to our Audit Committee quarterly.

PROPERTY PORTFOLIO INFORMATION

At December 31, 2020, we owned a diversified portfolio:

- Of 6,592 properties;
- With an occupancy rate of 97.9%, or 6,452 properties leased and 140 properties available for lease or sale;
- Doing business in 51 separate industries;
- Located in 49 U.S. states, Puerto Rico and the U.K.;
- With approximately 110.8 million square feet of leasable space;
- With a weighted average remaining lease term (excluding rights to extend a lease at the option of the client) of approximately 9.0 years; and
- With an average leasable space per property of approximately 16,810 square feet; approximately 12,340 square feet per retail property and 245,270 square feet per industrial property.

At December 31, 2020, 6,452 properties were leased under net lease agreements. A net lease typically requires the client to be responsible for monthly rent and certain property operating expenses including property taxes, insurance, and maintenance. In addition, our clients are typically subject to future rent increases based on increases in the consumer price index (typically subject to ceilings), additional rent calculated as a percentage of the client's gross sales above a specified level, or fixed increases.

We define total portfolio annualized contractual rental revenue as the monthly aggregate cash amount charged to clients, inclusive of monthly base rent receivables, as of the balance sheet date, multiplied by 12, excluding percentage rent. We believe total portfolio annualized contractual rent is a useful supplemental operating measure, as it excludes properties that were no longer owned at the balance sheet date and includes the annualized rent from properties acquired during the quarter. Total portfolio annualized contractual rent has not been reduced to reflect reserves recorded as reductions to GAAP rental revenue in the periods presented.

Industry Diversification

The following table sets forth certain information regarding our property portfolio classified according to the business of the respective clients, expressed as a percentage of our total portfolio annualized contractual rent:

Percentage of Total Portfolio Annualized Contractual Rent by Industry

	As of				
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
U.S.					
Aerospace	0.6 %	0.8 %	0.9 %	1.0 %	1.1 %
Apparel stores	1.3	1.1	1.2	1.4	1.7
Automotive collision services	1.1	1.0	0.9	1.0	1.0
Automotive parts	1.6	1.6	1.7	1.5	1.3
Automotive service	2.7	2.6	2.3	2.5	2.0
Automotive tire services	2.0	2.1	2.3	2.5	2.6
Beverages	2.1	2.0	2.4	2.6	2.8
Child care	2.1	2.1	2.2	1.7	1.7
Consumer electronics	0.3	0.3	0.3	0.3	0.3
Consumer goods	0.6	0.6	0.7	0.7	0.9
Convenience stores	11.9	12.3	12.6	9.3	10.0
Crafts and novelties	0.9	0.6	0.6	0.6	0.5
Diversified industrial	0.8	0.7	0.8	0.8	0.9
Dollar stores	7.6	7.9	7.3	7.5	8.0
Drug stores	8.2	8.8	9.4	10.2	10.8
Education	0.2	0.2	0.3	0.3	0.3
Electric utilities	0.1	0.1	0.1	0.1	0.1
Entertainment	0.3	0.3	0.3	0.4	0.4
Equipment services	0.3	0.4	0.4	0.4	0.5
Financial services	1.8	2.0	2.4	2.3	2.6
Food processing	0.7	0.7	0.5	0.6	1.0
General merchandise	3.4	2.5	2.1	2.3	1.9
Government services	0.6	0.7	0.9	0.9	1.0
Grocery stores	4.9	5.2	5.0	5.3	3.5
Health and beauty	0.2	0.2	0.2	*	*
Health and fitness	6.7	7.0	7.1	7.7	7.6
Health care	1.5	1.6	1.6	1.4	1.5
Home furnishings	0.7	0.8	0.8	0.9	0.9
Home improvement	3.1	2.9	2.8	2.9	2.5
Machinery	0.1	0.1	0.1	0.1	0.1
Motor vehicle dealerships	1.6	1.6	1.8	2.0	2.0
Office supplies	0.1	0.2	0.2	0.2	0.3
Other manufacturing	0.4	0.6	0.7	0.8	0.8
Packaging	0.9	0.8	1.0	1.1	0.9
Paper	0.1	0.1	0.1	0.1	0.1
Pet supplies and services	0.7	0.7	0.5	0.6	0.6
Restaurants - casual dining	2.8	3.2	3.3	3.6	3.7
Restaurants - quick service	5.3	5.8	6.3	5.2	4.8
Shoe stores	0.2	0.2	0.5	0.6	0.6
Sporting goods	0.7	0.8	0.9	1.0	1.5
Telecommunications	0.5	0.5	0.6	0.6	0.7
Theaters	5.6	6.1	5.3	5.7	4.6
Transportation services	3.9	4.3	5.0	5.4	5.7
Wholesale clubs	2.4	2.5	2.9	3.1	3.4
Other	0.2	0.7	0.7	0.8	0.8
Total U.S.	93.8 %	97.3 %	100.0 %	100.0 %	100.0 %
U.K.					
Grocery stores	4.9	2.7	—	—	—
Health care	0.1	—	—	—	—
Home improvement	1.2	—	—	—	—
Theaters	*	*	—	—	—
Total U.K.	6.2 %	2.7 %	— %	— %	— %
Totals	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

* Less than 0.1%

Property Type Composition

The following table sets forth certain property type information regarding our property portfolio as of December 31, 2020 (dollars in thousands):

Property Type	Number of Properties	Approximate Leasable Square Feet [(1)]	Total Portfolio Annualized Contractual Rent as of December 31, 2020	Percentage of Total Portfolio Annualized Contractual Rent
Retail	6,419	79,227,800	$ 1,409,959	84.4 %
Industrial	115	28,206,300	182,004	10.9
Office	43	3,175,700	51,308	3.1
Agriculture	15	184,500	27,113	1.6
Totals	6,592	110,794,300	$ 1,670,384	100.0 %

(1) Includes leasable building square footage. Excludes 3,300 acres of leased land categorized as agriculture at December 31, 2020.

Client Diversification

The following table sets forth our 20 largest clients in our property portfolio, expressed as a percentage of total portfolio annualized contractual rent, which does not give effect to deferred rent, at December 31, 2020:

Client	Number of Leases	Percentage of Total Portfolio Annualized Contractual Rent
Walgreens	248	5.7 %
7-Eleven	432	4.8 %
Dollar General	787	4.3 %
FedEx	41	3.7 %
Dollar Tree / Family Dollar	550	3.3 %
LA Fitness	56	3.1 %
Sainsbury's	18	3.0 %
Wal-Mart / Sam's Club	58	2.9 %
Regal Cinemas (Cineworld)	41	2.7 %
AMC Theaters	32	2.7 %
Lifetime Fitness	16	2.4 %
Circle K (Couche-Tard)	277	1.8 %
BJ's Wholesale Clubs	15	1.7 %
Treasury Wine Estates	17	1.6 %
CVS Pharmacy	88	1.5 %
Speedway (Marathon)	161	1.5 %
Kroger	22	1.5 %
Tesco	10	1.4 %
Home Depot	22	1.3 %
GPM Investments / Fas Mart	202	1.3 %
Totals	3,093	52.2 %

Lease Expirations

The following table sets forth certain information regarding the timing of the lease term expirations in our portfolio (excluding rights to extend a lease at the option of the client) and their contribution to total portfolio annualized contractual rent as of December 31, 2020 (dollars in thousands):

Total Portfolio[(1)]

Year	Expiring Leases Retail	Non-Retail	Approximate Leasable Square Feet	Total Portfolio Annualized Contractual Rent as of December 31, 2020	Percentage of Total Portfolio Annualized Contractual Rent
2021	178	10	1,491,300	$ 28,832	1.7 %
2022	372	21	8,339,600	78,637	4.7
2023	545	24	9,751,500	121,418	7.3
2024	418	17	7,768,600	98,186	5.9
2025	507	21	7,913,500	122,585	7.3
2026	374	10	6,731,800	89,150	5.3
2027	432	4	6,507,400	88,054	5.3
2028	590	14	11,789,800	136,826	8.2
2029	541	6	9,277,800	131,580	7.9
2030	227	12	6,856,200	78,966	4.7
2031	253	15	6,799,500	114,831	6.9
2032	304	12	4,898,100	101,673	6.1
2033	288	4	3,894,200	71,124	4.3
2034	304	3	5,239,200	125,685	7.5
2035	258	—	2,181,600	62,335	3.7
2036-2046	765	7	9,158,200	220,502	13.2
Totals	6,356	180	108,598,300	$ 1,670,384	100.0 %

(1) The table sets forth the timing of remaining lease terms expirations in our portfolio and their contributions to contractual rent as of December 31, 2020. Leases on our multi-client properties are counted separately in the table above. The table excludes 163 vacant units.

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Geographic Diversification

The following table sets forth certain state-by-state information regarding our property portfolio as of December 31, 2020 (dollars in thousands):

Location	Number of Properties	Percent Leased	Approximate Leasable Square Feet	Total Portfolio Annualized Contractual Rent as of December 31, 2020	Percentage of Total Portfolio Annualized Contractual Rent
Alabama	225	95 %	2,127,700	$ 30,754	1.8 %
Alaska	3	100	274,600	2,148	0.1
Arizona	152	99	2,082,200	31,380	1.9
Arkansas	100	97	1,178,800	14,419	0.9
California	238	98	7,398,100	147,067	8.8
Colorado	98	94	1,575,200	23,500	1.4
Connecticut	18	89	1,274,100	12,907	0.8
Delaware	19	100	101,400	3,132	0.2
Florida	430	98	4,981,400	87,988	5.3
Georgia	296	99	4,546,100	59,553	3.6
Idaho	14	93	103,200	1,748	0.1
Illinois	299	95	7,703,900	96,369	5.8
Indiana	200	100	2,556,000	40,333	2.4
Iowa	46	91	2,527,800	18,182	1.1
Kansas	118	98	2,206,600	24,807	1.5
Kentucky	94	99	1,826,100	22,184	1.3
Louisiana	136	97	1,953,200	25,595	1.5
Maine	27	100	277,800	5,721	0.3
Maryland	38	100	1,494,000	25,743	1.5
Massachusetts	58	95	881,400	17,082	1.0
Michigan	243	100	2,752,200	42,837	2.6
Minnesota	176	99	2,357,400	44,713	2.7
Mississippi	188	95	2,029,800	22,826	1.4
Missouri	186	94	2,962,100	39,114	2.3
Montana	12	100	89,100	2,238	0.1
Nebraska	61	98	862,300	8,846	0.5
Nevada	26	96	1,239,300	9,204	0.6
New Hampshire	14	100	321,500	6,058	0.4
New Jersey	80	99	1,271,000	29,992	1.8
New Mexico	58	100	495,500	8,577	0.5
New York	139	98	3,164,400	69,359	4.2
North Carolina	207	99	3,493,800	51,160	3.1
North Dakota	8	75	126,900	1,321	0.1
Ohio	341	98	6,765,000	69,258	4.0
Oklahoma	190	99	2,368,500	32,147	1.9
Oregon	31	100	665,100	11,965	0.7
Pennsylvania	211	99	2,217,000	44,495	2.7
Rhode Island	3	100	158,000	2,582	0.2
South Carolina	179	98	1,816,700	35,507	2.1
South Dakota	21	81	254,700	2,584	0.2
Tennessee	261	98	3,854,700	49,839	3.0
Texas	831	99	11,691,500	176,716	10.5
Utah	23	100	949,700	9,980	0.6
Vermont	1	100	65,500	1,212	0.1
Virginia	219	99	3,418,300	45,136	2.7
Washington	51	98	956,700	15,915	1.0
West Virginia	37	97	537,500	7,120	0.4
Wisconsin	131	98	3,044,400	32,972	2.0
Wyoming	9	100	63,900	1,520	0.1
Puerto Rico	4	100	28,300	859	*
U.K.	42	100	3,703,900	103,720	6.2
Totals\Average	6,592	98 %	110,794,300	$ 1,670,384	100.0 %

* Less than 0.1%

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the documents incorporated by reference, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. When used in this annual report, the words “estimated”, “anticipated”, “expect”, “believe”, “intend” and similar expressions are intended to identify forward-looking statements. Forward-looking statements include discussions of strategy, plans, or intentions of management. Forward-looking statements are subject to risks, uncertainties, and assumptions about Realty Income Corporation, including, among other things:

- Our access to capital and other sources of funding;
- Our anticipated growth strategies;
- Our intention to acquire additional properties and the timing of these acquisitions;
- Our intention to sell properties and the timing of these property sales;
- Our intention to re-lease vacant properties;
- Anticipated trends in our business, including trends in the market for long-term net leases of freestanding, single-client properties;
- Future expenditures for development projects; and
- The impact of the COVID-19 pandemic, or future pandemics, on us, our business, our clients, or the economy generally.

Future events and actual results, financial and otherwise, may differ materially from the results discussed in or implied by the forward-looking statements. In particular, forward-looking statements regarding estimated or future results of operations are based upon numerous assumptions and estimates and are inherently subject to substantial uncertainties and actual results of operations may differ materially from those expressed or implied in the forward-looking statements, particularly if actual events differ from those reflected in the estimates and assumptions upon which such forward-looking statements are based. Some of the factors that could cause actual results to differ materially are:

- Our continued qualification as a real estate investment trust;
- General domestic and foreign business and economic conditions;
- Competition;
- Fluctuating interest and currency rates;
- Access to debt and equity capital markets;
- Continued volatility and uncertainty in the credit markets and broader financial markets;
- Other risks inherent in the real estate business including our client defaults under leases, potential liability relating to environmental matters, illiquidity of real estate investments, and potential damages from natural disasters;
- Impairments in the value of our real estate assets;
- Changes in income tax laws and rates;
- The continued evolution of the COVID-19 pandemic and the measures taken to limit its spread, and its impacts on us, our business, our clients, or the economy generally;
- The timing and pace of reopening efforts at the local, state and national level in response to the COVID-19 pandemic and any developments, such as the recent surge in COVID-19 cases, that cause a delay in or postponement of reopenings;
- The outcome of any legal proceedings to which we are a party or which may occur in the future; and
- Acts of terrorism and war.

Additional factors that may cause future events and actual results, financial or otherwise, to differ, potentially materially, from those discussed in or implied by the forward-looking statements include the risks and uncertainties discussed in the sections entitled “Business”, “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date that this annual report was filed with the Securities and Exchange Commission, or SEC. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events. In light of these risks and uncertainties, the forward-looking events discussed in this annual report might not occur.

Item 1A: Risk Factors

This “Risk Factors” section contains references to our “capital stock” and to our “stockholders.” Unless expressly stated otherwise, the references to our “capital stock” represent our common stock and any class or series of outstanding preferred stock, while the references to our “stockholders” represent holders of our common stock and any class or series of outstanding preferred stock.

Risks Related to Our Business and Industry

The COVID-19 pandemic has disrupted our operations and is expected to continue to have an adverse effect on our business, results of operations, financial condition and liquidity.

In late 2019, COVID-19 was first reported in Wuhan, China, and on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The outbreak has spread globally and has led governments and other authorities around the world, including federal, state and local authorities in the United States and elsewhere, to impose measures intended to control its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business closures, quarantines and shelter-in-place orders.

The COVID-19 pandemic has had, and other pandemics in the future could have, repercussions across global economies and financial markets. The COVID-19 pandemic and the measures taken to limit its spread have adversely impacted regional, national and global economic activity and have contributed to significant volatility and negative pressure in financial markets. The impact of the COVID-19 pandemic has been rapidly evolving and, as cases of COVID-19 have continued to increase and be identified, many countries, including the United States and United Kingdom, have reacted by, among other things, instituting quarantines and restricting travel. Many national, state and local governments, including in areas where we own properties, have also reacted by instituting quarantines, restrictions on travel, shelter-in-place orders, restrictions on types of business that may continue to operate, school closures, limitations on attendance at events or other gatherings, and social distancing requirements, and additional national, state and local governments may implement similar restrictions. In that regard, surges in COVID-19 cases have led many state and local governments to increase the scope and severity of some of these restrictions and to institute new restrictions.

As a result, the COVID-19 pandemic and the measures taken to limit its spread are negatively impacting the global, national and regional economies generally and many industries, directly or indirectly, and those impacts are likely to continue and may increase in severity, including potentially triggering a prolonged period of negative or limited economic growth. Factors that have contributed or may contribute to the adverse impact of the COVID-19 pandemic and the measures taken to limit its spread on the business, results of operations, financial condition and liquidity of us and our clients include, without limitation, the following:

- A complete or partial closure of, or other operational limitations or issues at, properties operated by our clients resulting from government action (including travel bans, border closings, business closures, quarantine, shelter-in-place or similar orders requiring that people remain in their homes) or client action;
- Reduced economic activity, the deterioration in our or our clients’ ability to operate in affected areas and any delays in the supply of products or services to our clients may impact certain of our clients’ businesses, results of operations, financial condition and liquidity and may cause certain of our clients to be unable to meet their obligations to us in full, or at all, and to seek, whether through negotiation, restructuring or bankruptcy, reductions or deferrals in their rent payments and other obligations to us or early termination of their leases;
- We may experience difficulties, some of which may be related to unexpected supply chain disruptions, in leasing, selling or redeveloping vacant properties or renewing expiring or terminated leases on terms we consider acceptable, or at all;
- We may experience difficulty accessing the bank lending, capital markets and other financial markets on attractive terms, or at all, and a severe disruption or instability in the national or global financial markets or deterioration in credit and financing conditions may adversely affect our cost of capital, our access to capital to acquire additional properties necessary to grow our business and to fund our business operations, our ability to pay dividends on our common stock, our ability to pay the principal of and interest on our indebtedness, and our other liabilities on a timely basis, and our clients’ ability to fund their business operations and meet their obligations to us and others;
- The financial impact of the COVID-19 pandemic could negatively impact our credit ratings, the interest rates on our borrowings, and, if the COVID-19 pandemic continues for an extended period of time, our future compliance with financial covenants under our credit facility and other debt instruments, which could result in a default and

potentially an acceleration of indebtedness, any of which could negatively impact our ability to make additional borrowings under our revolving credit facility, to sell commercial paper notes under our commercial paper program or incur other indebtedness, and pay dividends on our common stock and to pay the principal of and interest on our indebtedness, and our other obligations when due;
- The impact of the COVID-19 pandemic on the market value of our properties has led to impairment charges and may require that we incur further impairment charges, asset write-downs or similar charges;
- The impact on the ability of our employees, including members of our management team or board of directors, to fulfill their duties to us as a result of the COVID-19 pandemic, either as a result of measures taken to limit its spread or as a result of infection; and
- A general decline in business activity and demand for real estate transactions could adversely affect our ability to grow our portfolio of properties.

The extent to which the COVID-19 pandemic continues to impact our operations and those of our clients will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or limit its impact, and the direct and indirect economic effects of the pandemic and containment measures. To date, the COVID-19 pandemic and the measures taken to limit its spread have adversely impacted and may continue to adversely impact, among other things, the ability of a number of our clients' to generate adequate, or in certain cases, any revenue from their businesses, the ability or willingness of many of our clients to pay rent in full, or at all, or on a timely basis, and our ability to collect rent from our clients. It may also adversely impact our ability to enforce remedies for the failure to pay rent, our occupancy levels, our ability to acquire properties or complete construction projects, and may otherwise negatively affect our business.

Certain industries in which our clients operate appear to have been disproportionately adversely impacted by the COVID-19 pandemic and the measures taken to mitigate its spread. These adverse impacts have reduced the amount of rent we have been able to collect from our clients in those industries and may further decrease the likelihood of us collecting such rent in the future. For example, in October 2020, two major theater operators that are clients of ours publicly announced financial difficulties from the COVID-19 pandemic, including sustained operating losses, the depletion of liquidity resources and the closure of locations. In response to this information, we have recorded reserves as a reduction of rental revenue on certain theater leases related to those clients on an accrual basis and have recorded provisions for impairment on certain of our assets with respect to properties of which those theater operators are clients to reduce the carrying value of those assets to fair value. Our ability to collect rent from these clients, from other clients in the theater industry, or from other clients who face similar hardships may be further adversely impacted as the COVID-19 pandemic and its adverse impacts on those clients continue. In addition, if any of these or other clients declare bankruptcy or enter into similar corporate restructuring arrangements, they may seek to reject or renegotiate our existing leases, which could adversely affect our ability to collect rent that is owed or to collect future rent on those properties at anticipated rates, or at all, or to re-lease those properties on favorable terms. As of December 31, 2020, our exposure to the theater industry was 5.6% of total portfolio annualized contractual rent.

In addition, most of our clients operate retail businesses that depend on customer traffic. As a result, conditions that lead to a decline in customer traffic (including quarantine, shelter-in-place or similar orders requiring that people remain in their homes or orders requiring business closures or restricting business operations) have had and so long as those conditions continue to exist will continue to have an adverse effect on the business, results of operations, financial condition and liquidity of a number of our clients, and their willingness or ability to pay rent, to renew expiring leases or to enter into new leases on terms favorable to us, or at all.

In addition to the near-term effects of the COVID-19 pandemic on our clients and their businesses, we are unable to predict at this time the broader long-term impacts on consumer behavior in regard to brick-and-mortar retail and service-based businesses. To the extent certain adverse factors, including but not limited to, continued patterns of consumer savings and unemployment, persist, certain discretionary businesses could have prolonged negative consequences as a result of shifts in long-term consumer behavior.

As a result of the foregoing, we cannot predict the number of our clients that will not pay rent in the future, nor can we predict whether our clients who have paid rent in the past will continue to do so or whether our clients who have deferred rent will pay such rent in the future. As the COVID-19 pandemic continues, our clients may cease to pay their rent obligations to us in full or at all, and our clients may elect not to renew their leases, seek to terminate their leases, seek relief from their leases (including through negotiation, restructuring or bankruptcy), or decline to renew expiring leases or enter into new leases, all of which may adversely impact our rental revenue and occupancy rates, generate additional expenses, result in impairment charges or other write-downs of assets, and adversely impact our results of operations, financial condition and liquidity. In addition, as we believe to be the case with many retail landlords, we have received many short-term rent relief requests, most often in the form of rent deferral requests, or requests for further discussion from our clients. Collections and rent relief requests to-date may not be indicative of collections or requests in any future period.

Likewise, the deterioration of global economic conditions as a result of the pandemic may ultimately lead to a further decrease in occupancy levels and rental rates across our portfolio as our clients reduce or defer their spending, institute restructuring plans or file for bankruptcy. Some of our major clients have experienced temporary closures of some or all of their properties or have substantially reduced their operations in response to the COVID-19 pandemic, and additional clients may do so in the future. In addition, the measures taken to prevent the spread of COVID-19 (including quarantine, shelter-in-place or similar orders requiring that people remain in their homes) have led and may lead to further closures, or other operational issues at our properties, or delays in acquisition activities, construction projects, and other corporate actions, all of which may materially adversely impact our operations.

In addition, in light of the uncertain and rapidly evolving situation relating to the COVID-19 pandemic, we have taken certain precautionary measures within our organization intended to help reduce the risk of the virus to our employees, our clients, and the communities in which we operate, including instituting a work-from-home policy for our employees and suspending non-essential travel and in-person attendance at industry events.

While we anticipate that these measures are temporary, we cannot predict the specific duration for which these precautionary measures will stay in effect, and we may elect to take additional measures as the information available to us continues to develop. These actions, and any future actions we may take in response to the COVID-19 pandemic, could further negatively impact our business, financial condition, results of operations and liquidity.

For the foregoing reasons, we expect that the impact of the COVID-19 pandemic and related containment measures, including the impact on regional, national and global economies, will likely adversely affect our business, results of operations, financial condition and liquidity, and, given unpredictability of the scope, severity and duration of the pandemic, such impacts may be material.

To the extent the COVID-19 pandemic and related containment measures continue to adversely affect regional, national and global economic conditions and financial markets, as well as the business, results of operations, financial conditions and liquidity of us and our clients, it may also have the effect of heightening many of the risks described elsewhere in this “Risk Factors” section, including the risks resulting from our significant indebtedness; our need to generate sufficient cash flows to service our indebtedness, to pay dividends on our common stock, to pay the principal of and interest on our indebtedness, and provide for our other cash needs; our ongoing need for external financing; our ability to access borrowings under our credit facility and to sell notes under our commercial paper program; our ability to comply with the covenants contained in the agreements that govern our indebtedness; our dependency on key personnel; and the impact of negative market conditions or adverse events on our clients. In addition, in light of the COVID-19 pandemic and the measures taken to limit its spread, our historical information regarding our business, properties, results of operations, financial condition or liquidity may not be representative of the future results of operations, financial condition, liquidity or other financial or operating results of us, our properties or our business.

In order to grow we need to continue to acquire investment properties. The acquisition of investment properties may be subject to competitive pressures.

We face competition in the acquisition and operation of our properties. We expect competition from:

- Businesses;
- Individuals;
- Fiduciary accounts and plans; and
- Other entities engaged in real estate investment and financing.

Some of these competitors are larger than we are and have greater financial resources. This competition may result in a higher cost for properties we wish to purchase.

Negative market conditions or adverse events affecting our existing or potential clients, or the industries in which they operate, could have an adverse impact on our ability to attract new clients, re-lease space, collect rent or renew leases, which could adversely affect our cash flow from operations and inhibit growth.

Cash flow from operations depends in part on our ability to lease space to our clients on economically favorable terms and to collect rent from our clients on a timely basis. We could be adversely affected by various facts and events over which we have limited or no control, such as:

- Lack of demand in areas where our properties are located;
- Inability to retain existing clients and attract new clients;
- Oversupply of space and changes in market rental rates;
- Declines in our clients' creditworthiness and ability to pay rent, which may be affected by their operations, economic downturns and competition within their industries from other operators;
- Defaults by and bankruptcies of clients, failure of clients to pay rent on a timely basis, or failure of our clients to comply with their contractual obligations;
- The current COVID-19 pandemic (see "Risk Factors — The COVID-19 pandemic has disrupted our operations and is expected to continue to have an adverse effect on our business, results of operations, financial condition and liquidity" above) or other pandemics or outbreaks of illness, disease or virus that affect countries or regions in which our clients and their parent companies operate or in which our properties or corporate headquarters are located;
- Economic or physical decline of the areas where the properties are located; and
- Deterioration of physical condition of our properties.

At any time, any of our clients may experience a downturn in its business that may weaken its operating results or overall financial condition. As a result, a client may delay lease commencement, fail to make rental payments when due, decline to extend a lease upon its expiration, become insolvent or declare bankruptcy. Any client bankruptcy or insolvency, leasing delay or failure to make rental payments when due could result in the termination of the our client's lease and material losses to us.

If our clients do not renew their leases as they expire, we may not be able to rent or sell the properties. Furthermore, leases that are renewed, and some new leases for properties that are re-leased, may have terms that are less economically favorable than expiring lease terms, or may require us to incur significant costs, such as renovations, improvements on behalf of the client or lease transaction costs. Negative market conditions may cause us to sell vacant properties for less than their carrying value, which could result in impairments. Any of these events could adversely affect our cash flow from operations and our ability to make distributions to our stockholders and service our indebtedness. A significant portion of the costs of owning property, such as real estate taxes, insurance and maintenance, are not necessarily reduced when circumstances cause a decrease in rental revenue from the properties. In a weakened financial condition, our clients may not be able to pay these costs of ownership and we may be unable to recover these operating expenses from them.

Further, the occurrence of a client bankruptcy or insolvency could diminish the income we receive from our client's lease or leases. In addition, a bankruptcy court might authorize our client to terminate its leases with us. If that happens, our claim against the bankrupt client for unpaid future rent would be subject to statutory limitations that most likely would result in rent payments that would be substantially less than the remaining rent we are owed under the leases (although it is possible that we may not receive any unpaid future rent under terminated leases) or we may elect not to pursue claims against a client for terminated leases. In addition, any claim we have for unpaid past rent, if any, may not be paid in full, or at all. Moreover, in the case of a client's leases that are not terminated as the result of its bankruptcy, we may be required or elect to reduce the rent payable under those leases or provide other concessions, reducing amounts we receive under those leases. As a result, client bankruptcies may have a material adverse effect on our results of operations and financial condition. Any of these events could adversely affect our cash flow from operations and our ability to make distributions to stockholders and service our indebtedness.

As of December 31, 2020, 140 of our properties were available for lease or sale. As of December 31, 2020, no single client or group of our clients in the same industry, accounted for more than 10% of our total portfolio annualized contractual rent, except as described in the next paragraph.

As of December 31, 2020, our clients in the "convenience store - U.S." industry accounted for approximately 11.9% of our annualized contractual rent. A downturn in this industry could have a material adverse effect on our financial position, results of operations, our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions on our common stock and any outstanding preferred stock.

Individually, each of the other industries in our property portfolio accounted for less than 10% of our total portfolio annualized contractual rent for 2020. Nevertheless, downturns in these industries could also adversely affect our clients, which in turn could also have a material adverse effect on our financial position, results of operations and our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions on our common stock, and any outstanding preferred stock.

In addition, some properties are leased to clients that may have limited financial and other resources, and therefore, they are more likely to be adversely affected by a downturn in their respective businesses, including any downturns that have resulted or may result from the COVID-19 pandemic, or in the regional, national, or international economy.

As a property owner, we may be subject to unknown environmental liabilities.
Investments in real property can create a potential for environmental liability. An owner of property can face liability for environmental contamination created by the presence or discharge of hazardous substances on the property. We can face such liability regardless of:

- Our knowledge of the contamination;
- The timing of the contamination;
- The cause of the contamination; or
- The party responsible for the contamination of the property.

There may be environmental conditions associated with our properties of which we are unaware. In that regard, a number of our properties are leased to operators of convenience stores that sell petroleum-based fuels, as well as to operators of oil change and tune-up facilities and operators that use chemicals and other waste products. These facilities, and some other of our properties, use, or may have used in the past, underground lifts or underground tanks for the storage of petroleum-based or waste products, which could create a potential for the release of hazardous substances.

The presence of hazardous substances on a property may adversely affect our ability to lease or sell that property and we may incur substantial remediation costs or third party liability claims. Although our leases generally require our clients to operate in compliance with all applicable federal, state, and local environmental laws, ordinances and regulations, and to indemnify us against any environmental liabilities arising from the clients' activities on the property, we could nevertheless be subject to liability, including strict liability, by virtue of our ownership interest. There also can be no assurance that our clients could or would satisfy their indemnification obligations under their leases. The discovery of environmental liabilities attached to our properties could have an adverse effect on our results of operations, our financial condition, or our ability to make distributions to stockholders and to pay the principal of and interest on our debt securities and other indebtedness.

In addition, several of our properties were built during the period when asbestos was commonly used in building construction and we may acquire other buildings that contain asbestos in the future. Environmental laws govern the presence, maintenance, and removal of asbestos-containing materials, or ACMs, and require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, that they adequately inform or train those who may come into contact with asbestos and that they undertake special precautions, including removal or other abatement in the event that asbestos is disturbed during renovation or demolition of a building. These laws may impose fines and penalties on building owners or operators for failure to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

While we have not been notified by any governmental authority, and are not otherwise aware, of any material noncompliance, liability or claim relating to environmental contamination, if environmental contamination should exist on any of our properties, we could be subject to liability, including strict liability, by virtue of our ownership interest. In addition, while we have environmental insurance policies that provide for a total limit of $15 million per occurrence and $70 million in the aggregate, it is possible that our insurance could be insufficient to address any particular environmental situation and/or that, in the future, we could be unable to obtain insurance for environmental matters at a reasonable cost, or at all. Our clients are generally responsible for, and indemnify us against, liabilities for environmental matters that arise during the lease terms as a result of clients' activities on the properties. For properties that have underground storage tanks, in addition to providing an indemnity in our favor, the clients generally are required to meet applicable state financial assurance obligations, including maintaining certain minimum net worth requirements, obtaining environmental insurance, or relying upon the state trust funds where available in the states where these properties are located to reimburse responsible parties for costs of environmental remediation. However, it is possible that one or more of our clients could fail to have sufficient funds to cover any such indemnification or to meet applicable state financial assurance obligations, and thus we may still be obligated to pay for any such environmental liabilities.

If we fail to qualify as a REIT, it could adversely impact us, and the amount of dividends we are able to pay would decrease, which could adversely affect the market price of our capital stock and could adversely affect the value of our debt securities.

We believe that, commencing with our taxable year ended December 31, 1994, we have been organized and have operated, and we intend to continue to operate, so as to qualify as a REIT under Sections 856 through 860 of the Code. However, we cannot make any assurances that we have been organized or have operated in a manner that has satisfied the requirements for qualification as a REIT, or that we will continue to be organized or operate in a manner that will allow us to continue to qualify as a REIT.

Qualification as a REIT involves the satisfaction of numerous requirements under highly technical and complex Code provisions, for which there are only limited judicial and administrative interpretations, as well as the determination of various factual matters and circumstances not entirely within our control.

For example, in order to qualify as a REIT, at least 95% of our gross income in each year must be derived from qualifying sources, and we must pay distributions to stockholders aggregating annually at least 90% of our taxable income (excluding net capital gains).

If we fail to satisfy any of the requirements for qualification as a REIT, we may be subject to certain penalty taxes or, in some circumstances, we may fail to qualify as a REIT. If we were to fail to qualify as a REIT in any taxable year:

- We would be required to pay regular United States, or U.S., federal corporate income tax on our taxable income;
- We would not be allowed a deduction for amounts distributed to our stockholders in computing our taxable income;
- We could be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost;
- We would no longer be required to make distributions to stockholders; and
- This treatment would substantially reduce amounts available for investment or distribution to stockholders because of the additional tax liability for the years involved, which could have a material adverse effect on the market price of our capital stock and the value of our debt securities.

Even if we qualify for and maintain our REIT status, we may be subject to certain federal, state, local and foreign taxes on our income and property. For example, if we have net income from a prohibited transaction, that income will be subject to a 100% tax. In addition, our taxable REIT subsidiaries, including Crest, are subject to federal, state and, in some cases, foreign taxes at the applicable tax rates on their income and property. Any failure to comply with legal and regulatory tax obligations could adversely affect our ability to conduct business and could adversely affect the market price of our capital stock and the value of our debt securities.

Legislative or other actions affecting REITs could have a negative effect on us or our investors.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Services, or the IRS, and the U.S. Department of the Treasury, or the Treasury. Changes to the tax laws, with or without retroactive application, could adversely affect us or our investors, including holders of our common stock or debt securities. We cannot predict how changes in the tax laws might affect us or our investors. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT, the federal income tax consequences of such qualification, or the federal income tax consequences of an investment in us. Also, the law relating to the tax treatment of other entities, or an investment in other entities, could change, making an investment in such other entities more attractive relative to an investment in a REIT.

The 2017 Tax Cuts and Jobs Act, or TCJA, has significantly changed the U.S. federal income taxation of U.S. businesses and their owners, including REITs and their stockholders. We are continuing to assess the potential impact of TCJA on us as related regulations are proposed and finalized.

Although a number of regulations related to TCJA became final after 2017, there are still a number of proposed regulations open for comment, and further changes may be made in light of recent changes in the U.S. government. The legislation is still unclear in some respects and could be subject to further potential amendments and technical corrections, as well as interpretations and implementing regulations by the Treasury and IRS, any of which could lessen or increase the impact of the legislation. In addition, state and local tax jurisdictions, which often use federal taxable income as a starting point for computing state and local tax liabilities, are continuing to evaluate the legislation to determine their respective levels of conformity to the new law. While some of the changes made by the tax legislation may adversely affect us in one or more reporting periods and prospectively, other changes may be beneficial on a going forward basis. We continue to work with our tax advisors and auditors to determine the full impact that the recent tax legislation as a whole will have on us.

Distribution requirements imposed by law limit our flexibility.
To maintain our status as a REIT for federal income tax purposes, we generally are required to distribute to our stockholders at least 90% of our taxable income, excluding net capital gains, each year. We also are subject to tax at regular corporate rates to the extent that we distribute less than 100% of our taxable income (including net capital gains) each year.

In addition, we are subject to a 4% nondeductible excise tax to the extent that we fail to distribute during any calendar year at least the sum of 85% of our ordinary income for that calendar year, 95% of our capital gain net income for the calendar year, and any amount of that income that was not distributed in prior years.

We intend to continue to make distributions to our stockholders to comply with the distribution requirements of the Code as well as to reduce our exposure to federal income taxes and the nondeductible excise tax. Differences in timing between the receipt of income and the payment of expenses to arrive at taxable income, along with the effect of required debt amortization payments, could require us to borrow funds to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT.

Future issuances of equity securities could dilute the interest of holders of our common stock.
Our future growth will depend, in large part, upon our ability to raise additional capital. If we were to raise additional capital through the issuance of equity securities, we could dilute the interests of holders of our common stock. The interests of our common stockholders could also be diluted by the issuance of shares of common stock pursuant to stock incentive plans. Likewise, our Board of Directors is authorized to cause us to issue preferred stock of any class or series (with dividend, voting and other rights as determined by our Board of Directors). Accordingly, our Board of Directors may authorize the issuance of preferred stock with voting, dividend and other similar rights that could dilute, or otherwise adversely affect, the interest of holders of our common stock.

We may acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell or refinance such assets.
We have in the past and may in the future acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership units in an operating partnership, which could result in stockholder dilution through the issuance of operating partnership units that, under certain circumstances, may be exchanged for shares of our common stock. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to restrictions on our ability to dispose of, or refinance the debt on, the acquired properties in order to protect the contributors' ability to defer recognition of taxable gain. Similarly, we may be required to incur or maintain debt we would otherwise not incur so we can allocate the debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell or refinance an asset at a time, or on terms, that would be favorable absent such restrictions.

We are subject to risks associated with debt and preferred stock financing.
We intend to incur additional indebtedness in the future, including borrowings under our $3.0 billion unsecured revolving credit facility and our $1.0 billion commercial paper program. The credit agreement governing our revolving credit facility also governs our $250.0 million unsecured term loan facility due March 2024. At December 31, 2020, we had no outstanding borrowings under our revolving credit facility or our commercial paper program, a total of $8.30 billion of outstanding unsecured senior debt securities (excluding unamortized original issuance premiums of $14.6 million and deferred financing costs of $49.2 million), including £715 million of Sterling-denominated unsecured senior debt securities, $250.0 million of borrowings outstanding under our term loan facility (excluding deferred financing costs of $642,000) and approximately $299.6 million of outstanding mortgage debt

(excluding net unamortized premiums totaling $1.7 million and deferred financing costs of $973,000). Our revolving credit facility grants us the option, subject to obtaining lender commitments and other customary conditions, to expand the borrowing limits thereunder to up to $4.0 billion. In addition, in August 2020, we established our unsecured commercial paper note program under which we may offer and sell up to $1.0 billion of commercial paper at any time. We use our $3.0 billion revolving credit facility as a liquidity backstop for the repayment of notes issued under the commercial paper program. Specifically, we maintain unused borrowing capacity under our revolving credit facility equal to the aggregate principal amount of borrowings outstanding under our commercial paper program from time to time. We also may in the future enter into amendments and restatements of our current revolving credit facility and term loan facility, or enter into new revolving credit facilities or term loan facilities, and any such amended, restated or replacement revolving credit facilities or term loan facilities may increase the amounts we are entitled to borrow, subject to customary conditions, compared to our current revolving credit facility and term loan facility, or we may incur other indebtedness. We may also in the future increase the size of our commercial paper program. To the extent that new indebtedness is added to our current debt levels, the related risks that we now face would increase. As a result, we are and will be subject to risks associated with debt financing, including the risk that our cash flow could be insufficient to make required payments on our debt or to pay dividends on our common stock. We also face variable interest rate risk as the interest rates on our revolving credit facility and term loan are variable and could therefore increase over time. In addition, commercial paper borrowings are short-term obligations and the interest rate on newly issued commercial paper varies according to market conditions at the time of issuance. We also face the risk that we may be unable to refinance or repay our debt as it comes due. Given past disruptions in the financial markets and ongoing global financial uncertainties, including the impact of COVID-19 and of the United Kingdom’s withdrawal from the European Union (referred to as Brexit), we also face the risk that one or more of the participants in our revolving credit facility may not be able to lend us money.

In addition, our revolving credit facility, our term loan facility and our mortgage loan documents contain provisions that could limit or, in certain cases, prohibit the payment of dividends and other distributions to holders of our common stock and any outstanding preferred stock. In particular, our revolving credit facility and our $250.0 million term loan facility, all of which are governed by the same credit agreement, provide that, if an event of default (as defined in the credit agreement) exists, we may not pay any dividends or make other distributions on (except distributions payable in shares of a given class of our stock to the stockholders of that class), or repurchase or redeem, among other things, any shares of our common stock or any outstanding preferred stock, during any period of four consecutive fiscal quarters in an aggregate amount in excess of the greater of:

- The sum of (a) 95% of our adjusted funds from operations (as defined in the credit agreement) for that period plus (b) the aggregate amount of cash distributions made to holders of our outstanding preferred stock, if any, for that period, and
- The minimum amount of cash distributions required to be made to our stockholders in order to maintain our status as a REIT for federal income tax purposes and to avoid the payment of any income or excise taxes that would otherwise be imposed under specified sections of the Internal Revenue Code of 1986, as amended, or the Code, on income we do not distribute to our stockholders,

except that we may repurchase or redeem shares of our outstanding preferred stock, if any, with net proceeds from the issuance of shares of our common stock or preferred stock. The credit agreement further provides that, in the event of a failure to pay principal, interest or any other amount payable thereunder when due or upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us or with respect to one or more of our subsidiaries that in the aggregate meet a significance test set forth in the credit agreement, we and our subsidiaries (other than our wholly-owned subsidiaries) may not pay any dividends or make other distributions on (except for (a) distributions payable in shares of a given class of our stock to the stockholders of that class and (b) dividends and distributions described in the second bullet point above), or repurchase or redeem, among other things, any shares of our common stock or preferred stock. If any such event of default under the credit agreement were to occur, it would likely have a material adverse effect on the market price of our outstanding common stock and any outstanding preferred stock and on the market value of our debt securities could limit the amount of dividends or other distributions payable to holders of our common stock and any outstanding preferred stock or the amount of interest and principal we are able to pay on our indebtedness, or prevent us from paying those dividends, other distributions, interest or principal altogether, and may adversely affect our ability to qualify, or prevent us from qualifying, as a REIT.

Our indebtedness could also have other important consequences to holders of our common stock, any outstanding preferred stock, and our debt securities, including:

- Increasing our vulnerability to general adverse economic and industry conditions;
- Limiting our ability to obtain additional financing to fund future working capital, acquisitions, capital expenditures and other general corporate requirements;
- Requiring the use of a substantial portion of our cash flow from operations for the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund working capital, acquisitions, capital expenditures, and general corporate requirements;
- Limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and
- Putting us at a disadvantage compared to our competitors with less indebtedness.

If we default under a credit facility, loan agreement or other debt instrument, the lenders will generally have the right to demand immediate repayment of the principal and interest on all of their loans and, in the case of secured indebtedness, to exercise their rights to seize and sell the collateral. Moreover, a default under a single loan or debt instrument may trigger cross-default or cross- acceleration provisions in other indebtedness and debt instruments, giving the holders of such other indebtedness and debt instruments similar rights to demand immediate repayment and to seize and sell any collateral.

Real estate ownership is subject to particular conditions that may have a negative impact on our revenue.
We are subject to all of the inherent risks associated with the ownership of real estate. In particular, we face the risk that rental revenue from our properties may be insufficient to cover all corporate operating expenses, debt service payments on indebtedness we incur, and distributions on our capital stock. Additional real estate ownership risks include:

- Adverse changes in general or local economic conditions;
- Changes in supply of, or demand for, similar or competing properties;
- Changes in interest rates and operating expenses;
- Competition for our clients;
- Changes in market rental rates;
- Inability to lease properties upon termination of existing leases;
- Renewal of leases at lower rental rates;
- Inability to collect rents from our clients due to financial hardship, including bankruptcy;
- Changes in tax, real estate, zoning and environmental laws that may have an adverse impact upon the value of real estate;
- Uninsured property liability;
- Property damage or casualty losses;
- Unexpected expenditures for capital improvements, including requirements to bring properties into compliance with applicable federal, state and local laws;
- The need to periodically renovate and repair our properties;
- Risks assumed as manager for pre-leased development or redevelopment projects;
- Physical or weather-related damage to properties;
- The potential risk of functional obsolescence of properties over time;
- Acts of terrorism and war; and
- Acts of God and other factors beyond the control of our management.

Real estate property investments are illiquid. We may not be able to dispose of properties when desired or on favorable terms.
Real estate investments are relatively illiquid. Our ability to quickly sell or exchange any of our properties in response to changes in economic and other conditions will be limited. No assurances can be given that we will recognize full value, at a price and at terms that are acceptable to us, for any property that we are required to sell for liquidity reasons. Our inability to respond rapidly to changes in the performance of our investments could adversely affect our financial condition and results of operations.

Our acquisition of additional properties may have a significant effect on our business, liquidity, financial position and/or results of operations.
We are regularly engaged in the process of identifying, analyzing, underwriting, and negotiating possible acquisition transactions. We cannot provide any assurances that we will be successful in consummating future acquisitions on favorable terms or that we will realize the benefits that we anticipate from such acquisitions. Our inability to consummate one or more acquisitions on such terms, our failure to adequately underwrite and identify risks and obligations when acquiring properties, or our failure to realize the intended benefits from one or more acquisitions,

could have a significant adverse effect on our business, liquidity, financial position and/or results of operations, including as a result of our incurrence of additional indebtedness and related interest expense and our assumption of unforeseen contingent liabilities in connection with completed acquisitions.

Furthermore, we have made and may continue to make selected acquisitions of properties that fall outside our historical focus on freestanding, single-client, net lease retail locations in the United States. We may be exposed to a variety of new risks by expanding into new property types and/or new jurisdictions outside the United States and properties leased to our clients engaged in non-retail businesses. These risks may include limited experience in managing certain types of new properties, new types of real estate locations and lease structures, and the laws and culture of non-United States jurisdictions.

We are subject to additional risks from our international investments.
We have acquired and may continue to acquire properties outside of the United States. These investments may expose us to a variety of risks that are different from and in addition to those commonly found in the United States. Our international investments are subject to additional risks, including:

- The laws, rules and regulations applicable in such jurisdictions outside of the United States, including those related to property ownership by foreign entities;
- Complying with a wide variety of foreign laws;
- Fluctuations in exchange rates between foreign currencies and the U.S. dollar, and exchange controls;
- Limited experience with local business and cultural factors that differ from our usual standards and practices;
- Challenges in establishing effective controls and procedures to regulate operations in different regions and to monitor and ensure compliance with applicable regulations, such as applicable laws related to corrupt practices, employment, licensing, construction, climate change or environmental compliance;
- Unexpected changes in regulatory requirements, tax, tariffs, trade barriers and other laws within jurisdictions outside the United States or between the United States and such jurisdictions;
- Potentially adverse tax consequences with respect to our properties;
- The impact of regional or country-specific business cycles and economic instability, including deteriorations in political relations with the United States, instability in, or further withdrawals from, the European Union or other international trade alliances or agreements; and
- Political instability, uncertainty over property rights, civil unrest, drug trafficking, political activism or the continuation or escalation of terrorist or gang activities.

If we are unable to adequately address these risks, they could have a significant adverse effect on our operations.

We may engage in development or expansion projects or invest in new assets, which would subject us to additional risks that could negatively impact our operations.
We may engage in development or other expansion projects, which would require us to raise additional capital and oversee state and local permitting. A decision by any governmental agency not to issue a required permit or substantial delays in the permitting process could prevent us from pursuing the development or expansion project. Additionally, any such new development or expansion project may not operate at designed capacity or may cost more to operate than we expect. The inability to successfully complete development or expansion projects or to complete them on a timely basis could adversely affect our business and results of operations.

In the future, we may invest in new or different assets or enter into new transaction structures that may or may not be closely related to our current business. These new assets and transaction structures may have new, different or increased risks than what we are currently exposed to in our business and we may not be able to manage these risks successfully. Additionally, when investing in such new assets or transaction structures, we will be exposed to the risk that those assets or structures, or the income generated thereby, will affect our ability to meet the requirements to maintain our REIT status. If we are not able to successfully manage the risks associated with such new assets, it could have an adverse effect on our business, results of operations and financial condition.

An uninsured loss or a loss that exceeds the policy limits on our properties could subject us to lost capital or revenue on those properties.
Under the terms and conditions of the leases currently in force on our properties, clients generally are required to indemnify and hold us harmless from liabilities resulting from injury to persons, air, water, land or property, due to activities conducted on the properties, except for claims arising from the negligence or intentional misconduct of us or our agents. Additionally, clients are generally required, at the client's expense, to obtain and keep in full force during the term of the lease, liability and property damage insurance policies. The insurance policies our clients are required to maintain for property damage are generally in amounts not less than the full replacement cost of the improvements less slab, foundations, supports and other customarily excluded improvements. Our clients are generally required to maintain general liability coverage depending on the client and the industry in which the client operates.

In addition to the indemnities and required insurance policies identified above, many of our properties are also covered by flood and earthquake insurance policies (subject to substantial deductibles) obtained and paid for by the clients as part of their risk management programs. Additionally, we have obtained blanket liability, flood and earthquake (subject to substantial deductibles) and property damage insurance policies to protect us and our properties against loss should the indemnities and insurance policies provided by the clients fail to restore the properties to their condition prior to a loss. However, should a loss occur that is uninsured or in an amount exceeding the combined aggregate limits for the policies noted above, or in the event of a loss that is subject to a substantial deductible under an insurance policy, we could lose all or part of our capital invested in, and anticipated revenue from, one or more of the properties, which could have a material adverse effect on our results of operations or financial condition and on our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions to our stockholders. We also face the risk that our insurance carriers may not be able to provide payment under any potential claims that might arise under the terms of our insurance policies, and we may not have the ability to purchase insurance policies we desire.

In addition, although we obtain title insurance policies of our properties to protect us and our properties against unknown title defects (such as claims of ownership, liens or other encumbrances), there may be certain title defects that our title insurance will not cover. If a material title defect related to any of our properties is not adequately covered by a title insurance policy, we could lose some or all of our capital invested in and our anticipated profits from such property, cause a financial misstatement or damage our reputation.

Compliance with the Americans with Disabilities Act of 1990 and fire, safety, and other regulations may require us to make unintended expenditures that could adversely impact our results of operations.
Our properties are generally required to comply with the Americans with Disabilities Act of 1990, or the ADA. The ADA has separate compliance requirements for "public accommodations" and "commercial facilities," but generally requires that buildings be made accessible to people with disabilities. Compliance with the ADA requirements could require removal of access barriers and non-compliance could result in imposition of fines by the U.S. government or an award of damages to private litigants. The retailers to whom we lease properties are obligated by law to comply with the ADA provisions, and we believe that these retailers may be generally obligated to cover costs associated with compliance. If required changes involve greater expenditures than anticipated, or if the changes must be made on a more accelerated basis than anticipated, the ability of these retailers to cover costs could be adversely affected and we could be required to expend our own funds to comply with the provisions of the ADA, which could materially adversely affect our results of operations or financial condition and our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions to our stockholders. In addition, we are required to operate our properties in compliance with fire and safety regulations, building codes and other land use regulations, as they may be adopted by governmental agencies and bodies and become applicable to our properties. We may be required to make substantial capital expenditures to comply with those requirements and these expenditures could have a material adverse effect on our results of operations or financial condition and our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions to our stockholders.

Property taxes may increase without notice.
The real property taxes on our properties and any other properties that we develop or acquire in the future may increase as property tax rates change and as those properties are assessed or reassessed by tax authorities. While the majority of our leases are under a net lease structure, some or all of such property taxes may not be collectible from our clients.

Our business is subject to risks associated with climate change and our sustainability strategies.
Climate change could trigger extreme weather and changes in precipitation, temperature, and air quality, all of which may result in physical damage to, or a decrease in demand for, our properties located in the areas affected by these conditions. Should the impact of climate change be severe or occur for lengthy periods of time, connectivity, labor and supply chains could impact business continuity for ourselves and our customers. This could adversely affect our financial condition or results of operations.

In addition, we seek to promote effective energy efficiency and other sustainability strategies and compliance with federal, state and international laws and regulations related to climate change, both internally and with our clients. Our sustainability strategies and efforts to comply with changes in federal, state and international laws and regulations on climate change could result in significant capital expenditures to improve our existing properties or properties we may acquire. Any changes to such laws and regulations could also result in increased operating costs or capital expenditures at our properties. If we are unable to comply with laws and regulations on climate change or implement effective sustainability strategies, our reputation among our clients and investors may be damaged and we may incur fines and/or penalties. Moreover, there can be no assurance that any of our sustainability strategies will result in reduced operating costs, higher occupancy or higher rental rates or deter our existing clients from relocating to properties owned by our competitors.

We are subject to risks related to recent proposals for reform regarding LIBOR.
Certain of our existing debt instruments and other financial arrangements, including our $3.0 billion revolving credit facility and our $250.0 million term loan facility, provide for borrowings to be made at variable interest rates that use the London Interbank Offered Rate, or LIBOR (or metrics derived from or related to LIBOR), as a benchmark for establishing the interest rate applicable to outstanding borrowings thereunder, and we may incur additional indebtedness or enter into new financial arrangements that use LIBOR as a benchmark for establishing the interest rate for borrowing thereunder.

The UK Financial Conduct Authority, which is the LIBOR administrator’s regulator, previously stated that it would no longer encourage or require banks to submit rates for LIBOR after 2021. However, for U.S. dollar LIBOR, it now appears that the relevant date may be deferred to June 30, 2023 for certain tenors, including overnight and one, three, six and 12 months), at which time the LIBOR administrator has indicated that it intends to cease publication of U.S. dollar LIBOR. Despite this potential deferral, the LIBOR administrator has advised that no new contracts using U.S. dollar LIBOR should be entered into after December 31, 2021. These actions are expected to cause LIBOR to cease to exist and the adoption of alternative reference rates. Likewise, notwithstanding a possible deferral, the LIBOR administrator’s advice that no new contracts using U.S. dollar LIBOR be entered into after December 31, 2021 may mean that LIBOR borrowings (including LIBOR borrowings under our credit facilities) may cease to be available after that date. While our revolving credit facility and our term loan facility include provisions for establishing alternative reference rates in the event LIBOR shall no longer be available, the consequences of the adoption of any such alternative reference rates cannot be predicted and could have an adverse impact on the market value for or value of LIBOR-linked securities, loans and other financial obligations or extensions of credit held by or due to us and could also affect interest rates and other financing costs under our debt instruments and other financial arrangements, any of which could adversely affect our results of operations and financial condition.

Our charter contains restrictions upon ownership of our common stock.
Our charter contains restrictions on ownership and transfer of our common stock intended to, among other purposes, assist us in maintaining our status as a REIT for United States federal and/or state income tax purposes. For example, our charter restricts any person from acquiring beneficial or constructive ownership of more than 9.8% (by value or by number of shares, whichever is more restrictive) of our outstanding shares of common stock. These restrictions could have anti-takeover effects and could reduce the possibility that a third party will attempt to acquire control of us, which could adversely affect the market price of our common stock.

The value of certain of our investment in real property may be reduced as the result of the expiration or loss of local tax abatements, tax credit programs, or other governmental incentives.
Certain of our investments have the benefit of governmental tax incentives aimed at inducing retail users to relocate to incentivize development in areas and neighborhoods which have not historically seen robust commercial development. The TCJA provided for such communities to be designated as Qualified Opportunity Zones, which are eligible for such tax benefits. These incentives typically have specific sunset provisions and may be subject to governmental discretion in the eligibility or award of the applicable incentives. The expiration of these incentive programs or the inability of potential clients or users to be eligible for or to obtain governmental approval of the incentives, or the inability to remain compliant with such programs, may have an adverse effect on the value of our investment, cash flow and net income, and may result in impairment charges.

General Risk Factors

The market value of our capital stock and debt securities could be substantially affected by various factors.
The market value of our capital stock and debt securities will depend on many factors, which may change from time to time and may be outside of our control, including:

- Prevailing interest rates, increases in which may have an adverse effect on the market value of our capital stock and debt securities;
- The market for similar securities issued by other REITs;
- General economic, political and financial market conditions;
- The financial condition, performance and prospects of us, our clients and our competitors;
- Changes in legal and regulatory taxation obligations;
- Litigation and regulatory proceedings;
- Changes in financial estimates or recommendations by securities analysts with respect to us, our competitors or our industry;
- Changes in our credit ratings; and
- Actual or anticipated variations in quarterly operating results of us and our competitors.

In addition, over the last several years, prices of common stock and debt securities in the United States, trading markets have been experiencing extreme price fluctuations, and the market values of our common stock and debt securities have also fluctuated significantly during this period. As a result of these and other factors, investors who purchase our capital stock and debt securities may experience a decrease, which could be substantial and rapid, in the market value of our capital stock and debt securities, including decreases unrelated to our operating performance or prospects.

Litigation risks could affect our business.
From time to time, we are involved in legal proceedings, lawsuits, and other claims. An unfavorable resolution of litigation may have a material adverse effect on our business, results of operations and financial condition. Regardless of its outcome, litigation may result in substantial costs and expenses and significantly divert the attention of management.

We depend on key personnel.
We depend on the efforts of our executive officers and key employees. The loss of the services of our executive officers and key employees could have a material adverse effect on our results of operations or financial condition and on our ability to pay the principal and interest on our debt securities and other indebtedness and to make distributions to our stockholders. It is possible that we will not be able to recruit additional personnel with equivalent experience in the net lease industry.

Natural disasters, terrorist attacks, other acts of violence or war, or other unexpected events may affect the value of our debt and equity securities, the markets in which we operate and our results of operations.
Natural disasters, terrorist attacks, other acts of violence or war, or other unexpected events may negatively affect our operations, the market price of our capital stock and the value of our debt securities. There can be no assurance that events like these will not occur or have a direct impact on our clients, our business or the United States or world generally.

If events like these were to occur, they could materially interrupt our business operations, cause consumer confidence and spending to decrease or result in increased volatility in the U.S. and worldwide financial markets and economy. They also could result in or prolong an economic recession in the U.S. or abroad. Any of these occurrences could have a significant adverse impact on our operating results and revenues and on the market price of our capital stock and on the value of our debt securities. It could also have an adverse effect on our ability to pay principal and interest on our debt securities or other indebtedness and to make distributions to our stockholders.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.
We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information and to manage or support a variety of our business processes, including financial transactions and maintenance of records, which may include personal identifying information. Although we have taken steps to protect the security of the data maintained in our information systems, our security measures may not be able to prevent the systems' improper functioning, or the theft of intellectual property, personal information, or personal property, such as in the event of cyber-attacks. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, result in theft of company assets, damage our reputation, subject us to liability claims and could adversely affect our business, financial condition and results of operations.

Our business could be negatively affected as a result of actions of activist stockholders and shareholder advisory firms.
Campaigns by stockholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short-term stockholder value through actions such as financial restructuring, increased debt, special dividends, stock repurchases or sales of assets or the entire company. If we become engaged in a process or proxy contest with an activist stockholder in the future, our business could be adversely affected, as such activities could be costly and time-consuming, disrupt our operations and divert the attention of management and our employees from executing our business plan. Additionally, perceived uncertainties as to our future direction as a result of stockholder activism or actual or potential changes to the composition of our Board of Directors or management team may lead to the perception of a change in the direction of our business, instability or lack of continuity, which may be exploited by our competitors, cause concern to current or potential sellers of properties, clients and financing sources, and make it more difficult to attract and retain qualified personnel. If potential or existing sellers of properties, clients or financing sources choose to delay, defer or reduce transactions with us or transact with our competitors instead of us because of any such issues, then our results of operations could be adversely affected. Similarly, we may suffer damage to our reputation (for example, regarding our corporate governance or stockholder relations) or brand by way of actions taken or statements made by outside constituents, including activist investors and shareholder advisory firms, which could adversely affect the market price of our common stock and preferred stock and the value of our debt securities, resulting in significant loss of value, which could impact our ability to access capital, increase our cost of capital, and decrease our ability to acquire properties on attractive terms.

Current volatility in market and economic conditions may impact the accuracy of the various estimates used in the preparation of our financial statements and footnotes to the financial statements.
Various estimates are used in the preparation of our financial statements, including estimates related to asset and liability valuations (or potential impairments), and various receivables. Often these estimates require the use of market data values that are currently difficult to assess, as well as estimates of future performance or receivables collectability that can also be difficult to accurately predict. Although management believes it has been prudent and used reasonable judgment in making these estimates, it is possible that actual results may differ from these estimates.

Inherent limitations of internal controls over financial statements, disclosure controls and safeguarding of assets may adversely impact our financial condition and results of operations.
Our internal controls over financial reporting, disclosure controls and procedures and our operating internal controls may not prevent or detect financial misstatements or loss of assets because of inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Effective internal controls can provide only reasonable assurance with respect to financial statement and disclosure accuracy and safeguarding of assets. Any failure of these internal controls could result in decreased investor confidence in the accuracy and completeness of our financial reports and disclosures, our REIT qualification being jeopardized, impairment in our access to capital, civil litigation or investigations by the NYSE, the SEC or other regulatory authorities, which may adversely impact our financial condition and results of operations.

Our business operations may not generate the cash needed to make distributions on our capital stock or to service our indebtedness.
Our ability to make distributions on our common stock and any outstanding preferred stock and payments on our indebtedness, and to fund planned acquisitions and capital expenditures will depend on our ability to generate cash

in the future. We cannot make any assurances that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our common stock and any outstanding preferred stock, to pay our indebtedness, or to fund our other liquidity needs.

Disruptions in the financial markets could affect our ability to obtain financing on reasonable terms and have other adverse effects on us and the market price of our common stock.
Historically, there have been periods where the global equity and credit markets have experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of equity and debt securities to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in certain cases have resulted in the unavailability of certain types of financing. Uncertainty in the equity and credit markets may negatively impact our ability to access additional financing at reasonable terms, which may adversely affect our ability to make acquisitions. A prolonged downturn in the equity or credit markets may cause us to seek alternative sources of potentially less attractive financing and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of financing or difficulties in obtaining financing. These events in the equity and credit markets may make it more difficult or costly for us to raise capital through the issuance of common stock, preferred stock or debt securities. These disruptions in the financial markets also may have a material adverse effect on the market value of our common stock and debt securities, the income we receive from our properties and the lease rates we can charge for our properties, as well as other unknown adverse effects on us or the economy in general.

Inflation may adversely affect our financial condition and results of operations.
Increased inflation could have a more pronounced negative impact on any variable rate debt we incur in the future and on our results of operations. During times when inflation is greater than increases in rent, as provided for in our leases, rent increases may not keep up with the rate of inflation. Likewise, even though net leases reduce our exposure to rising property expenses due to inflation, substantial inflationary pressures and increased costs may have an adverse impact on our clients if increases in their operating expenses exceed increases in revenue, which may adversely affect our clients' ability to pay rent. In addition, the U.K. government's plan to reform the Retail Price Index (RPI) to align with the Consumer Price Index (CPIH) may result in a lower measure of inflation and, in turn, have a negative impact on our lease revenue currently tied to RPI in the U.K.

Item 1B: Unresolved Staff comments

There are no unresolved staff comments.

Item 2: Properties

Information pertaining to our properties can be found under Item 1.

Item 3: Legal Proceedings

We are subject to certain claims and lawsuits in the ordinary course of business, the outcome of which cannot be determined at this time. In the opinion of management, any liability we might incur upon the resolution of these claims and lawsuits will not, in the aggregate, have a material adverse effect on our consolidated financial position or results of operations.

Item 4: Mine Safety Disclosures

None.

PART II

Item 5: Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

A. Our common stock is traded on the NYSE under the ticker symbol "O." The following table shows the high and low sales prices per share for our common stock as reported by the NYSE, and distributions declared per share of common stock for the periods indicated.

	Price Per Share of Common Stock		Distributions
	High	Low	Declared [1]
2020			
First Quarter	$ 84.92	$ 38.00	$ 0.6980
Second Quarter	65.56	43.41	0.6995
Third Quarter	66.80	56.33	0.7010
Fourth Quarter	65.09	57.09	0.7025
Total			$ 2.8010
2019			
First Quarter	$ 74.14	$ 61.60	$ 0.6770
Second Quarter	73.94	66.21	0.6785
Third Quarter	77.50	67.70	0.6800
Fourth Quarter	82.17	71.45	0.6815
Total			$ 2.7170

[1] Common stock cash distributions are declared monthly by us based on financial results for the prior months. At December 31, 2020, a distribution of $0.2345 per common share had been declared and was paid in January 2021.

B. There were approximately 9,500 registered holders of record of our common stock as of December 31, 2020. We estimate that our total number of stockholders is approximately 735,000 when we include both registered and beneficial holders of our common stock.

C. During the fourth quarter of 2020, the following shares of stock were withheld for state and federal payroll taxes on the vesting of employee stock awards, as permitted under the 2012 Incentive Award Plan of Realty Income Corporation:

- 102 shares of stock, at a weighted average price of $61.73, in October 2020;
- 6,018 shares of stock, at a weighted average price of $64.39, in November 2020; and
- 83 shares of stock, at a weighted average price of $60.40, in December 2020.

Item 6: Selected Financial Data

(not covered by Report of Independent Registered Public Accounting Firm)
(dollars in thousands, except for per share data)

The following table sets forth our selected historical consolidated financial information for each of the five years in the period ended December 31, 2020. The statements of income and comprehensive income data, the statements of equity data, the statements of cash flows data and the other data for the years ended December 31, 2020, 2019 and 2018 and the balance sheet data as of December 31, 2020 and 2019 were derived from our audited consolidated financial statements included elsewhere in this Form 10-K. The statements of income and comprehensive income data, the statements of equity data, the statements of cash flows data and the other data for the years ended December 31, 2017 and 2016, and the balance sheet data as of December 31, 2018, 2017 and 2016 were derived from our audited consolidated financial statements that are not included in this Form 10-K.

The selected financial data presented below is not necessarily indicative of results of future operations and should be read in conjunction with our consolidated financial statements and the information included under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K.

As of or for the Years Ended December 31,	2020	2019	2018	2017	2016
Total assets (book value)	$ 20,740,285	$ 18,554,796	$ 15,260,483	$ 14,058,166	$ 13,152,871
Cash and cash equivalents	824,476	54,011	10,387	6,898	9,420
Total debt	8,817,467	7,901,547	6,499,976	6,111,471	5,839,605
Total liabilities	9,722,555	8,750,638	7,139,505	6,667,458	6,365,818
Total equity	11,017,730	9,804,158	8,120,978	7,390,708	6,787,053
Net cash provided by operating activities	1,115,543	1,068,937	940,742	875,850	799,863
Net change in cash, cash equivalents and restricted cash	779,674	49,934	8,929	(3,539)	(34,652)
Total revenue	1,651,625	1,491,591	1,327,838	1,215,768	1,103,172
Net income	396,506	437,478	364,598	319,318	316,477
Preferred stock dividends	—	—	—	(3,911)	(27,080)
Excess of redemption value over carrying value of preferred shares redeemed	—	—	—	(13,373)	—
Net income available to common stockholders	395,486	436,482	363,614	301,514	288,491
Cash distributions paid to common stockholders	964,167	852,134	761,582	689,294	610,516
Net income per common share:					
Basic	1.15	1.38	1.26	1.10	1.13
Diluted	1.14	1.38	1.26	1.10	1.13
Cash distributions paid per common share	2.794000	2.710500	2.630500	2.527000	2.391500
Cash distributions declared per common share	2.801000	2.717000	2.639000	2.537000	2.403000
Basic weighted average number of common shares outstanding	345,280,126	315,837,012	289,427,430	273,465,680	255,066,500
Diluted weighted average number of common shares outstanding	345,415,258	316,159,277	289,923,984	273,936,752	255,624,250

Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

Realty Income, The Monthly Dividend Company®, is an S&P 500 company dedicated to providing stockholders with dependable monthly dividends that increase over time. The company is structured as a real estate investment trust, or REIT, requiring it annually to distribute at least 90% of its taxable income (excluding net capital gains) in the form of dividends to its stockholders. The monthly dividends are supported by the cash flow generated from real estate owned under long-term net lease agreements with our commercial clients.

Realty Income was founded in 1969, and listed on the New York Stock Exchange (NYSE: O) in 1994. Over the past 52 years, Realty Income has been acquiring and managing freestanding commercial properties that generate rental revenue under long-term net lease agreements with our commercial clients. We refer to our tenants as clients because we strive to build mutually beneficial relationships and we believe their success is our success. The company is a member of the S&P 500 Dividend Aristocrats® index for having increased its dividend every year for over 25 consecutive years.

At December 31, 2020, we owned a diversified portfolio:

- Of 6,592 properties;
- With an occupancy rate of 97.9%, or 6,452 properties leased and 140 properties available for lease or sale;
- Doing business in 51 separate industries;
- Located in 49 U.S. states, Puerto Rico and the United Kingdom (U.K.);
- With approximately 110.8 million square feet of leasable space;
- With a weighted average remaining lease term (excluding rights to extend a lease at the option of our client) of approximately 9.0 years; and
- With an average leasable space per property of approximately 16,810 square feet; approximately 12,340 square feet per retail property and 245,270 square feet per industrial property.

Of the 6,592 properties in the portfolio at December 31, 2020, 6,555, or 99.4%, are single-client properties, of which 6,419 were leased, and the remaining are multi-client properties.

Unless otherwise specified, references to rental revenue in the Management's Discuss and Analysis of Financial Condition and Results of Operations are exclusive of reimbursements from clients for recoverable real estate taxes and operating expenses totaling $79.4 million, $69.1 million and $47.0 million for 2020, 2019 and 2018, respectively. In addition, references to reserves recorded as a reduction of rental revenue include amounts reserved for in the current period, as well as unrecognized contractual rental revenue and unrecognized straight-line rental revenue for leases accounted for on a cash basis.

LIQUIDITY AND CAPITAL RESOURCES

Capital Philosophy

Historically, we have met our long-term capital needs by issuing common stock, preferred stock and long-term unsecured notes and bonds. Over the long term, we believe that common stock should be the majority of our capital structure; however, we may issue preferred stock or debt securities. We may issue common stock when we believe that our share price is at a level that allows for the proceeds of any offering to be accretively invested into additional properties. In addition, we may issue common stock to permanently finance properties that were initially financed by our credit facility, commercial paper program, or debt securities. However, we cannot assure you that we will have access to the capital markets at all times and at terms that are acceptable to us.

Our primary cash obligations, for the current year and subsequent years, are included in the "Table of Obligations," which is presented later in this section. We expect to fund our operating expenses and other short-term liquidity requirements, including property acquisitions and development costs, payment of principal and interest on our outstanding indebtedness, property improvements, re-leasing costs and cash distributions to common stockholders, primarily through cash provided by operating activities, borrowings on our credit facility and under our commercial paper program and through public securities offerings.

Conservative Capital Structure
We believe that our stockholders are best served by a conservative capital structure. Therefore, we seek to maintain a conservative debt level on our balance sheet and solid interest and fixed charge coverage ratios. At December 31, 2020, our total outstanding borrowings of senior unsecured notes and bonds, term loan and mortgages payable were $8.85 billion, or approximately 28.2% of our total market capitalization of $31.34 billion.

We define our total market capitalization at December 31, 2020 as the sum of:

- Shares of our common stock outstanding of 361,303,445, plus total common units outstanding of 463,119, multiplied by the last reported sales price of our common stock on the NYSE of $62.17 per share on December 31, 2020, or $22.49 billion;
- Outstanding mortgages payable of $299.6 million, excluding net mortgage premiums of $1.7 million and deferred financing costs of $973,000;
- Outstanding borrowings of $250.0 million on our term loan, excluding deferred financing costs of $642,000;
- Outstanding senior unsecured notes and bonds of $8.30 billion, including Sterling-denominated notes of £715.0 million, and excluding unamortized net original issuance premiums of $14.6 million and deferred financing costs of $49.2 million; and
- No borrowings outstanding on our revolving credit facility.

Universal Shelf Registration
In November 2018, we filed a shelf registration statement with the SEC, which is effective for a term of three years and will expire in November 2021. In accordance with SEC rules, the amount of securities to be issued pursuant to this shelf registration statement was not specified when it was filed and there is no specific dollar limit. The securities covered by this registration statement include (1) common stock, (2) preferred stock, (3) debt securities, (4) depositary shares representing fractional interests in shares of preferred stock, (5) warrants to purchase debt securities, common stock, preferred stock, or depositary shares, and (6) any combination of these securities. We may periodically offer one or more of these securities in amounts, prices and on terms to be announced when and if these securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering.

At-the-Market (ATM) Program
Under our "at-the-market" equity distribution plan, or our ATM program, up to 33,402,405 shares of common stock may be offered and sold (1) by us to, or through, a consortium of banks acting as our sales agents or (2) by a consortium of banks acting as forward sellers on behalf of any forward purchasers contemplated thereunder, in each case by means of ordinary brokers' transactions on the NYSE at prevailing market prices or at negotiated prices. During 2020, we issued 17,724,374 shares and raised approximately $1.09 billion of gross proceeds under the ATM program. At December 31, 2020, we had 15,678,031 shares remaining for future issuance under our current ATM program. We anticipate maintaining the availability of our ATM program in the future, including the replenishment of authorized shares issuable thereunder.

Issuances of Common Stock
In March 2020, we issued 9,690,500 shares of common stock in an overnight underwritten public offering, including 690,500 shares purchased by the underwriters upon exercise of their option to purchase additional shares. After deducting underwriting discounts and other offering costs of $21.2 million, the net proceeds of $728.9 million were primarily used to repay borrowings under our revolving credit facility.

In January 2021, we issued 12,075,000 shares of common stock in an overnight underwritten public offering, including 1,575,000 shares purchased by the underwriters upon exercise of their option to purchase additional shares**.** The company used the net proceeds from the offering, along with available cash and additional borrowings, to fund property acquisitions and for general corporate purposes and working capital.

Dividend Reinvestment and Stock Purchase Plan
Our Dividend Reinvestment and Stock Purchase Plan, or our DRSPP, provides our common stockholders, as well as new investors, with a convenient and economical method of purchasing our common stock and reinvesting their distributions. Our DRSPP also allows our current stockholders to buy additional shares of common stock by reinvesting all or a portion of their distributions. Our DRSPP authorizes up to 26,000,000 common shares to be issued. Our DRSPP includes a waiver approval process, allowing larger investors or institutions, per a formal approval process, to purchase shares at a small discount, if approved by us. We did not issue shares under the waiver approval process during 2020. During 2020, we issued 149,289 shares and raised approximately $9.1

million under our DRSPP. At December 31, 2020, we had 11,503,379 shares remaining for future issuance under our DRSPP program.

Revolving Credit Facility and Commercial Paper Program

We have a $3.0 billion unsecured revolving credit facility with an initial term that expires in March 2023 and includes, at our option, two six-month extensions. The multicurrency revolving facility allows us to borrow in up to 14 currencies, including U.S. dollars. Our revolving credit facility has a $1.0 billion expansion option, which is subject to obtaining lender commitments. Under our revolving credit facility, our investment grade credit ratings as of December 31, 2020 provide for financing at the London Interbank Offered Rate, commonly referred to as LIBOR, plus 0.775% with a facility commitment fee of 0.125%, for all-in pricing of 0.90% over LIBOR.

The borrowing rate is subject to an interest rate floor and may change if our investment grade credit ratings change. We also have other interest rate options available to us under our credit facility. Our credit facility is unsecured and, accordingly, we have not pledged any assets as collateral for this obligation.

At December 31, 2020, we had no outstanding borrowings on our revolving credit facility and available borrowing capacity of $3.0 billion. The weighted average interest rate on borrowings under our revolving credit facility during 2020 was 1.5% per annum. We must comply with various financial and other covenants in our credit facility. At December 31, 2020, we were in compliance with these covenants. We expect to use our credit facility to acquire additional properties and for other general corporate purposes. Any additional borrowings will increase our exposure to interest rate risk.

In August 2020, we established a U.S. dollar-denominated unsecured commercial paper program. Under the terms of the program we may, from time to time, issue unsecured commercial paper notes up to a maximum aggregate amount outstanding of $1.0 billion. Borrowings under this program generally mature in one year or less. At December 31, 2020, we had no outstanding commercial paper borrowings. The weighted average interest rate on borrowings under our commercial paper program was 0.3% from inception of the plan through December 31, 2020. We use our $3.0 billion revolving credit facility as a liquidity backstop for the repayment of the notes issued under the commercial paper program.

We generally use our credit facility and commercial paper borrowings for the short-term financing of new property acquisitions. Thereafter, we generally seek to refinance those borrowings with the net proceeds of long-term or permanent financing, which may include the issuance of common stock, preferred stock or debt securities. We cannot assure you, however, that we will be able to obtain any such refinancing, or that market conditions prevailing at the time of the refinancing will enable us to issue equity or debt securities at acceptable terms. We regularly review our credit facility and commercial paper program and may seek to extend, renew or replace our credit facility, to the extent we deem appropriate.

Term Loans

In October 2018, in conjunction with entering into our revolving credit facility, we entered into a $250.0 million senior unsecured term loan, which matures in March 2024, and is governed by the credit agreement that governs our revolving credit facility. Borrowing under this term loan bears interest at the current one-month LIBOR plus 0.85%. In conjunction with this term loan, we also entered into an interest rate swap which effectively fixes our per annum interest on this term loan at 3.89%.

In June 2015, in conjunction with entering into our previous revolving credit facility, we entered into a $250.0 million senior unsecured term loan which matured in June 2020. Borrowing under this term loan bore interest at the current one-month LIBOR, plus 0.90%. In conjunction with this term loan, we also entered into an interest rate swap which effectively fixed our per annum interest rate on this term loan at 2.62%. In June 2020, we repaid the term loan in full upon maturity.

Mortgage Debt

As of December 31, 2020, we had $299.6 million of mortgages payable, all of which were assumed in connection with our property acquisitions. Additionally, at December 31, 2020, we had net premiums totaling $1.7 million on these mortgages and deferred financing costs of $973,000. We expect to pay off the mortgages payable as soon as prepayment penalties have declined to a level that would make it economically feasible to do so. During 2020, we made $108.8 million of principal payments, including the repayment of nine mortgages in full for $103.4 million.

Notes Outstanding

Our senior unsecured note and bond obligations consist of the following as of December 31, 2020, sorted by maturity date (dollars in millions):

3.250% notes, $450 issued in October 2012 and $500 issued in December 2017, both due in October 2022 [(1)]	$ 950
4.650% notes, issued in July 2013 and due in August 2023	750
3.875% notes, issued in June 2014 and due in July 2024	350
3.875% notes, issued in April 2018 and due in April 2025	500
0.750% notes, issues December 2020 and due in March 2026	325
4.125% notes, $250 issued in September 2014 and $400 issued in March 2017, both due in October 2026	650
3.000% notes, issued in October 2016 and due in January 2027	600
3.650% notes, issued in December 2017 and due in January 2028	550
3.250% notes, issued in June 2019 and due in June 2029	500
1.625% notes, issued in October 2020 and due December 2030 [(2)]	547
3.250% notes, $600 issued in May 2020 and $350 issued in July 2020, both due in January 2031	950
1.800% notes, issued in December 2020 and due in March 2033	400
2.730% notes, issued in May 2019 and due in May 2034 [(2)]	431
5.875% bonds, $100 issued in March 2005 and $150 issued in June 2011, both due in March 2035	250
4.650% notes, $300 issued in March 2017 and $250 issued in December 2017, both due in March 2047	550
Total principal amount	8,303
Unamortized net original issuance premiums and deferred financing costs	(35)
	$ 8,268

(1) In January 2021, we completed the early redemption on all $950.0 million in principal amount of our outstanding 3.250% notes due October 2022, plus accrued and unpaid interest.

(2) Represents the principal balance (in U.S. dollars) of the October 2020 Sterling-denominated note offering and May 2019 Sterling-denominated private placement of £400.0 million and £315.0 million, respectively, converted at the applicable exchange rate on December 31, 2020.

During the year ended December 31, 2020 we issued the following notes and bonds (in millions):

2020 Issuances	Date of Issuance	Maturity date	Principal amount issued	Price of par value	Effective yield to maturity
3.250% notes	May 2020	January 2031	$600	98.99 %	3.36%
3.250% notes	July 2020	January 2031	$350	108.24 %	2.34%
1.625% notes	October 2020	December 2030	£400	99.19 %	1.71%
0.750% notes	December 2020	March 2026	$325	99.19 %	0.91%
1.800% notes	December 2020	March 2033	$400	98.47 %	1.94%

The net proceeds of $391.3 million from the December 2020 offering of 1.800% notes due 2033 and the net proceeds of $320.3 million from the December 2020 offering of 0.750% notes due 2026 were used, along with available cash and additional borrowings, as necessary to redeem in January 2021 all $950 million aggregate principal amount of our outstanding 3.25% notes due 2022 at the applicable redemption price, plus accrued interest and, to the extent not used for those purposes, to fund investment opportunities and for other general corporate purposes.

The net proceeds from the October 2020 Sterling-denominated offering of £400.0 million approximated $508.2 million, as converted at the applicable exchange rate on the closing of the offering, and were used to repay GBP-denominated borrowings outstanding under our $3.0 billion revolving credit facility, to settle an outstanding GBP/USD currency exchange swap arrangement and, to the extent not used for those purposes, to fund investment opportunities and for other general corporate purposes.

The net proceeds of $376.6 million from the July 2020 note offering and the net proceeds of $590.0 million from the May 2020 note offering were used to repay borrowings under our credit facility, to fund potential investment opportunities and for other general corporate purposes.

All of our outstanding notes and bonds have fixed interest rates and contain various covenants, with which we remained in compliance as of December 31, 2020. Additionally, with the exception of interest on our 1.625% senior unsecured notes due in December 2030, which is paid annually, interest on all of our other senior note and bond obligations is paid semiannually.

The following is a summary of the key financial covenants for our senior unsecured notes, as defined and calculated per the terms of our senior notes and bonds. These calculations, which are not based on U.S. GAAP measurements, are presented to investors to show our ability to incur additional debt under the terms of our senior notes and bonds as well as to disclose our current compliance with such covenants, and are not measures of our liquidity or performance. The actual amounts as of December 31, 2020 are:

Note Covenants	**Required**	**Actual**
Limitation on incurrence of total debt	≤ 60% of adjusted assets	39.6 %
Limitation on incurrence of secured debt	≤ 40% of adjusted assets	1.4 %
Debt service coverage (trailing 12 months)[1]	≥ 1.5 x	5.1
Maintenance of total unencumbered assets	≥ 150% of unsecured debt	256.7 %

[1] Our debt service coverage ratio is calculated on a pro forma basis for the preceding four-quarter period on the assumptions that: (i) the incurrence of any debt (as defined in the covenants) incurred by us since the first day of such four-quarter period and the application of the proceeds therefrom (including to refinance other Debt since the first day of such four-quarter period), (ii) the repayment or retirement of any of our debt since the first day of such four-quarter period, and (iii) any acquisition or disposition by us of any asset or group since the first day of such four quarters had in each case occurred on January 1, 2020, and subject to certain additional adjustments. Such pro forma ratio has been prepared on the basis required by that debt service covenant, reflects various estimates and assumptions and is subject to other uncertainties, and therefore does not purport to reflect what our actual debt service coverage ratio would have been had transactions referred to in clauses (i), (ii) and (iii) of the preceding sentence occurred as of January 1, 2020, nor does it purport to reflect our debt service coverage ratio for any future period. The following is our calculation of debt service and fixed charge coverage at December 31, 2020 (in thousands, for trailing twelve months):

Net income available to common stockholders	$	395,486
Plus: interest expense, excluding the amortization of deferred financing costs		299,015
Plus: loss on extinguishment of debt		9,819
Plus: provision for taxes		14,693
Plus: depreciation and amortization		677,038
Plus: provisions for impairment		147,232
Plus: pro forma adjustments		71,574
Less: gain on sales of real estate		(76,232)
Income available for debt service, as defined	$	1,538,625
Total pro forma debt service charge	$	304,552
Debt service and fixed charge coverage ratio		5.1

Cash Reserves

We are organized to operate as an equity REIT that acquires and leases properties and distributes to stockholders, in the form of monthly cash distributions, a substantial portion of our net cash flow generated from leases on our properties. We intend to retain an appropriate amount of cash as working capital. At December 31, 2020, we had cash and cash equivalents totaling $824.5 million, inclusive of £32.3 million Sterling.

We believe that our cash and cash equivalents on hand, cash provided from operating activities, and borrowing capacity is sufficient to meet our liquidity needs for the next twelve months. We intend, however, to use permanent or long-term capital to fund property acquisitions and to repay future borrowings under our credit facility and commercial paper program.

Credit Agency Ratings

The borrowing interest rates under our revolving credit facility are based upon our ratings assigned by credit rating agencies. As of December 31, 2020, we were assigned the following investment grade corporate credit ratings on our senior unsecured notes and bonds: Moody’s Investors Service has assigned a rating of A3 with a “stable” outlook and Standard & Poor’s Ratings Group has assigned a rating of A- with a “stable” outlook. In addition, we were assigned the following ratings on our commercial paper at December 31, 2020: Moody's Investors Service has assigned a rating of P-2 and Standard & Poor's Ratings Group has assigned a rating of A-2.

Based on our ratings as of December 31, 2020, the facility interest rate was LIBOR, plus 0.775% with a facility commitment fee of 0.125%, for all-in pricing of 0.90% over LIBOR. Our credit facility provides that the interest rate can range between: (i) LIBOR, plus 1.45% if our credit rating is lower than BBB-/Baa3 or unrated and (ii) LIBOR, plus 0.75% if our credit rating is A/A2 or higher. In addition, our credit facility provides for a facility commitment fee based on our credit ratings, which range from: (i) 0.30% for a rating lower than BBB-/Baa3 or unrated, and (ii) 0.10% for a credit rating of A/A2 or higher.

We also issue senior debt securities from time to time and our credit ratings can impact the interest rates charged in those transactions. If our credit ratings or ratings outlook change, our cost to obtain debt financing could increase or decrease. The credit ratings assigned to us could change based upon, among other things, our results of operations and financial condition. These ratings are subject to ongoing evaluation by credit rating agencies and we cannot assure you that our ratings will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. Moreover, a rating is not a recommendation to buy, sell or hold our debt securities, preferred stock or common stock.

Table of Obligations
The following table summarizes the maturity of each of our obligations as of December 31, 2020 (dollars in millions):

Year of Maturity	Credit Facility and Commercial Paper Program(1)	Notes and Bonds(2)	Term Loan(3)	Mortgages Payable (4)	Interest (5)	Ground Leases Paid by Realty Income(6)	Ground Leases Paid by Our Clients(7)	Other(8)	Totals
2021	$ —	$ —	$ —	$ 44.2	$ 302.3	$ 1.6	$ 13.7	$ 106.8	$ 468.6
2022	—	950.0	—	111.8	301.6	1.6	13.6	—	1,378.6
2023	—	750.0	—	20.6	266.6	1.6	13.7	—	1,052.5
2024	—	350.0	250.0	112.2	223.2	1.6	13.8	—	950.8
2025	—	500.0	—	0.7	192.9	1.4	13.5	—	708.5
Thereafter	—	5,752.4	—	10.1	1,222.4	18.8	55.9	—	7,059.6
Totals	$ —	$ 8,302.4	$ 250.0	$ 299.6	$ 2,509.0	$ 26.6	$ 124.2	$ 106.8	$ 11,618.6

(1) The initial term of the credit facility expires in March 2023 and includes, at our option, two six-month extensions. At December 31, 2020, there were no outstanding borrowings under our revolving credit facility or commercial paper program.
(2) Excludes both non–cash original issuance discounts and premiums recorded on notes payable of $14.6 million and deferred financing costs of $49.2 million. Excludes the impact of the January 2021 early redemption of all $950.0 million in principal of the 3.250% notes due October 2022.
(3) Excludes deferred financing costs of $642,000.
(4) Excludes both non–cash net premiums recorded on the mortgages payable of $1.7 million and deferred financing costs of $973,000.
(5) Interest on the term loans, notes, bonds, mortgages payable, credit facility and commercial paper program has been calculated based on outstanding balances through their respective maturity dates. Excludes the impact of the January 2021 early redemption of all $950.0 million in principal of the 3.250% notes due October 2022.
(6) Realty Income currently pays the ground lessors directly for the rent under the ground leases.
(7) Our clients, who are generally sub-tenants under ground leases, are responsible for paying the rent under these ground leases. In the event our client fails to pay the ground lease rent, we are primarily responsible.
(8) "Other" consists of $100.0 million of commitments under construction contracts and $6.8 million for re-leasing costs, recurring capital expenditures, and non-recurring building improvements.

Our credit facility, commercial paper program, term loan, and notes payable obligations are unsecured. Accordingly, we have not pledged any assets as collateral for these obligations.

No Unconsolidated Investments
We have no unconsolidated investments, nor do we engage in trading activities involving energy or commodity contracts.

Impact of Real Estate and Credit Markets
In the commercial real estate market, property prices generally continue to fluctuate. Likewise, during certain periods, including the current market, the global credit markets have experienced significant price volatility, dislocations, and liquidity disruptions, which may impact our access to and cost of capital. We continually monitor the commercial real estate and global credit markets carefully and, if required, will make decisions to adjust our business strategy accordingly.

Acquisitions During 2020

Below is a listing of our acquisitions in the U.S. and U.K. for the year ended December 31, 2020:

	Number of Properties	Leasable Square Feet		Investment ($ in thousands)	Weighted Average Lease Term (Years)	Initial Average Cash Lease Yield [1]
Year ended December 31, 2020 [2]						
Acquisitions - U.S. *(in 30 states)*	202	5,476,009	$	1,302,220	14.9	5.8 %
Acquisitions - U.K. [3]	24	2,120,256		920,934	10.8	6.1 %
Total Acquisitions	226	7,596,265	$	2,223,154	13.2	5.9 %
Properties under Development - U.S.	18	1,601,095		84,127	15.3	5.6 %
Total [4]	244	9,197,360	$	2,307,281	13.2	5.9 %

[1] The initial average cash lease yield for a property is generally computed as estimated contractual first year cash net operating income, which, in the case of a net leased property, is equal to the aggregate cash base rent for the first full year of each lease, divided by the total cost of the property. Since it is possible that our client could default on the payment of contractual rent, we cannot provide assurance that the actual return on the funds invested will remain at the percentages listed above. Contractual net operating income for the fourth quarter of 2020 includes approximately $700,000 received as a settlement credit for a property acquired in the U.S. as reimbursement of a free rent period.

In the case of a property under development or expansion, the contractual lease rate is generally fixed such that rent varies based on the actual total investment in order to provide a fixed rate of return. When the lease does not provide for a fixed rate of return on a property under development or expansion, the initial average cash lease yield is computed as follows: estimated cash net operating income (determined by the lease) for the first full year of each lease, divided by our projected total investment in the property, including land, construction and capitalized interest costs.

[2] None of our investments during 2020 caused any one client to be 10% or more of our total assets at December 31, 2020. All of our investments in acquired properties during 2020 are 100% leased at the acquisition date.

[3] Represents investments of £707.8 million Sterling during the year ended December 31, 2020 converted at the applicable exchange rate on the date of acquisition.

[4] Our clients occupying the new properties operate in 26 industries, and are 86.6% retail and 13.4% industrial, based on rental revenue. Approximately 61% of the rental revenue generated from acquisitions during 2020 is from our investment grade rated clients, their subsidiaries or affiliated companies.

Portfolio Discussion

Leasing Results

At December 31, 2020, we had 140 properties available for lease out of 6,592 properties in our portfolio, which represents a 97.9% occupancy rate based on the number of properties in our portfolio.

The following tables summarize our leasing results for the periods indicated below:

Three months ended December 31, 2020	
Properties available for lease at September 30, 2020	92
Lease expirations [1]	159
Re-leases to same client [2]	(72)
Re-leases to new client [2][3]	(5)
Vacant dispositions	(34)
Properties available for lease at December 31, 2020	140

[1] Includes scheduled and unscheduled expirations (including leases rejected in bankruptcy), as well as future expirations resolved in the current quarter.

[2] The annual new rent on these re-leases was $21.01 million, as compared to the previous annual rent of $20.95 million on the same properties, representing a rent recapture rate of 100.3% on the properties re-leased during the three months ended December 31, 2020.

[3] Re-leased all five properties to new clients after a period of vacancy.

Year ended December 31, 2020	
Properties available for lease at December 31, 2019	94
Lease expirations [1]	446
Re-leases to same client [2]	(296)
Re-leases to new client [2][3]	(18)
Vacant dispositions	(86)
Properties available for lease at December 31, 2020	140

(1) Includes scheduled and unscheduled expirations (including leases rejected in bankruptcy), as well as future expirations resolved in the current year.
(2) The annual new rent on these re-leases was $66.24 million, as compared to the previous annual rent of $66.26 million on the same properties, representing a rent recapture rate of 100.0% on the properties re-leased during the year ended December 31, 2020.
(3) Re-leased five properties to new clients without a period of vacancy, and 13 properties to new clients after a period of vacancy.

As part of our re-leasing costs, we pay leasing commissions to unrelated, third party real estate brokers consistent with the commercial real estate industry standard, and sometimes provide rent concessions to our clients. We do not consider the collective impact of the leasing commissions or rent concessions to our clients to be material to our financial position or results of operations.

At December 31, 2020, our average annualized contractual rent was approximately $15.38 per square foot on the 6,452 leased properties in our portfolio. At December 31, 2020, we classified 21 properties with a carrying amount of $19.0 million, as real estate and lease intangibles held for sale, net on our balance sheet. The expected sale of these properties does not represent a strategic shift that will have a major effect on our operations and financial results and is consistent with our existing disposition strategy to further enhance our real estate portfolio and maximize portfolio returns.

Investments in Existing Properties
During 2020, we capitalized costs of $7.0 million on existing properties in our portfolio, consisting of $1.8 million for re-leasing costs, $198,000 for recurring capital expenditures, and $5.0 million for non-recurring building improvements. In comparison, during 2019, we capitalized costs of $17.9 million on existing properties in our portfolio, consisting of $2.1 million for re-leasing costs, $801,000 for recurring capital expenditures, and $15.0 million for non-recurring building improvements.

The majority of our building improvements relate to roof repairs, HVAC improvements, and parking lot resurfacing and replacements. The amounts of our capital expenditures can vary significantly, depending on the rental market, credit worthiness of our clients, the lease term and the willingness of our clients to pay higher rents over the terms of the leases.

We define recurring capital expenditures as mandatory and recurring landlord capital expenditure obligations that have a limited useful life. We define non-recurring capital expenditures as property improvements in which we invest additional capital that extend the useful life of the properties.

Increases in Monthly Dividends to Common Stockholders
We have continued our 52-year policy of paying monthly dividends. In addition, we increased the dividend five times during 2020 and once in 2021. As of February 2021, we have paid 93 consecutive quarterly dividend increases and increased the dividend 109 times since our listing on the NYSE in 1994.

2020 Dividend increases	Month Declared	Month Paid	Dividend per share	Increase per share
1st increase	Dec 2019	Jan 2020	$ 0.2275	$ 0.0005
2nd increase	Jan 2020	Feb 2020	$ 0.2325	$ 0.0050
3rd increase	Mar 2020	Apr 2020	$ 0.2330	$ 0.0005
4th increase	Jun 2020	Jul 2020	$ 0.2335	$ 0.0005
5th increase	Sep 2020	Oct 2020	$ 0.2340	$ 0.0005
2021 Dividend increases				
1st increase	Dec 2020	Jan 2021	$ 0.2345	$ 0.0005

The dividends paid per share during 2020 totaled $2.7940, as compared to $2.7105 during 2019, an increase of $0.0835, or 3.1%.

The monthly dividend of $0.2345 per share represents a current annualized dividend of $2.81 per share, and an annualized dividend yield of approximately 4.5% based on the last reported sale price of our common stock on the NYSE of $62.17 on December 31, 2020. Although we expect to continue our policy of paying monthly dividends, we cannot guarantee that we will maintain our current level of dividends, that we will continue our pattern of increasing dividends per share, or what our actual dividend yield will be in any future period.

RESULTS OF OPERATIONS

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with GAAP, and are the basis for our discussion and analysis of financial condition and results of operations. Preparing our consolidated financial statements requires us to make a number of estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. We believe that we have made these estimates and assumptions in an appropriate manner and in a way that accurately reflects our financial condition. We continually test and evaluate these estimates and assumptions using our historical knowledge of the business, as well as other factors, to ensure that they are reasonable for reporting purposes. However, actual results may differ from these estimates and assumptions. This summary should be read in conjunction with the more complete discussion of our accounting policies and procedures included in note 2 to our consolidated financial statements.

In order to prepare our consolidated financial statements according to the rules and guidelines set forth by GAAP, many subjective judgments must be made with regard to critical accounting policies. Management must make significant assumptions in determining the fair value of assets acquired and liabilities assumed. When acquiring a property for investment purposes, we typically allocate the cost of real estate acquired, inclusive of transaction costs, to: (1) land, (2) building and improvements, and (3) identified intangible assets and liabilities, based in each case on their relative estimated fair values. Intangible assets and liabilities consist of above-market or below-market lease value and the value of in-place leases, as applicable. Additionally, above–market rents on certain leases under which we are a lessor are accounted for as financing receivables amortizing over the lease term, while below–market rents on certain leases under which we are a lessor are accounted for as prepaid rent. In an acquisition of multiple properties, we must also allocate the purchase price among the properties. The allocation of the purchase price is based on our assessment of estimated fair value of the land, building and improvements, and identified intangible assets and liabilities and is often based upon the various characteristics of the market where the property is located. In addition, any assumed mortgages are recorded at their estimated fair values. The estimated fair values of our mortgages payable have been calculated by discounting the future cash flows using applicable interest rates that have been adjusted for factors, such as industry type, client investment grade, maturity date, and comparable borrowings for similar assets. The use of different assumptions in the allocation of the purchase price of the acquired properties and liabilities assumed could affect the timing of recognition of the related revenue and expenses.

Another significant judgment must be made as to if, and when, impairment losses should be taken on our properties when events or a change in circumstances indicate that the carrying amount of the asset may not be recoverable. If estimated future operating cash flows (undiscounted and without interest charges) plus estimated disposition proceeds (undiscounted) are less than the current book value of the property, a fair value analysis is performed and, to the extent the estimated fair value is less than the current book value, a provision for impairment is recorded to reduce the book value to estimated fair value. Key inputs that we utilize in this analysis include projected rental rates, estimated holding periods, capital expenditures, and property sales capitalization rates. If a property is held for sale, it is carried at the lower of carrying cost or estimated fair value, less estimated cost to sell. The carrying value of our real estate is the largest component of our consolidated balance sheets. Our strategy of primarily holding properties, long-term, directly decreases the likelihood of their carrying values not being recoverable, thus requiring the recognition of an impairment. However, if our strategy, or one or more of the above assumptions were to change in the future, an impairment may need to be recognized. If events should occur that require us to reduce the carrying value of our real estate by recording provisions for impairment, they could have a material impact on our results of operations.

When assessing the collectability of future lease payments, one of the key factors we have considered during 2020 has been the COVID-19 pandemic. We generally assess collectability based on an analysis of creditworthiness, economic trends, and other facts and circumstances related to our applicable clients. If the collection of substantially all of the future lease payments is less than probable, we will write-off the receivable balances associated with the lease and cease to recognize lease income, including straight-line rent, unless cash is received when due. Unless otherwise specified, references to reserves recorded as a reduction of rental revenue include amounts reserved for in the current period, as well as unrecognized contractual rental revenue and unrecognized straight-line rental revenue for leases accounted for on a cash basis. As of December 31, 2020, other than the information related to the reserves we have recorded to such date, we do not have any further client specific information that would change our assessment that collection of substantially all of the future lease payments under our existing leases is probable. However, there may be impacts in future periods that could change this assessment as the situation continues to evolve and as more information becomes available.

The COVID-19 pandemic and the measures taken to limit its spread are negatively impacting the economy across many industries, including the industries in which some of our clients operate. These impacts may continue and increase in severity as the duration or extent of the pandemic increases, which may, in turn, adversely impact the fair value estimates of our real estate and require the recording of impairments on our properties. As a result, we evaluated certain key assumptions involving fair value estimates of our real estate, recording of impairments on our properties and collectability of our accounts receivable. We continue to evaluate the potential impacts of the COVID-19 pandemic and the measures taken to limit its spread on our business and industry segments, as the situation continues to evolve and more information becomes available.

The following is a comparison of our results of operations for the years ended December 31, 2020, 2019 and 2018.

Total Revenue

The following summarizes our total revenue (dollars in thousands):

				Increase	
	2020	**2019**	**2018**	**2020 versus 2019**	**2019 versus 2018**
REVENUE					
Rental (excluding reimbursable)	$ 1,560,171	$ 1,415,733	$ 1,274,596	$ 144,438	$ 141,137
Rental (reimbursable)	79,362	69,085	46,950	10,277	22,135
Other	12,092	6,773	6,292	5,319	481
Total revenue	$ 1,651,625	$ 1,491,591	$ 1,327,838	$ 160,034	$ 163,753

Rental Revenue (excluding reimbursable)

The table below summarizes the increase in rental revenue (excluding reimbursable) in 2020 compared to 2019 (dollars in thousands):

			Year Ended December 31,		Increase/(Decrease)	
	Number of Properties	**Square Footage**	**2020**	**2019**	**$ Change**	**% Change**
Properties acquired during 2020 & 2019	1,014	22,388,061	$ 282,038	$ 85,039	$ 196,999	231.7 %
Same store rental revenue	5,403	84,641,826	1,237,358	1,259,303	(21,945)	(1.7) %
Properties sold during 2020 & 2019	221	4,234,228	6,567	22,389	(15,822)	(70.7) %
Straight-line rent and other non-cash adjustments	N/A	N/A	7,384	15,177	(7,793)	(51.3) %
Vacant rents, development and other [1]	180	3,916,555	26,824	33,825	(7,001)	(20.7) %
Totals			$ 1,560,171	$ 1,415,733	$ 144,438	10.2 %

[1] Relates to the aggregate of (i) rental revenue from properties (174 properties comprising 2,973,551 square feet) that were available for lease during part of 2020 or 2019, (ii) rental revenue for properties (6 properties comprising 943,004 square feet) under development, and (iii) lease termination settlements.

The table below summarizes the increase in rental revenue (excluding reimbursable) in 2019 compared to 2018 (dollars in thousands):

	Number of Properties	Square Footage	Year Ended December 31, 2019	2018	Increase/(Decrease) $ Change	% Change
Properties acquired during 2019 & 2018	1,532	18,219,735	$ 197,784	$ 54,028	$ 143,756	266.1 %
Same store rental revenue	4,811	83,399,809	1,175,576	1,157,577	17,999	1.6 %
Properties sold during 2019 & 2018	221	1,933,496	3,615	19,306	(15,691)	(81.3) %
Straight-line rent and other non-cash adjustments	N/A	N/A	13,821	16,993	(3,172)	(18.7) %
Vacant rents, development and other [(1)]	140	4,653,664	24,937	26,692	(1,755)	(6.6) %
Totals			$ 1,415,733	$ 1,274,596	$ 141,137	11.1 %

[(1)] Relates to the aggregate of (i) rental revenue from properties (130 properties comprising 3,249,304 square feet) that were available for lease during part of 2019 or 2018, (ii) rental revenue for properties (10 properties comprising 1,404,360 square feet) under development, and (iii) lease termination settlements.

For purposes of determining the same store rent property pool, we include all properties that were owned for the entire year-to-date period, for both the current and prior year, except for properties during the current or prior year that; (i) were vacant at any time, (ii) were under development or redevelopment, or (iii) were involved in eminent domain and rent was reduced. Each of the exclusions from the same store pool are separately addressed within the applicable sentences above, explaining the changes in rental revenue for the period.

Our calculation of same store rental revenue includes rent deferred for future payment as a result of lease concessions we granted in response to the COVID-19 pandemic and recognized under the practical expedient provided by the Financial Accounting Standards Board (FASB). Same store rental revenue in 2020 was negatively impacted by reserves recorded as reductions of rental revenue of $39.9 million, compared to $1.4 million in 2019. There was no same store rental income impact by reserves recorded as a reduction of rental revenue in 2018. Our calculation of same store rental revenue also includes uncollected rent for which we have not granted a lease concession. If these applicable amounts of rent deferrals and uncollected rent were excluded from our calculation of same store rental revenue, the decrease for 2020 relative to 2019 would have been (5.1)%.

Rental revenue was negatively impacted by rent reserves during 2020, primarily due to the COVID-19 pandemic, particularly with respect to the ongoing disruption to the theater industry. The following table summarizes reserves recorded as a reduction of rental revenue (dollars in millions):

	Year ended December 31, 2020	2019	2018
Rental revenue reserves	$ 44.1	$ 1.4	$ 1.1
Straight-line rent reserves	8.4	1.5	0.2
Total rental revenue reserves	$ 52.5	$ 2.9	$ 1.3

Of the 6,592 properties in the portfolio at December 31, 2020, 6,555, or 99.4%, are single-client properties and the remaining are multi-client properties. Of the 6,555 single-client properties, 6,419, or 97.9%, were net leased at December 31, 2020. Of our 6,419 leased single-client properties, 5,486 or 85.5% were under leases that provide for increases in rents through:

- Base rent increases tied to a consumer price index (typically subject to ceilings);
- Percentage rent based on a percentage of our client's gross sales;
- Fixed increases; or
- A combination of two or more of the above rent provisions.

Percentage rent, which is included in rental revenue, was $5.1 million in 2020, $8.0 million in 2019, and $5.9 million in 2018. Percentage rent in 2020 was less than 1% of rental revenue and we anticipate percentage rent to be less than 1% of rental revenue in 2021.

At December 31, 2020, our portfolio of 6,592 properties was 97.9% leased with 140 properties available for lease, as compared to 98.6% leased, with 94 properties available for lease at December 31, 2019. It has been our experience that approximately 1% to 4% of our property portfolio will be available for lease at any given time; however, it is possible that the number of properties available for lease or sale could increase in the future, given the nature of economic cycles and other unforeseen global events, such as the ongoing COVID-19 pandemic and the measures taken to limit its spread.

Rental Revenue (reimbursable)
A number of our leases provide for contractually obligated reimbursements from clients for recoverable real estate taxes and operating expenses. The increase in contractually obligated reimbursements by our clients in the years presented is primarily due to the growth of our portfolio due to acquisitions.

Other Revenue
The increase in other revenue for 2020 was primarily related to interest income recognized on financing receivables for certain leases with above-market terms as compared to 2019. In addition, interest income from our money market accounts was higher for 2020 as compared to 2019, which is primarily due to higher average investment balances.

Total Expenses
The following summarizes our total expenses (dollars in thousands):

	2020	2019	2018	Increase (Decrease) 2020 versus 2019	Increase (Decrease) 2019 versus 2018
EXPENSES					
Depreciation and amortization	$ 677,038	$ 593,961	$ 539,780	$ 83,077	$ 54,181
Interest	309,336	290,991	266,020	18,345	$ 24,971
Property (excluding reimbursable)	25,241	19,500	19,376	5,741	$ 124
Property (reimbursable)	79,362	69,085	46,950	10,277	$ 22,135
General and administrative [(1)]	73,215	66,483	84,148	6,732	$ (17,665)
Income taxes	14,693	6,158	5,340	8,535	$ 818
Provisions for impairment	147,232	40,186	26,269	107,046	$ 13,917
Total expenses	$ 1,326,117	$ 1,086,364	$ 987,883	$ 239,753	$ 98,481
Total revenue [(2)]	$ 1,572,263	$ 1,422,506	$ 1,280,888		
General and administrative expenses as a percentage of total revenue [(1)(2)]	4.4 %	4.7 %	5.1 %		
Property expenses (excluding reimbursable) as a percentage of total revenue [(2)]	1.6 %	1.4 %	1.5 %		

(1) General and administrative expenses for 2020 included an executive severance charge related to the departure of our former CFO in March 2020. The total value of cash, stock compensation and professional fees incurred as a result of this severance was $3,463 and was recorded to general and administrative expense. In order to present a normalized calculation of our general and administrative expenses as a percentage of total revenue for 2020, we have excluded this executive severance charge to arrive at a normalized general and administrative amount of $69,752, which was used for our calculation. General and administrative expenses for 2018 included a one–time severance payment made to our former CEO in October 2018. The total value of cash, stock compensation and professional fees incurred as a result of this severance was $28,293; however, the net amount, after incorporating accruals for CEO compensation previous to this severance, was $18,651 and was recorded to general and administrative expense. In order to present a normalized calculation of our general and administrative expenses as a percentage of total revenue for 2018, we have excluded this one–time executive severance charge to arrive at a normalized general and administrative amount of $65,497, which was used for our calculation. Executive severance charges are excluded from Adjusted Funds from Operations Available to Common Stockholders, or AFFO, which is not a financial measure under generally accepted accounting principles. See our discussion of AFFO, which includes a reconciliation of this amount.

(2) Excludes rental revenue (reimbursable).

Depreciation and Amortization
The increase in depreciation and amortization in 2020 and 2019 was primarily due to the acquisition of properties in 2020 and 2019, which was partially offset by property sales in those same periods. As discussed in the sections entitled “Funds from Operations Available to Common Stockholders (FFO)” and “Adjusted Funds from Operations Available to Common Stockholders (AFFO),” depreciation and amortization is a non-cash item that is added back to net income available to common stockholders for our calculation of FFO and AFFO.

Interest Expense

The following is a summary of the components of our interest expense (dollars in thousands):

		2020		2019		2018
Interest on our credit facility, commercial paper, term loans, notes, mortgages and interest rate swaps	$	293,879	$	277,802	$	260,103
Credit facility commitment fees		3,812		3,803		2,774
Amortization of debt origination and deferred financing costs		10,694		9,485		8,711
Loss (gain) on interest rate swaps		4,132		2,752		(2,733)
Amortization of net mortgage premiums		(1,258)		(1,415)		(1,520)
Amortization of net note premiums		(1,754)		(995)		(1,256)
Other items		(169)		(441)		(59)
Interest expense	$	309,336	$	290,991	$	266,020
Credit facility, commercial paper, term loans, mortgages and notes						
Average outstanding balances (dollars in thousands)	$	8,240,829	$	7,100,032	$	6,662,952
Average interest rates		3.48 %		3.89 %		3.90 %

The increase in interest expense from 2019 to 2020 is primarily due to the October 2020 issuance of our 1.625% notes due 2030, May and July 2020 issuances of our 2031 Notes, the May 2019 issuance of our 2.730% notes due 2034, the June 2019 issuance of our 3.250% notes due 2029, and higher interest related to mortgages assumed during December 2019, partially offset by the January 2020 repayment of our 5.750% notes due 2021, the June 2020 repayment of one of our $250.0 million term loans, and lower average interest rates.

The increase in interest expense from 2018 to 2019 is primarily due to the October 2018 issuance of our $250.0 million senior unsecured term loan, the May 2019 issuance of our 2.730% notes due 2034, the June 2019 issuance of our 3.250% notes due 2029, and a loss on our interest rate swaps in 2019.

At December 31, 2020, the weighted average interest rate on our:

- Term loan outstanding of $250.0 million (excluding deferred financing costs of $642,000 and considering that one of our $250.0 million term loans was paid off in June 2020) was swapped to fixed at 3.9%;
- Mortgages payable of $299.6 million (excluding net premiums totaling $1.7 million and deferred financing costs of $973,000 on these mortgages) was 4.9%;
- Notes and bonds payable of $8.30 billion (excluding unamortized net original issuance premiums of $14.6 million and deferred financing costs of $49.2 million) was 3.4%; and
- Combined outstanding notes, bonds, mortgages and term loan of $8.85 billion (excluding all net premiums and deferred financing costs) was 3.5%.

Property Expenses (excluding reimbursable)

Property expenses (excluding reimbursable) consist of costs associated with properties available for lease, non-net-leased properties and general portfolio expenses. Expenses related to properties available for lease and non-net-leased properties include, but are not limited to, property taxes, maintenance, insurance, utilities, property inspections and legal fees. General portfolio costs include, but are not limited to, insurance, legal, property inspections, and title search fees. At December 31, 2020, 140 properties were available for lease, as compared to 94 at December 31, 2019 and 80 at December 31, 2018.

The increase in property expenses (excluding reimbursable) in 2020 is primarily due to reserves for contractually obligated reimbursements by our clients, an increase in repairs and maintenance expense, and an increase in portfolio size and the number of vacant properties at year-end.

Property Expenses (reimbursable)

The increase in property expenses (reimbursable) in both 2020 and 2019 was primarily attributable to the increased portfolio size, which contributed to higher contractually obligated reimbursements from our clients for recoverable real estate taxes and operating expenses primarily due to our acquisitions in each year.

General and Administrative Expenses

General and administrative expenses are expenditures related to the operations of our company, including employee–related costs, professional fees, and other general overhead costs associated with running our business.

General and administrative expenses increased in 2020 primarily due to a severance charge of $3.5 million for our former CFO, who departed the company in March 2020, higher payroll-related costs, and higher corporate–level professional fees, partially offset by lower costs for terminated acquisitions and travel. The decrease in general and administrative costs in 2019 is primarily due to the severance charge of $18.7 million incurred in 2018 that related to our former CEO, who departed the company in October 2018.

Income Taxes
Income taxes are for city and state income and franchise taxes, and for U.K. income taxes paid by us and our subsidiaries. The increase in income taxes in 2020 was primarily attributable to our U.K. investments, which contributed to higher U.K. income taxes as compared to 2019.

Provisions for Impairment
The following table summarizes provisions for impairment during the periods indicated below (dollars in millions):

	Year Ended December 31,		
	2020	2019	2018
Total provisions for impairment	$ 147.2	$ 40.2	$ 26.3
Number of properties:			
Classified as held for sale	6	1	—
Classified as held for investment	42	5	3
Sold	51	45	41

During 2020, we identified the impact of the COVID-19 pandemic as an impairment triggering event for properties occupied by certain of our clients experiencing difficulties meeting their lease obligations to us. After considering the impacts of the COVID-19 pandemic on the key assumptions, we determined that the carrying values of 38 properties classified as held for investment for the year ended December 31, 2020 were not recoverable. As a result, we recorded provisions for impairment of $105.0 million for the year ended December 31, 2020 on the applicable properties impacted by the COVID-19 pandemic. Of the provisions for impairment recorded during 2020 for properties impacted by the COVID-19 pandemic, a total of 13 assets occupied by certain of our clients in the theater industry were impaired for $83.8 million, which reduced the carrying value of the properties from $123.4 million to their estimated fair value of $39.6 million. Impairments recorded on other properties during the year ended December 31, 2020 totaled $42.2 million.

Gain on Sales of Real Estate
The following table summarizes our properties sold during the periods indicated below (dollars in millions):

	Year Ended December 31,		
	2020	2019	2018
Number of properties sold	126	93	128
Net sales proceeds	$ 262.5	$ 108.9	$ 142.3
Gain on sales of real estate	$ 76.2	$ 30.0	$ 24.6

Foreign Currency and Derivative Gains, Net
We borrow in the functional currencies of the countries in which we invest. Foreign currency gains and losses are primarily a result of intercompany debt and certain remeasurement transactions.

Loss on Extinguishment of Debt
In January 2020, we completed the early redemption on all $250.0 million in principal amount of outstanding 5.75% notes due January 2021, plus accrued and unpaid interest. As a result of the early redemption, we recognized a $9.8 million loss on extinguishment of debt during 2020.

Net Income Available to Common Stockholders

The following summarizes our net income available to common stockholders (dollars in millions, except per share data):

	Year Ended December 31,			% Increase/(decrease)	
	2020	2019	2018	2020 versus 2019	2019 versus 2018
Net income available to common stockholders	$ 395.5	$ 436.5	$ 363.6	(9.4) %	20.0 %
Net income per share [1]	$ 1.14	$ 1.38	$ 1.26	(17.4) %	9.5 %

[1] All per share amounts are presented on a diluted per common share basis.

The calculation to determine net income available to common stockholders includes provisions for impairment, gains from the sale of properties, and foreign currency gains and losses, which can vary from period to period based on timing and significantly impact net income attributable to the Company and available to common stockholders.

Net income available to common stockholders in 2020 was impacted by the following transactions: (i) $147.2 million of provisions for impairment, (ii) $52.5 million in reserves recorded as a reduction of rental revenue, (iii) a $9.8 million loss on extinguishment of debt due to the January 2020 early redemption of the 5.750% notes due 2021, and (iv) a $3.5 million executive severance charge for our former CFO. For 2019, the only comparable charges were $40.2 million in provisions for impairment and $2.9 million in reserves recorded as a reduction of rental revenue.

Net income available to common stockholders in 2018 was impacted by a severance payment made to our former CEO in October 2018. The total value of cash, stock compensation and professional fees incurred as a result of this severance was $28.3 million; however, the net amount, after incorporating accruals for CEO compensation previous to this severance, was $18.7 million.

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization for Real Estate (Adjusted EBITDA*re*)

The National Association of Real Estate Investment Trusts (Nareit) came to the conclusion that a Nareit-defined EBITDA metric for real estate companies (i.e., EBITDA for real estate, or EBITDA*re*) would provide investors with a consistent measure to help make investment decisions among REITs. Our definition of “Adjusted EBITDA*re*” is generally consistent with the Nareit definition, other than our adjustments to remove foreign currency and derivative gains and losses and executive severance charges (which is consistent with our previous calculations of "Adjusted EBITDA"). We define Adjusted EBITDA*re*, a non–GAAP financial measure, for the most recent quarter as earnings (net income) before (i) interest expense, including non-cash loss (gain) on swaps, (ii) income and franchise taxes, (iii) real estate depreciation and amortization, (iv) provisions for impairment, (v) gain on sales of real estate, (vi) foreign currency and derivative gains and losses, net, and (vii) executive severance charges (as described in the Adjusted Funds from Operations section). Our Adjusted EBITDA*re* may not be comparable to Adjusted EBITDA*re* reported by other companies or as defined by Nareit, and other companies may interpret or define Adjusted EBITDA*re* differently than we do. Management believes Adjusted EBITDA*re* to be a meaningful measure of a REIT’s performance because it is widely followed by industry analysts, lenders and investors. Management also believes the use of an annualized quarterly Adjusted EBITDA*re* metric, which we refer to as Annualized Adjusted EBITDA*re*, is meaningful because it represents the Company’s current earnings run rate for the period presented. The ratio of our total debt to our annualized quarterly Adjusted EBITDA*re* is also used to determine vesting of performance share awards granted to our executive officers. Adjusted EBITDA*re* should be considered along with, but not as an alternative to net income as a measure of our operating performance. We define Annualized Pro Forma Adjusted EBITDA*re* as Annualized Adjusted EBITDA*re*, subject to certain adjustments to incorporate operating income from properties we acquired or stabilized during the applicable quarter and to remove operating income from properties we disposed of during the applicable quarter, giving pro forma effect to all transactions as if they occurred at the beginning of the applicable period. We believe Annualized Pro Forma Adjusted EBITDA*re* is a useful non-GAAP supplemental measure, as it excludes properties that were no longer owned at the balance sheet date and includes the annualized rent from properties acquired during the quarter. Our ratios of net debt-to-Adjusted EBITDA*re* and net debt-to-Pro Forma Adjusted EBITDA*re*, which are used by management as a measure of leverage, are calculated as net debt (which we define as total debt per the consolidated balance sheet, less cash and cash equivalents), divided by annualized quarterly Adjusted EBITDA*re* and annualized Pro Forma Adjusted EBITDA*re*, respectively.

The following table summarizes our Adjusted EBITDA*re* calculation for the periods indicated below:

	For the Quarter Ended December 31,		
Dollars in thousands	2020	2019	2018
Net income [1]	$ 118,150	$ 129,553	$ 85,303
Interest	78,764	75,073	70,635
Income taxes	4,500	1,736	1,607
Depreciation and amortization	175,041	156,594	137,711
Executive severance charge [2]	—	—	18,651
Provisions for impairment	23,790	8,950	1,235
Gain on sales of real estate	(22,667)	(14,168)	(5,825)
Foreign currency and derivative gains, net	(3,311)	(1,792)	—
Quarterly Adjusted EBITDA*re*	$ 374,267	$ 355,946	$ 309,317
Annualized Adjusted EBITDA*re* [3]	$ 1,497,068	$ 1,423,784	$ 1,237,268
Annualized Pro Forma Adjustments	25,910	77,793	11,306
Annualized Pro Forma Adjusted EBITDA*re*	$ 1,522,978	$ 1,501,577	$ 1,248,574
Net Debt [4]	$ 7,992,991	$ 7,847,536	$ 6,489,589
Net Debt/Adjusted EBITDA*re*	5.3	5.5	5.2
Net Debt/Pro forma Adjusted EBITDA*re*	5.2	5.2	5.2

(1) Net income for 2020 was negatively impacted by $18.1 million of rent reserves recorded as reductions of rental revenue, of which $3.3 million relates to straight-line rent.
(2) The executive severance charge in 2018 reflects an $18.7 million severance charge for our former CEO upon his departure in October 2018.
(3) We calculate Annualized Adjusted EBITDAre by multiplying the Quarterly Adjusted EBITDAre by four.
(4) Net Debt is total debt per the consolidated balance sheet, less of cash and cash equivalents.

The Annualized Pro Forma Adjustments consist of adjustments to incorporate operating income from properties we acquired or stabilized during the applicable quarter and to remove operating income from properties we disposed of during the applicable quarter, giving pro forma effect to all transactions as if they occurred at the beginning of the applicable period. The Annualized Pro Forma Adjustments are consistent with the debt service coverage ratio calculated under financial covenants for our senior unsecured notes and bonds. The following table summarizes our Annualized Pro forma Adjusted EBITDA*re* calculation for the periods indicated below:

Dollars in thousands	2020	2019	2018
Annualized pro forma adjustments from properties acquired or stabilized	$ 27,431	$ 77,431	$ 14,633
Annualized pro forma adjustments from properties disposed	(1,521)	362	(3,327)
Annualized Pro forma Adjustments	$ 25,910	$ 77,793	$ 11,306

FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS (FFO)

The following summarizes our FFO (dollars in millions, except per share data):

				% Increase	
	2020	2019	2018	2020 versus 2019	2019 versus 2018
FFO available to common stockholders	$ 1,142.1	$ 1,039.6	$ 903.3	9.9 %	15.1 %
FFO per share [1]	$ 3.31	$ 3.29	3.12	0.6 %	5.4 %

(1) All per share amounts are presented on a diluted per common share basis.

FFO in 2020 was impacted by reserves recorded as a reduction of rental revenue related to the COVID-19 pandemic, a loss on extinguishment of debt due to the early redemption of the 5.750% notes due 2021 in January 2020 and an executive severance charge for our former CFO in March 2020.

FFO in 2018 was impacted by a severance payment made to our former CEO in October 2018. The total value of cash, stock compensation and professional fees incurred as a result of this severance was $28.3 million; however, the net amount, after incorporating accruals for CEO compensation previous to this severance, was $18.7 million.

The following is a reconciliation of net income available to common stockholders (which we believe is the most comparable GAAP measure) to FFO. Also presented is information regarding distributions paid to common stockholders and the weighted average number of common shares used for the basic and diluted computation per share (dollars in thousands, except per share amounts):

	2020	2019	2018
Net income available to common stockholders	$ 395,486	$ 436,482	$ 363,614
Depreciation and amortization	677,038	593,961	539,780
Depreciation of furniture, fixtures and equipment	(588)	(565)	(650)
Provisions for impairment	147,232	40,186	26,269
Gain on sales of real estate	(76,232)	(29,996)	(24,643)
FFO adjustments allocable to noncontrolling interests	(817)	(477)	(1,113)
FFO available to common stockholders	$ 1,142,119	$ 1,039,591	$ 903,257
FFO allocable to dilutive noncontrolling interests	1,418	1,403	867
Diluted FFO	$ 1,143,537	$ 1,040,994	$ 904,124
FFO per common share, basic and diluted	3.31	3.29	3.12
Distributions paid to common stockholders	$ 964,167	$ 852,134	$ 761,582
FFO available to common stockholders in excess of distributions paid to common stockholders	$ 177,952	$ 187,457	$ 141,675
Weighted average number of common shares used for computation per share:			
Basic	345,280,126	315,837,012	289,427,430
Diluted	345,878,377	316,601,350	289,923,984

We define FFO, a non-GAAP financial measure, consistent with the National Association of Real Estate Investment Trusts' definition, as net income available to common stockholders, plus depreciation and amortization of real estate assets, plus provisions for impairments of depreciable real estate assets, and reduced by gains on property sales.

We consider FFO to be an appropriate supplemental measure of a REIT’s operating performance as it is based on a net income analysis of property portfolio performance that adds back items such as depreciation and impairments for FFO. The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time. Since real estate values historically rise and fall with market conditions, presentations of operating results for a REIT, using historical accounting for depreciation, could be less informative. The use of FFO is recommended by the REIT industry as a supplemental performance measure.

ADJUSTED FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS (AFFO)

The following summarizes our AFFO (dollars in millions, except per share data):

				% Increase	
	2020	2019	2018	2020 versus 2019	2019 versus 2018
AFFO available to common stockholders	$ 1,172.6	$ 1,050.0	$ 924.6	11.7 %	13.6 %
AFFO per share [1]	$ 3.39	$ 3.32	3.19	2.1 %	4.1 %

[1] All per share amounts are presented on a diluted per common share basis.

AFFO for 2020 was impacted by reserves recorded as a reduction of rental revenue related to the COVID-19 pandemic.

We consider AFFO to be an appropriate supplemental measure of our performance. Other companies in our industry use a similar measurement, but they may use the term “CAD” (for Cash Available for Distribution), “FAD” (for Funds Available for Distribution) or other terms. Our AFFO calculations may not be comparable to AFFO, CAD or FAD reported by other companies, and other companies may interpret or define such terms differently than we do.

The following is a reconciliation of net income available to common stockholders (which we believe is the most comparable GAAP measure) to FFO and AFFO. Also presented is information regarding distributions paid to common stockholders and the weighted average number of common shares used for the basic and diluted computation per share (dollars in thousands, except per share amounts):

	2020	2019	2018
Net income available to common stockholders [1]	$ 395,486	$ 436,482	$ 363,614
Cumulative adjustments to calculate FFO [2]	746,633	603,109	539,643
FFO available to common stockholders	1,142,119	1,039,591	903,257
Executive severance charge [3]	3,463	—	18,651
Loss on extinguishment of debt	9,819	—	—
Amortization of share-based compensation	14,727	13,662	15,470
Amortization of deferred financing costs [4]	4,968	4,754	3,991
Amortization of net mortgage premiums	(1,258)	(1,415)	(1,520)
Loss (gain) on interest rate swaps	4,353	2,752	(2,733)
Straight-line payments from cross-currency swaps [5]	2,573	4,316	—
Leasing costs and commissions	(1,859)	(2,102)	(3,907)
Recurring capital expenditures	(198)	(801)	(1,084)
Straight-line rent	(26,502)	(28,674)	(24,687)
Amortization of above and below-market leases	22,940	19,336	16,852
Other adjustments [6]	(2,519)	(1,404)	268
Total AFFO available to common stockholders	$ 1,172,626	$ 1,050,015	$ 924,558
AFFO allocable to dilutive noncontrolling interests	1,438	1,442	901
Diluted AFFO	$ 1,174,064	$ 1,051,457	$ 925,459
AFFO per common share:			
Basic	$ 3.40	$ 3.32	$ 3.19
Diluted	$ 3.39	$ 3.32	$ 3.19
Distributions paid to common stockholders	$ 964,167	$ 852,134	$ 761,582
AFFO available to common stockholders in excess of distributions paid to common stockholders	$ 208,459	$ 197,881	$ 162,976
Weighted average number of common shares used for computation per share:			
Basic	345,280,126	315,837,012	289,427,430
Diluted	345,878,377	316,601,350	289,923,984

(1) As of December 31, 2020, there was $24.5 million of uncollected rent deferred as a result of lease concessions we granted in response to the COVID-19 pandemic and recognized under the practical expedient provided by the FASB and $51.9 million of uncollected rent for which we have not granted a lease concession. Deferrals accounted for as modifications totaling $236,000 for 2020 have not been added back to AFFO.

(2) See reconciling items for FFO presented under “Funds from Operations Available to Common Stockholders (FFO).”

(3) The executive severance charge in 2020 represents the incremental costs incurred upon our former CFO's departure in March 2020, consisting of $1.6 million of cash, $1.8 million of share-based compensation expense and $58,000 of professional fees. The executive severance charge in 2018 represents the incremental costs incurred upon our former CEO's departure in October 2018, consisting of $9.8 million of cash, $17.9 million of share-based compensation expense and $574,000 of professional fees, reduced by $9.6 million accrued for CEO compensation prior to separation.

(4) Includes the amortization of costs incurred and capitalized upon issuance of our notes payable, assumption of our mortgages payable and upon issuance of our current and previous term loans. The deferred financing costs are being amortized over the lives of the respective mortgages and term loans. No costs associated with our credit facility agreements or annual fees paid to credit rating agencies have been included.

(5) Straight-line payments from cross-currency swaps represent quarterly payments in U.S. dollars received by us from counterparties in exchange for associated foreign currency payments. These USD payments are fixed and determinable for the duration of the associated hedging transaction.

(6) Includes adjustments allocable to noncontrolling interests, obligations related to financing lease liabilities, and foreign currency gains and losses as a result of intercompany debt and remeasurement transactions.

We believe the non-GAAP financial measure AFFO provides useful information to investors because it is a widely accepted industry measure of the operating performance of real estate companies that is used by industry analysts and investors who look at and compare those companies. In particular, AFFO provides an additional measure to compare the operating performance of different REITs without having to account for differing depreciation assumptions and other unique revenue and expense items which are not pertinent to measuring a particular company's on-going operating performance. Therefore, we believe that AFFO is an appropriate supplemental performance metric, and that the most appropriate GAAP performance metric to which AFFO should be reconciled is net income available to common stockholders.

Presentation of the information regarding FFO and AFFO is intended to assist the reader in comparing the operating performance of different REITs, although it should be noted that not all REITs calculate FFO and AFFO in the same way, so comparisons with other REITs may not be meaningful. Furthermore, FFO and AFFO are not necessarily indicative of cash flow available to fund cash needs and should not be considered as alternatives to net income as an indication of our performance. FFO and AFFO should not be considered as alternatives to reviewing our cash flows from operating, investing, and financing activities. In addition, FFO and AFFO should not be considered as measures of liquidity, our ability to make cash distributions, or our ability to pay interest payments.

IMPACT OF INFLATION

Leases generally provide for limited increases in rent as a result of fixed increases, increases in the consumer price index (typically subject to ceilings), or increases in the clients' sales volumes. We expect that inflation will cause these lease provisions to result in rent increases over time. During times when inflation is greater than increases in rent, as provided for in the leases, rent increases may not keep up with the rate of inflation.

Moreover, our use of net lease agreements tends to reduce our exposure to rising property expenses due to inflation because the client is responsible for property expenses. Inflation and increased costs may have an adverse impact on our clients if increases in their operating expenses exceed increases in revenue.

IMPACT OF NEWLY ADOPTED ACCOUNTING STANDARDS

For information on the impact of newly adopted accounting standards on our business, see note 2 of the Notes to the Consolidated Financial Statements.

Item 7A: Quantitative and Qualitative Disclosures about Market Risk

We are exposed to interest rate changes primarily as a result of our credit facility and commercial paper program, term loan, mortgages payable, and long-term notes and bonds used to maintain liquidity and expand our real estate investment portfolio and operations. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flow and to lower our overall borrowing costs. To achieve these objectives, we issue long-term notes and bonds, primarily at fixed rates.

In order to mitigate and manage the effects of interest rate risks on our operations, we may utilize a variety of financial instruments, including interest rate swaps, interest rate locks and caps. The use of these types of instruments to hedge our exposure to changes in interest rates carries additional risks, including counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. To limit counterparty credit risk we will seek to enter into such agreements with major financial institutions with favorable credit ratings. There can be no assurance that we will be able to adequately protect against the foregoing risks or realize an economic benefit that exceeds the related amounts incurred in connection with engaging in such hedging activities. We do not enter into any derivative transactions for speculative or trading purposes.

The following table presents, by year of expected maturity, the principal amounts, average interest rates and estimated fair values of our fixed rate debt as of December 31, 2020. There was no variable rate debt or debt that was not swapped to fixed at December 31, 2020. This information is presented to evaluate the expected cash flows and sensitivity to interest rate changes (dollars in millions):

Expected Maturity Data

Year of maturity		Fixed rate debt	Weighted average rate on fixed rate debt	
2021	$	44.2	5.55	%
2022		1,061.8	3.43	
2023		770.6	4.64	
2024		712.2	3.97	
2025		500.7	3.88	
Thereafter		5,762.5	3.18	
Totals [(1)]	$	8,852.0	3.45	%
Fair Value [(2)]	$	9,883.4		

[(1)] Excludes net premiums recorded on mortgages payable, net original issuance premiums recorded on notes payable and deferred financing costs on mortgages payable, notes payable, and our term loan. At December 31, 2020, the unamortized balance of net premiums on mortgages payable is $1.7 million, the unamortized balance of net original issuance premiums on notes payable is $14.6 million, and the balance of deferred financing costs on mortgages payable is $973,000, on notes payable is $49.2 million, and on our term loan is $642,000.

[(2)] We base the estimated fair value of the publicly-traded fixed rate senior notes and bonds at December 31, 2020 on the indicative market prices and recent trading activity of our senior notes and bonds payable. We base the estimated fair value of our fixed rate mortgages at December 31, 2020 on the relevant forward interest rate curve, plus an applicable credit-adjusted spread. We believe that the carrying value of the term loan balance reasonably approximates its estimated fair value at December 31, 2020.

The table incorporates only those exposures that exist as of December 31, 2020. It does not consider those exposures or positions that could arise after that date. As a result, our ultimate realized gain or loss, with respect to interest rate fluctuations, would depend on the exposures that arise during the period, our hedging strategies at the time, and interest rates.

At December 31, 2020, our outstanding notes, bonds and mortgages payable had fixed interest rates. Interest on our revolving credit facility and term loan balance is variable. However, the variable interest rate feature on our term loan has been mitigated by an interest rate swap agreement. At December 31, 2020, our credit facility balance was zero; however, we intend to borrow funds on our credit facility in the future. Based on a hypothetical credit facility borrowing of $50 million, a 1% change in interest rate would change our interest costs by $500,000 annually.

During 2019, we commenced foreign operations and acquired real property in the U.K. and have continued to acquire U.K. properties in 2020. As a result, we are subject to currency fluctuations that may, from time to time, affect our financial condition and results of operations. Increases or decreases in the value of Sterling relative to the U.S. dollar impact the amount of net income we earn from our investments in the U.K. We mitigate these foreign currency exposures with non-U.S. denominated borrowings and cross-currency swaps. If we increase our international presence through investments in properties outside the U.S., we may also decide to transact additional business or borrow funds in currencies other than U.S. dollars.

Item 8: Financial Statements and Supplementary Data

Table of Contents

Schedules not filed: All schedules, other than that indicated in the Table of Contents, have been omitted as the required information is either not material, inapplicable or the information is presented in the financial statements or related notes.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Realty Income Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Realty income Corporation and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income and comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes and financial statement schedule III (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 23, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Codification Topic 842, *Leases*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of the fair values used in the allocation of the purchase price of real estate acquisitions

As discussed in Note 4 to the consolidated financial statements, during 2020, the Company acquired $2.3 billion of real estate properties. As discussed in Note 2, the purchase price of a real estate acquisition is typically allocated to land, building and improvements, and identified lease related intangible assets and liabilities based on their estimated relative fair values.

We identified the evaluation of the fair values used in the purchase price allocated to land, building and improvements, and identified lease related intangible assets and liabilities as a critical audit matter. Specifically, the measurement of the fair values of land, building and improvements, and identified lease

related intangible assets and liabilities is dependent upon significant assumptions that are subject to potential management bias and for which relevant external market data is not always readily available. Such assumptions include market land and building values, market rental rates, and discount rates. There was a high degree of subjective and complex auditor judgment required in evaluating the fair value measurements given the sensitivity of the fair value measurements to changes in these assumptions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's process to allocate the purchase price of real estate acquisitions. This included controls over the selection and review of the significant assumptions used to estimate fair value. For a selection of real estate acquisitions, we involved valuation professionals with specialized skills and knowledge who assisted in evaluating the significant assumptions used to estimate the fair value measurements to allocate the purchase price, and the qualifications of third-party valuation professionals. The evaluation included comparison of the Company's assumptions noted above to independently developed ranges using market data from industry transaction databases, and published industry reports. For a selection of real estate acquisitions, we compared the amounts allocated to land, building and improvements, and lease related intangible assets and liabilities as a percentage of the total acquisition value to the Company's historical allocation percentages for similar types of properties. We assessed potential management bias by evaluating the results of the procedures performed.

Evaluation of the provision for impairment of long-lived real estate assets

As discussed in Note 2 to the consolidated financial statements, during 2020, the Company recorded provisions for impairment of long-lived real estate assets of $147.2 million. A provision for impairment is recorded if estimated future operating cash flows (undiscounted and without interest charges) including estimated disposition proceeds to be received are less than the current book value of the real estate asset. The impairment recorded is measured as the amount by which the book value of the real estate asset exceeds its fair value.

We identified the evaluation of the provision for impairment of long-lived real estate assets as a critical audit matter. The Company's property level operating cash flow projections are used to both identify if an impairment has occurred and in determining a real estate asset's fair value. These projections are dependent upon assumptions that are subject to potential management bias and for which relevant external market data is not always readily available. These assumptions include the expected property holding period, projected rental rates, and current and terminal property capitalization rates. Given the sensitivity of the operating cash flow projections to changes in these assumptions, there was a high degree of subjective and complex auditor judgment required in evaluating the assumptions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's process to identify and measure impairments including selection and review of the assumptions used to determine the property level operating cash flow projections. For a selection of properties, we evaluated the projected rental rates and property holding period assumptions in the Company's property level operating cash flow projections by comparing to lease agreements, the Company's historical holding period data, market data from industry transaction databases, and published industry reports. We also involved valuation professionals with specialized skills and knowledge who assisted in evaluating the projected market rent and current and terminal capitalization rates utilized by the Company. This evaluation included comparison to independently developed ranges using publicly available market data. We also performed a sensitivity analysis over the assumptions noted above, used to determine the Company's property level operating cash flow projections for a selection of properties. We assessed potential management bias by evaluating the results of the procedures performed.

Evaluation of lease revenue

As discussed in Note 2 to the consolidated financial statements, rental revenue for leases that have fixed and determinable rent increases are recognized on a straight-line basis over the lease term. When the Company concludes collection of substantially all future lease payments for a lease is less than probable, the Company writes off the receivable balances associated with the lease as a reduction to rental revenue for the period and it ceases to recognize rental revenue on a straight-line basis for that lease. Rental revenue recognition is limited to the lesser of cash received or the amount that would have been recognized on a straight-line basis for that lease. Rental revenue was $1.6 billion for the year ended December 31, 2020, and accounts receivable was $285.7 million as of December 31, 2020.

We identified the evaluation of the probability of collection of lease payments as a critical audit matter. The significant assumption used in the evaluation is the creditworthiness of the client and any guarantors. Evaluating the Company's probability assessment of collection of substantially all the lease payments for the individual leases required significant auditor judgment, because of the subjective nature of management's judgment and the potential impact of the current economic environment on the significant assumption.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's collectability probability assessment process, including the assessment of the creditworthiness of the client and any guarantors. For a selection of the Company's leases, we evaluated the Company's determination of the collectability of substantially all of the contractual lease payments by performing the following: (i) read the lease agreement, (ii) obtained and read third-party credit reports, (iii) searched for and read publicly available information, including the client's financial statements, analyst reports, recent public filings and news articles to evaluate the Company's collection probability assessment, (iv) considered the rental payment history of the lessee and (v) inquired of Company employees to obtain evidence regarding creditworthiness of the clients.

(signed) KPMG LLP

We have served as the Company's auditor since 1993.

San Diego, California
February 23, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

Realty Income Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Realty Income Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of income and comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes and financial statement schedule III (collectively, the consolidated financial statements), and our report dated February 23, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

(signed) KPMG LLP

San Diego, California
February 23, 2021

REALTY INCOME CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019
(dollars in thousands, except per share data)

	2020	2019
ASSETS		
Real estate held for investment, at cost:		
Land	$ 6,318,926	$ 5,684,034
Buildings and improvements	14,696,712	13,833,882
Total real estate held for investment, at cost	21,015,638	19,517,916
Less accumulated depreciation and amortization	(3,549,486)	(3,117,919)
Real estate held for investment, net	17,466,152	16,399,997
Real estate and lease intangibles held for sale, net	19,004	96,775
Cash and cash equivalents	824,476	54,011
Accounts receivable, net	285,701	181,969
Lease intangible assets, net	1,710,655	1,493,383
Other assets, net	434,297	328,661
Total assets	$ 20,740,285	$ 18,554,796
LIABILITIES AND EQUITY		
Distributions payable	$ 85,691	$ 76,728
Accounts payable and accrued expenses	241,336	177,039
Lease intangible liabilities, net	321,198	333,103
Other liabilities	256,863	262,221
Line of credit payable and commercial paper	—	704,335
Term loans, net	249,358	499,044
Mortgages payable, net	300,360	410,119
Notes payable, net	8,267,749	6,288,049
Total liabilities	9,722,555	8,750,638
Commitments and contingencies		
Stockholders' equity:		
Common stock and paid in capital, par value $0.01 per share, 740,200,000 shares authorized, 361,303,445 and 333,619,106 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	14,700,050	12,873,849
Distributions in excess of net income	(3,659,933)	(3,082,291)
Accumulated other comprehensive loss	(54,634)	(17,102)
Total stockholders' equity	10,985,483	9,774,456
Noncontrolling interests	32,247	29,702
Total equity	11,017,730	9,804,158
Total liabilities and equity	$ 20,740,285	$ 18,554,796

The accompanying notes to consolidated financial statements are an integral part of these statements.

REALTY INCOME CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
Years Ended December 31, 2020, 2019 and 2018
(dollars in thousands, except per share data)

	2020	2019	2018
REVENUE			
Rental (including reimbursable)	$ 1,639,533	$ 1,484,818	$ 1,321,546
Other	12,092	6,773	6,292
Total revenue	1,651,625	1,491,591	1,327,838
EXPENSES			
Depreciation and amortization	677,038	593,961	539,780
Interest	309,336	290,991	266,020
Property (including reimbursable)	104,603	88,585	66,326
General and administrative	73,215	66,483	84,148
Income taxes	14,693	6,158	5,340
Provisions for impairment	147,232	40,186	26,269
Total expenses	1,326,117	1,086,364	987,883
Gain on sales of real estate	76,232	29,996	24,643
Foreign currency and derivative gains, net	4,585	2,255	—
Loss on extinguishment of debt	(9,819)	—	—
Net income	396,506	437,478	364,598
Net income attributable to noncontrolling interests	(1,020)	(996)	(984)
Net income available to common stockholders	$ 395,486	$ 436,482	$ 363,614
Amounts available to common stockholders per common share:			
Net income			
Basic	1.15	1.38	1.26
Diluted	1.14	1.38	1.26
Weighted average common shares outstanding:			
Basic	345,280,126	315,837,012	289,427,430
Diluted	345,415,258	316,159,277	289,923,984
Other comprehensive income:			
Net income available to common stockholders	$ 395,486	436,482	363,614
Foreign currency translation adjustment	(2,606)	186	—
Unrealized loss on derivatives, net	(34,926)	(9,190)	(8,098)
Comprehensive income available to common stockholders	$ 357,954	$ 427,478	$ 355,516

The accompanying notes to consolidated financial statements are an integral part of these statements.

REALTY INCOME CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

Years Ended December 31, 2020, 2019 and 2018

(dollars in thousands)

	Shares of common stock	Common stock and paid in capital	Distributions in excess of net income	Accumulated other comprehensive loss	Total stockholders' equity	Noncontrolling interests	Total equity
Balance, December 31, 2017	284,213,685	$ 9,624,264	$ (2,252,763)	$ —	$ 7,371,501	$ 19,207	$ 7,390,708
Net income	—	—	363,614	—	363,614	984	364,598
Other comprehensive loss	—	—	—	(8,098)	(8,098)	—	(8,098)
Distributions paid and payable	—	—	(768,506)	—	(768,506)	(1,996)	(770,502)
Share issuances, net of costs	19,304,878	1,119,297	—	—	1,119,297	—	1,119,297
Contributions by noncontrolling interests	—	—	—	—	—	18,848	18,848
Redemption of common units	88,182	2,829	—	—	2,829	(5,581)	(2,752)
Reallocation of equity	—	(774)	—	—	(774)	774	—
Share-based compensation, net	135,345	8,879	—	—	8,879	—	8,879
Balance, December 31, 2018	303,742,090	$ 10,754,495	$ (2,657,655)	$ (8,098)	$ 8,088,742	$ 32,236	$ 8,120,978
Net income	—	—	436,482	—	436,482	996	437,478
Other comprehensive loss	—	—	—	(9,004)	(9,004)	—	(9,004)
Distributions paid and payable	—	—	(861,118)	—	(861,118)	(1,296)	(862,414)
Share issuances, net of costs	29,818,978	2,117,983	—	—	2,117,983	—	2,117,983
Contributions by noncontrolling interests	—	—	—	—	—	11,370	11,370
Redemption of common units	—	(6,866)	—	—	(6,866)	(14,257)	(21,123)
Reallocation of equity	—	(653)	—	—	(653)	653	—
Share-based compensation, net	58,038	8,890	—	—	8,890	—	8,890
Balance, December 31, 2019	333,619,106	$ 12,873,849	$ (3,082,291)	$ (17,102)	$ 9,774,456	$ 29,702	$ 9,804,158
Net income	—	—	395,486	—	395,486	1,020	396,506
Other comprehensive loss	—	—	—	(37,532)	(37,532)	—	(37,532)
Distributions paid and payable	—	—	(973,128)	—	(973,128)	(1,596)	(974,724)
Share issuances, net of costs	27,564,163	1,817,978	—	—	1,817,978	—	1,817,978
Contributions by noncontrolling interests	—	—	—	—	—	3,168	3,168
Reallocation of equity	—	47	—	—	47	(47)	—
Share-based compensation, net	120,176	8,176	—	—	8,176	—	8,176
Balance, December 31, 2020	361,303,445	$ 14,700,050	$ (3,659,933)	$ (54,634)	$ 10,985,483	$ 32,247	$ 11,017,730

The accompanying notes to consolidated financial statements are an integral part of these statements.

REALTY INCOME CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020, 2019 and 2018

(dollars in thousands)

	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 396,506	$ 437,478	$ 364,598
Adjustments to net income:			
Depreciation and amortization	677,038	593,961	539,780
Loss on extinguishment of debt	9,819	—	—
Amortization of share-based compensation	16,503	13,662	27,267
Non-cash revenue adjustments	(3,562)	(9,338)	(7,835)
Amortization of net premiums on mortgages payable	(1,258)	(1,415)	(1,520)
Amortization of net premiums on notes payable	(1,754)	(995)	(1,256)
Amortization of deferred financing costs	11,003	9,795	9,021
Loss (gain) on interest rate swaps	4,353	2,752	(2,733)
Foreign currency and derivative gains, net	(4,585)	(2,255)	—
Gain on sales of real estate	(76,232)	(29,996)	(24,643)
Provisions for impairment on real estate	147,232	40,186	26,269
Change in assets and liabilities			
Accounts receivable and other assets	(79,240)	(8,954)	(6,901)
Accounts payable, accrued expenses and other liabilities	19,720	24,056	18,695
Net cash provided by operating activities	1,115,543	1,068,937	940,742
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in real estate	(2,283,130)	(3,572,581)	(1,769,335)
Improvements to real estate, including leasing costs	(8,708)	(23,536)	(25,350)
Proceeds from sales of real estate	259,459	108,911	142,286
Insurance and other proceeds received	—	—	7,648
Collection of loans receivable	—	—	5,267
Non-refundable escrow deposits	—	(14,603)	(200)
Net cash used in investing activities	(2,032,379)	(3,501,809)	(1,639,684)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash distributions to common stockholders	(964,167)	(852,134)	(761,582)
Borrowings on line of credit and commercial paper program	3,528,042	2,816,632	1,774,000
Payments on line of credit and commercial paper program	(4,246,755)	(2,365,368)	(1,632,000)
Principal payment on term loan	(250,000)	(70,000)	(125,866)
Proceeds from notes and bonds payable issued	2,200,488	897,664	497,500
Principal payment on notes payable	(250,000)	—	(350,000)
Proceeds from term loan	—	—	250,000
Payments upon extinguishment of debt	(9,445)	—	—
Principal payments on mortgages payable	(108,789)	(20,723)	(21,905)
Proceeds from common stock offerings, net	728,883	845,061	—
Proceeds from dividend reinvestment and stock purchase plan	9,109	8,437	9,114
Proceeds from At-the-Market (ATM) program	1,094,938	1,264,518	1,125,364
Redemption of common units	—	(21,123)	(2,752)
Distributions to noncontrolling interests	(1,596)	(1,342)	(1,930)
Net receipts on derivative settlements	4,106	4,881	—
Debt issuance costs	(19,456)	(9,129)	(18,685)
Other items, including shares withheld upon vesting	(23,279)	(4,772)	(33,387)
Net cash provided by financing activities	1,692,079	2,492,602	707,871
Effect of exchange rate changes on cash and cash equivalents	4,431	(9,796)	—
Net increase in cash, cash equivalents and restricted cash	779,674	49,934	8,929
Cash, cash equivalents and restricted cash, beginning of year	71,005	21,071	12,142
Cash, cash equivalents and restricted cash, end of year	$ 850,679	$ 71,005	$ 21,071

For supplemental disclosures, see note 15.

The accompanying notes to consolidated financial statements are an integral part of these statements.

REALTY INCOME CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020, 2019, and 2018

1. Organization and Operation

Realty Income Corporation ("Realty Income," the "Company," "we," "our" or "us") is organized as a Maryland corporation. We invest in commercial real estate and have elected to be taxed as a real estate investment trust, or REIT.

At December 31, 2020, we owned 6,592 properties, located in 49 U.S states, Puerto Rico and the United Kingdom (U.K.), containing approximately 110.8 million leasable square feet.

Information with respect to number of properties, square feet, average initial lease term and initial average cash lease yield is unaudited.

2. Summary of Significant Accounting Policies and Procedures and Newly Adopted Accounting Standards

Federal Income Taxes. We have elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended. We believe we have qualified and continue to qualify as a REIT. Under the REIT operating structure, we are permitted to deduct dividends paid to our stockholders in determining our taxable income. Assuming our dividends equal or exceed our taxable net income, we generally will not be required to pay federal corporate income taxes on such income. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements, except for federal income taxes of our taxable REIT subsidiaries. The income taxes recorded on our consolidated statements of income and comprehensive income represent amounts accrued or paid by Realty Income and its subsidiaries for city and state income and franchise taxes and for U.K. income taxes.

Earnings and profits that determine the taxability of distributions to stockholders differ from net income reported for financial reporting purposes due to differences in the estimated useful lives and methods used to compute depreciation and the carrying value (basis) of the investments in properties for tax purposes, among other things.

We regularly analyze our various federal and state filing positions and only recognize the income tax effect in our financial statements when certain criteria regarding uncertain income tax positions have been met. We believe that our income tax positions would more likely than not be sustained upon examination by all relevant taxing authorities. Therefore, no provisions for uncertain income tax positions have been recorded in our financial statements.

Net Income per Common Share. Basic net income per common share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during each period. Diluted net income per common share is computed by dividing net income available to common stockholders, plus income attributable to dilutive shares and convertible common units for the period, by the weighted average number of common shares that would have been outstanding assuming the issuance of common shares for all potentially dilutive common shares outstanding during the reporting period.

The following is a reconciliation of the denominator of the basic net income per common share computation to the denominator of the diluted net income per common share computation.

	2020	2019	2018
Weighted average shares used for the basic net income per share computation	345,280,126	315,837,012	289,427,430
Incremental shares from share-based compensation	135,132	322,265	179,532
Weighted average partnership common units convertible to common shares that were dilutive	—	—	317,022
Weighted average shares used for diluted net income per share computation	345,415,258	316,159,277	289,923,984
Unvested shares from share-based compensation that were anti-dilutive	70,581	8,113	13,148
Weighted average partnership common units convertible to common shares that were anti-dilutive	463,119	442,073	297,576

Lease Revenue Recognition and Accounts Receivable. The majority of our leases are accounted for as operating leases. Under this method, leases that have fixed and determinable rent increases are recognized on a straight-line basis over the lease term. Any rental revenue contingent upon our client’s sales is recognized only after our client exceeds their sales breakpoint. Rental increases based upon changes in the consumer price indexes are recognized only after the changes in the indexes have occurred and are then applied according to the lease agreements. Contractually obligated rental revenue from our clients for recoverable real estate taxes and operating expenses are included in contractually obligated reimbursements by our clients, a component of rental revenue, in the period when such costs are incurred. Taxes and operating expenses paid directly by our clients are recorded on a net basis.

Other revenue, includes property-related revenue not included in rental revenue and interest income recognized on financing receivables for certain leases with above-market terms.

We assess collectability of our future lease payments based on an analysis of creditworthiness, economic trends (including trends arising from the COVID-19 pandemic) and other facts and circumstances related to the applicable clients. If the collection of substantially all of the future lease payments is less than probable, we record a reserve of the receivable balances associated with the lease and cease to recognize lease income, including straight-line rent, unless cash is received when due.

The COVID-19 pandemic and the measures taken to limit its spread are negatively impacting the economy across many industries, including the industries in which some of our clients operate. These impacts may continue and increase in severity as the duration or extent of the pandemic increases. As a result, we have closely monitored the collectability of our accounts receivable and continue to evaluate the potential impacts of the COVID-19 pandemic and the measures taken to limit its spread on our business and industry segments as the situation continues to evolve and more information becomes available.

On April 8, 2020, the Financial Accounting Standards Board, or FASB, staff and FASB board members responded to questions about the accounting for COVID-19 related rent concessions under Topic 842, *Leases*. The accounting for these rent concessions under Topic 842 depends on the enforceable rights and obligations of the parties under the original lease contract (including those arising from the laws of the jurisdiction governing the lease contract) and the nature of any changes to the terms and conditions of the contract. If a rent concession under these circumstances is required by the original lease contract (e.g. by a force majeure clause), the concession will generally be accounted for as a variable lease payment. In contrast, if the lessor is under no obligation to grant a rent concession, the lessor’s agreement to grant one should be accounted for as a lease modification.

The FASB staff has provided clarifying guidance for leases for which the total lease cash flows will remain substantially the same or less than those after the COVID-19 related effects, though companies may choose to forgo the evaluation of the enforceable rights and obligations of the original lease contract as a practical expedient.

Instead, the company would account for rent concessions, whatever their form (e.g. rent deferral, abatement or other), either (1) as if they are part of the enforceable rights and obligations of the parties under the existing lease contract; or (2) as a lease modification. If accounting for a concession as a lease modification, the full lease modification requirements under Topic 842 apply. Under either policy election, we must continue to assess the probability of collecting substantially all of the lease payments to which we are entitled under the original lease contract as required under Topic 842. If a company concludes collection of substantially all lease payments under a lease is less than probable, rental revenue recognized for that lease is limited to cash received going forward, existing operating lease receivables must be written off as an adjustment to rental revenue, and no further operating lease receivables are recorded for that lease until such future determination is made that substantially all lease payments under that lease are now considered more than probable.

The majority of concessions granted to our clients during 2020 as a result of the COVID-19 pandemic have been rent deferrals with the original lease term unchanged. We currently anticipate future concessions to be similar. In accordance with the April 8, 2020 guidance provided by the FASB staff, we have elected to account for these leases as if the right of deferral existed in the lease contract and therefore continue to recognize lease revenue in accordance with the lease contract in effect. In limited circumstances, the undiscounted cash flows resulting from deferrals granted during 2020 increased significantly from original lease terms, which required us to account for these as lease modifications, and resulted in an insignificant impact to rental revenue for 2020. Similarly, rent abatements granted during 2020, which were also accounted for as lease modifications, impacted our rental revenue by an insignificant amount for 2020.

Unless otherwise specified, references to reserves recorded as a reduction of rental revenue include amounts reserved for in the current period, as well as unrecognized contractual rental revenue and unrecognized straight-line rental revenue for leases accounted for on a cash basis. The following table summarizes reserves recorded as a reduction of rental revenue (dollars in millions):

	Year ended December 31,		
	2020	2019	2018
Rental revenue reserves	$ 44.1	$ 1.4	$ 1.1
Straight-line rent reserves	8.4	1.5	0.2
Total rental revenue reserves	$ 52.5	$ 2.9	$ 1.3

As of December 31, 2020, other than the information related to the reserves recorded to date, we do not have any further client specific information that would change our assessment that collection of substantially all of the future lease payments under our existing leases is probable. However, since the conversations regarding rent collections for our clients affected by the COVID-19 pandemic are ongoing and we do not currently know the types of future concessions, if any, that will ultimately be granted, there may be impacts in future periods that could change this assessment as the situation continues to evolve and as more information becomes available. We also evaluated certain properties impacted by the COVID-19 pandemic for impairment (see Provisions for Impairment section below).

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of Realty Income and other subsidiaries for which we make operating and financial decisions (i.e. control), after elimination of all material intercompany balances and transactions. We consolidate entities that we control and record a noncontrolling interest for the portion that we do not own. Noncontrolling interest that was created or assumed as part of a business combination or asset acquisition was recognized at fair value as of the date of the transaction (see note 10). We have no unconsolidated investments.

Cash Equivalents and Restricted Cash. We consider all short-term, highly liquid investments that are readily convertible to cash and have an original maturity of three months or less at the time of purchase to be cash equivalents. Restricted cash includes cash proceeds from the sale of assets held by qualified intermediaries in anticipation of the acquisition of replacement properties in tax-free exchanges under Section 1031 of the U.S. Internal Revenue Code, impounds related to mortgages payable and cash that is not immediately available to Realty Income (i.e. escrow deposits for future acquisitions).

Cash accounts maintained on behalf of Realty Income in demand deposits at commercial banks and money market funds may exceed federally insured levels or may be held in accounts without any federal insurance or any other insurance or guarantee. However, Realty Income has not experienced any losses in such accounts.

Gain on Sales of Properties. When real estate is sold, the related net book value of the applicable assets is removed and a gain from the sale is recognized in our consolidated statements of income and comprehensive income. We record a gain from the sale of real estate provided that various criteria, relating to the terms of the sale and any subsequent involvement by us with the real estate, have been met.

Allocation of the Purchase Price of Real Estate Acquisitions. A majority of our acquisitions qualify as asset acquisitions and the transaction costs associated with those acquisitions are capitalized. When acquiring a property for investment purposes, we typically allocate the cost of real estate acquired, inclusive of transaction costs, to: (1) land, (2) building and improvements, and (3) identified intangible assets and liabilities, based in each case on their relative estimated fair values. Intangible assets and liabilities consist of above-market or below-market lease value of in-place leases and the value of in-place leases, as applicable. Additionally, above-market rents on certain leases under which we are a lessor are accounted for as financing receivables amortizing over the lease term, while below-market rents on certain leases under which we are a lessor are accounted for as prepaid rent. In an acquisition of multiple properties, we must also allocate the purchase price among the properties. The allocation of the purchase price is based on our assessment of estimated fair values of the land, building and improvements, and identified intangible assets and liabilities, and is often based upon various characteristics of the market where the property is located. In addition, any assumed mortgages are recorded at their estimated fair values. The estimated fair values of our mortgages payable have been calculated by discounting the future cash flows using applicable interest rates that have been adjusted for factors, such as industry type, client investment grade, maturity date, and comparable borrowings for similar assets. The use of different assumptions in the allocation of the purchase price of the acquired properties and liabilities assumed could affect the timing of recognition of the related revenue and expenses.

Our estimated fair value determinations are based on management’s judgment, utilizing various factors, including: market land and building values, market rental rates, discount rates and capitalization rates. Our methodology for measuring and allocating the fair value of real estate acquisitions includes both observable market data (categorized as level 2 on the three-level valuation hierarchy of Accounting Standards Codification (ASC) Topic 820, Fair Value Measurement), and unobservable inputs that reflect our own internal assumptions (categorized as level 3 under ASC Topic 820). Given the significance of the unobservable inputs we believe the allocations of fair value of real estate acquisitions should be categorized as level 3 under ASC Topic 820. For certain of our purchase price allocations we have used the assistance of an independent third party real estate valuation firm.

The allocation of tangible assets (which includes land and buildings/improvements) of an acquired property with an in-place lease is based upon relative fair value. Land is typically valued utilizing the sales comparison (or market) approach. Buildings and improvements are typically valued under the replacement cost approach. In allocating the fair value to identified intangibles for above-market or below-market leases, an amount is recorded based on the present value of the difference between (i) the contractual amount to be paid pursuant to the in-place lease and (ii) our estimate of fair market lease rate for the corresponding in-place lease, measured over the remaining term of the lease. The value of in-place leases is determined by our estimated costs related to acquiring a tenant and the carrying costs that would be incurred over the vacancy period to locate a tenant if the property were vacant, considering market conditions and costs to execute similar leases at the time of acquisition.

The values of the above-market and below-market leases are amortized over the term of the respective leases, including any bargain renewal options, as an adjustment to rental revenue on our consolidated statements of income and comprehensive income. The value of in-place leases, exclusive of the value of above-market and below-market in-place leases, is amortized to depreciation and amortization expense over the remaining periods of the respective leases. If a lease is terminated prior to its stated expiration, all unamortized amounts relating to that lease are recorded to revenue or expense as appropriate.

Depreciation and Amortization. Land, buildings and improvements are recorded and stated at cost. Major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives, while ordinary repairs and maintenance are expensed as incurred. Buildings and improvements that are under redevelopment, or are being developed, are carried at cost and no depreciation is recorded on these assets. Additionally, amounts essential to the development of the property, such as pre-construction, development, construction, interest and other costs incurred during the period of development are capitalized. We cease capitalization when the property is available for occupancy upon substantial completion of property improvements to accommodate the client's use, but in any event no later than one year from the completion of major construction activity.

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	25 years or 35 years
Building improvements	4 to 35 years
Equipment	5 to 25 years
Lease commissions and property improvements to accommodate the client's use	The shorter of the term of the related lease or useful life
Acquired in-place leases	Remaining terms of the respective leases

Provisions for Impairment. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If estimated future operating cash flows (undiscounted and without interest charges) plus estimated disposition proceeds (undiscounted) are less than the current book value of the property, a fair value analysis is performed and, to the extent the estimated fair value is less than the current book value, a provision for impairment is recorded to reduce the book value to estimated fair value. Key assumptions that we utilize in this analysis include projected rental rates, estimated holding periods, capital expenditures and property sales capitalization rates. If a property is classified as held for sale, it is carried at the lower of carrying cost or estimated fair value, less estimated cost to sell, and depreciation of the property ceases.

If a property was previously reclassified as held for sale but the applicable criteria for this classification are no longer met, the property is reclassified to real estate held for investment. A property that is reclassified to held for investment is measured and recorded at the lower of (i) its carrying amount before the property was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the property been continuously classified as held for investment, or (ii) the fair value at the date of the subsequent decision not to sell.

Twenty-one properties were classified as held for sale at December 31, 2020.

During 2020, we identified the impact of the COVID-19 pandemic as an impairment triggering event for properties occupied by certain clients experiencing difficulties meeting their lease obligations to us. After considering the impacts of the COVID-19 pandemic on the key assumptions noted above, we determined that the carrying values of 38 properties classified as held for investment for the year ended December 31, 2020 were not recoverable. As a result, we recorded provisions for impairment of $105.0 million for the year ended December 31, 2020 on the applicable properties impacted by the COVID-19 pandemic. Of the provisions for impairment recorded during 2020 for properties impacted by the COVID-19 pandemic, a total of 13 assets occupied by certain of our clients in the theater industry were impaired for $83.8 million, which reduced the carrying value of the properties from $123.4 million to their estimated fair value of $39.6 million. Impairments recorded on other properties during the year ended December 31, 2020 totaled $42.2 million.

The following table summarizes our provisions for impairment during the periods indicated below (dollars in millions):

	Year Ended December 31,		
	2020	**2019**	**2018**
Total provisions for impairment	$ 147.2	$ 40.2	$ 26.3
Number of properties:			
Classified as held for sale	6	1	—
Classified as held for investment	42	5	3
Sold	51	45	41

Equity Offering Costs. Underwriting commissions and offering costs have been reflected as a reduction of additional paid-in-capital on our consolidated balance sheets.

Noncontrolling Interests. Noncontrolling interests are reflected on our consolidated balance sheets as a component of equity.

Derivative and Hedging Activities. We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. We may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or we elect not to apply hedge accounting.

As of December 31, 2020 we had one interest rate swap in place on our $250.0 million unsecured term loan. Our objective in using derivatives is to add stability to interest expense and to manage our exposure to interest rate movements. We designated these interest rate swaps as hedges in accordance with Topic 815, Derivatives and Hedging. We record interest rate swaps on the consolidated balances sheet at fair value. Changes to fair value are recorded to accumulated other comprehensive income, or AOCI, and are amortized through interest expense over the term of the associated debt.

During December 2020, we entered into a currency exchange swap to exchange £463.1 million for $625.0 million, which matured in January 2021. The currency exchange swap was entered into to hedge our exposure to foreign currency risk associated with Sterling-denominated liabilities. As the currency exchange swap is not accounted for as a hedging instrument, the change in fair value is recorded in earnings through the caption entitled 'Foreign currency and derivative gains, net' in the consolidated statements of income and comprehensive income. The net loss from derivatives not designated in hedging relationships for 2020 totaled $14.5 million. We did not hold any derivatives that were not designated in hedging relationships during 2019.

In February 2020, we entered into five forward starting treasury rate locks with notional amounts totaling $500.0 million. The treasury rate locks were entered into to hedge our exposure to the changes in the 10-year US treasury rates in anticipation of potential future debt offerings during the first half of 2020. The treasury rate locks were designated as cash flow hedges, with any changes in fair value recorded in AOCI. Upon the initial issuance of the 2031 Notes in May 2020, we amortized the AOCI balance over the term of the 2031 Notes. In June 2020, all five treasury rate locks were terminated and we entered into six forward starting interest rate swaps with notional amounts totaling $500.0 million in a cashless settlement of the terminated treasury rate locks. The forward starting swaps were entered into to hedge our exposure to the changes in the 3-month USD-LIBOR swap rate in anticipation of potential future debt offerings through a current estimated range ending in 2023. The forward starting swaps are designated as cash flow hedges, with any changes in fair value recorded in AOCI. Upon issuance of the 2031 Notes during July 2020, the AOCI balance associated with four of the forward starting swaps with a notional amount of $350.0 million we amortized over the term of the notes. However, we elected not to terminate the four forward starting interest rate swaps, and redesignated the swaps in a new hedging relationship for a future debt issuance to hedge our exposure to the changes in the 10-year US treasury rates in anticipation of potential future debt offerings between May 2020 and December 2023. Upon issuance during December 2020 of $325.0 million of 0.750% notes due March 2026 and $400.0 million of 1.800% notes due March 2033, the AOCI balance associated with four of the forward starting swaps with a notional amount of $350.0 million, representing the change in fair value for the swaps from the July issuance of the 2031 notes through the December note issuances, and the AOCI balance associated with the two remaining forward starting swaps with a notional amount of $150.0 million, representing the change in fair value from their inception during June 2020 through the December note issuances, are being amortized over the term, by first applying the notional to the $400.0 million of 1.800% notes due March 2033 and $100.0 million of notional to the remaining $325.0 million of 0.750% notes due March 2026. However, we elected not to terminate any of the six forward starting interest rate swaps, and redesignated the swaps in a new hedging relationship to hedge our exposure to the changes in the 10-year US treasury rates in anticipation of potential future debt offerings between December 2020 and December 2023.

Due to the size of the initial net investment resulting from the termination value of the treasury rate locks being rolled into them, two of the six forward starting swaps were determined to be hybrid debt instruments containing embedded at-market swap derivative instruments. As a result, we have bifurcated the derivative instrument and the debt instrument for those two forward starting interest rate swaps for accounting purposes. The remaining four forward starting interest rates swaps are accounted for as derivative instruments.

In May 2019, we entered into four cross-currency swaps to exchange £130 million Sterling for $166 million maturing in May 2034, in order to hedge the foreign currency risk associated with our Sterling-denominated intercompany loan receivable from our consolidated foreign subsidiaries. These cross-currency swaps were designated as cash flow hedges on their trade date. Gains and losses representing hedge components excluded from the assessment of effectiveness are recognized in earnings over the life of the hedges on a systematic and rational basis, as documented at hedge inception in accordance with our accounting policy election. The earnings recognition of excluded components is presented in foreign currency and derivative gains, net on our consolidated statements of income and comprehensive income, which is the same caption item as the hedged transactions.

Use of Estimates. The consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles, or GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications. During 2020, we reclassified 'Real estate held for sale, net', which was previously presented in 'Net real estate', into a new caption entitled 'Real estate and lease intangibles held for sale, net'. The reclassification out of 'Net real estate' incorporates intangibles held for sale into a more appropriate presentation of the held for sale caption. Intangibles held for investment are included in the captions entitled 'Lease intangible assets, net' and 'Lease intangible liabilities, net' in the consolidated balance sheets. The December 31, 2019 balance sheet has been reclassified to match the current period classification.

Newly Issued Accounting Standards. In March 2020, the FASB issued ASU 2020-04 establishing Topic 848, *Reference Rate Reform*. ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance is optional and is effective between March 12, 2020 and December 31, 2022. The guidance may be elected over time as reference rate reform activities occur. We are currently evaluating the impact that the expected market transition from LIBOR to alternative references rates will have on our financial statements as well as the applicability of the aforementioned expedients and exceptions provided in ASU 2020-04.

Recently Adopted Accounting Standards. In February 2016, the FASB issued ASU 2016-02 (Topic 842, Leases), which replaced Topic 840, Leases. Under this amended topic, the accounting applied by a lessor is largely unchanged from that applied under Topic 840, Leases. The large majority of our leases remain classified as operating leases, and we continue to recognize lease income on a generally straight-line basis over the lease term. Although primarily a lessor, we are also a lessee under several ground lease arrangements. We adopted Topic 842, Leases, effective as of January 1, 2019 using the effective date method, and elected the practical expedients available for implementation under the standard for all classes of underlying assets. As a result, we recognize lease obligations for ground leases designated as operating and financing leases with corresponding right of use assets and liabilities (see note 3). Additionally, above-market rents on certain of our leases under which we are a lessor are accounted for as financing receivables amortizing over the lease term, and below-market rents on certain of our leases under which we are a lessor are accounted for as prepaid rent (see note 3). Also, as a result of the adoption of this standard, contractually obligated reimbursements by our clients and property expenses are now presented on a gross basis as both contractually obligated reimbursements by our clients included in rental revenue, and as a reimbursable expense included in property expenses, respectively, on our consolidated statements of income and comprehensive income. Property taxes and insurance paid directly by the lessee to a third party will continue to be presented on a net basis. These presentation changes had no impact on our results of operations. As a result, there was no restatement of prior issued financial statements and, similarly, no cumulative effect adjustment to opening equity; however, we have elected to aggregate prior period tenant reimbursement revenue within rental revenue to be consistent with the current period presentation within the statements of income and comprehensive income.

3. Supplemental Detail for Certain Components of Consolidated Balance Sheets (dollars in thousands):

A. Accounts Receivable, net, consist of the following at:	December 31, 2020	December 31, 2019
Straight-line rent receivables, net	$ 174,074	$ 147,047
Client receivables, net	111,627	34,922
	$ 285,701	$ 181,969

B. Lease intangible assets, net, consist of the following at:	December 31, 2020	December 31, 2019
In-place leases	$ 1,840,704	$ 1,612,153
Accumulated amortization of in-place leases	(744,375)	(627,676)
Above-market leases	866,567	710,275
Accumulated amortization of above-market leases	(252,241)	(201,369)
	$ 1,710,655	$ 1,493,383

C. Other assets, net, consist of the following at:	December 31, 2020	December 31, 2019
Financing receivables	$ 131,291	$ 81,892
Right of use asset - financing leases	118,585	36,901
Right of use asset - operating leases, net	112,049	120,533
Restricted escrow deposits	21,220	4,529
Goodwill	14,180	14,430
Prepaid expenses	11,795	11,839
Corporate assets, net	8,598	5,251
Credit facility origination costs, net	7,705	11,453
Impounds related to mortgages payable	4,983	12,465
Value-added tax receivable	1,130	9,682
Non-refundable escrow deposits	1,000	14,803
Derivative assets and receivables - at fair value	10	12
Other items	1,751	4,871
	$ 434,297	$ 328,661

D. Accounts payable and accrued expenses consist of the following at:	December 31, 2020	December 31, 2019
Notes payable - interest payable	$ 83,219	$ 75,114
Derivative liabilities and payables - at fair value	73,356	26,359
Property taxes payable	23,413	18,626
Accrued costs on properties under development	12,685	5,870
Value-added tax payable	8,077	13,434

Accrued income taxes	5,182	4,450
Mortgages, term loans, and credit line - interest payable and interest rate swaps	1,044	1,729
Other items	34,360	31,457
	$ 241,336	$ 177,039

E. Lease intangible liabilities, net, consist of the following at:	December 31, 2020	December 31, 2019
Below-market leases	$ 460,895	$ 447,522
Accumulated amortization of below-market leases	(139,697)	(114,419)
	$ 321,198	$ 333,103

F. Other liabilities consist of the following at:	December 31, 2020	December 31, 2019
Rent received in advance and other deferred revenue	$ 130,231	$ 127,687
Lease liability - operating leases, net	114,559	122,285
Lease liability - financing leases	6,256	5,946
Security deposits	5,817	6,303
	$ 256,863	$ 262,221

4. Investments in Real Estate

We acquire land, buildings and improvements necessary for the successful operations of our commercial clients.

A. *Acquisitions during 2020 and 2019*

Below is a summary of our acquisitions for the year ended December 31, 2020:

	Number of Properties	Leasable Square Feet	Investment ($ in thousands)	Weighted Average Lease Term (Years)	Initial Average Cash Lease Yield
Year Ended December 31, 2020 [1]					
Acquisitions - U.S. *(in 30 states)*	202	5,476,009	$ 1,302,220	14.9	5.8 %
Acquisitions - U.K. [2]	24	2,120,256	920,934	10.8	6.1 %
Total Acquisitions	226	7,596,265	$ 2,223,154	13.2	5.9 %
Properties under Development - U.S.	18	1,601,095	84,127	15.3	5.6 %
Total [3]	244	9,197,360	$ 2,307,281	13.2	5.9 %

(1) None of our investments during 2020 caused any one client to be 10% or more of our total assets at December 31, 2020. All of our investments in acquired properties during 2020 are 100% leased at the acquisition date.

(2) Represents investments of £707.8 million Sterling during the year ended December 31, 2020 converted at the applicable exchange rate on the date of acquisition.

(3) Our clients occupying the new properties operate in 26 industries and are 86.6% retail and 13.4% industrial, based on rental revenue. Approximately 61% of the rental revenue generated from acquisitions during 2020 is from our investment grade rated clients, their subsidiaries or affiliated companies.

The acquisitions during the year ended December 31, 2020, which had no associated contingent consideration, were allocated as follows (dollars in millions):

Year Ended December 31, 2020	Acquisitions - U.S. (USD)	Acquisitions - U.K. (£ Sterling)
Land [1]	$ 337.5	£ 247.1
Buildings and improvements	768.4	258.7
Lease intangible assets [2]	203.1	139.8
Other assets [3]	52.4	62.9
Lease intangible liabilities [2]	(12.9)	(0.7)
Other liabilities [4]	(0.9)	—
	$ 1,347.6	£ 707.8

(1) U.K. land includes £88.6 million of right of use assets under long-term ground leases.

(2) The weighted average amortization period for acquired lease intangible assets and liabilities is 15.9 years.

(3) U.S. other assets consists of $51.7 million of financing receivables with above-market terms and $689,000 of right of use assets under ground leases. U.K. other assets consists entirely of right of use assets under ground leases.

(4) U.S. other liabilities consists entirely of lease liabilities under ground leases.

The properties acquired during 2020 generated total revenues of $54.6 million and net income of $19.4 million during the year ended December 31, 2020.

Below is a summary of our acquisitions for the year ended December 31, 2019:

Year Ended December 31, 2019 [1]	Number of Properties	Leasable Square Feet	Investment ($ in thousands)	Weighted Average Lease Term (Years)	Initial Average Cash Lease Yield
Acquisitions - U.S. *(in 45 states)*	753	11,630,423	$ 2,860,806	13.0	6.8 %
Acquisitions - U.K. [2]	18	1,583,676	797,846	15.6	5.2 %
Total Acquisitions	771	13,214,099	3,658,652	13.4	6.4 %
Properties under Development - U.S.	18	522,173	56,585	15.1	7.3 %
Total [3]	789	13,736,272	3,715,237	13.5	6.4 %

(1) None of our investments during 2019 caused any one client to be 10% or more of our total assets at December 31, 2019. All of our 2019 investments in acquired properties were 100% leased at the acquisition date.
(2) Represents investments of £625.8 million Sterling during the year ended December 31, 2019 converted at the applicable exchange rate on the date of acquisition.
(2) Our clients occupying the new properties operated in 31 industries, and are 94.6% retail and 5.4% industrial, based on rental revenue. Approximately 36% of the rental revenue generated from acquisitions during 2019 was from our investment grade rated clients, their subsidiaries or affiliated companies.

The acquisitions during the year ended December 31, 2019, which had no associated contingent consideration, were allocated as follows (dollars in millions):

Year Ended December 31, 2019	Acquisitions - U.S. (USD)	Acquisitions - U.K. (£ Sterling)
Land [1]	$ 780.0	£ 251.0
Buildings and improvements	1,776.1	249.3
Lease intangible assets [2]	290.1	129.9
Other assets [3]	82.0	—
Lease intangible liabilities [4]	(41.9)	(4.4)
Other liabilities [5]	(8.4)	—
	$ 2,877.9	£ 625.8

(1) U.K. land includes £24.9 million of right of use assets under long-term ground leases.
(2) The weighted average amortization period for acquired lease intangible assets is 13.3 years.
(3) U.S other assets consists entirely of financing receivables with above-market terms.
(4) The weighted average amortization period for acquired lease intangible liabilities is 18.1 years.
(5) U.S. other liabilities consists entirely of deferred rent on certain below-market leases.

The properties acquired during 2019 generated total revenues of $92.0 million and net income of $36.9 million during the year ended December 31, 2019.

The initial average cash lease yield for a property is generally computed as estimated contractual first year cash net operating income, which, in the case of a net leased property, is equal to the aggregate cash base rent for the first full year of each lease, divided by the total cost of the property. Since it is possible that a client could default on the payment of contractual rent, we cannot provide assurance that the actual return on the funds invested will remain at the percentages listed above.

In the case of a property under development or expansion, the contractual lease rate is generally fixed such that rent varies based on the actual total investment in order to provide a fixed rate of return. When the lease does not provide for a fixed rate of return on a property under development or expansion, the initial average cash lease yield is computed as follows: estimated cash net operating income (determined by the lease) for the first full year of each lease, divided by our projected total investment in the property, including land, construction and capitalized interest costs.

B. *Investments in Existing Properties*
During 2020, we capitalized costs of $7.0 million on existing properties in our portfolio, consisting of $1.8 million for re-leasing costs, $198,000 for recurring capital expenditures and $5.0 million for non-recurring building improvements. In comparison, during 2019, we capitalized costs of $17.9 million on existing properties in our portfolio, consisting of $2.1 million for re-leasing costs, $801,000 for recurring capital expenditures and $15.0 million for non-recurring building improvements.

C. *Properties with Existing Leases*
Of the $2.3 billion we invested during 2020, approximately $1.86 billion was used to acquire 127 properties with existing leases. In comparison, of the $3.7 billion we invested during 2019, approximately $2.72 billion was used to acquire 575 properties with existing leases. The value of the in-place and above-market leases is recorded to lease intangible assets, net on our consolidated balance sheets, and the value of the below-market leases is recorded to lease intangible liabilities, net on our consolidated balance sheets.

The values of the in-place leases are amortized as depreciation and amortization expense. The amounts amortized to expense for all of our in-place leases, for 2020, 2019, and 2018 were $134.6 million, $112.0 million, and $106.6 million, respectively.

The values of the above-market and below-market leases are amortized over the term of the respective leases, including any bargain renewal options, as an adjustment to rental revenue on our consolidated statements of income and comprehensive income. The amounts amortized as a net decrease to rental revenue for capitalized above-market and below-market leases for 2020, 2019, and 2018 were $30.9 million, $22.1 million, and $16.9 million, respectively. If a lease was to be terminated prior to its stated expiration, all unamortized amounts relating to that lease would be recorded to revenue or expense, as appropriate.

The following table presents the estimated impact during the next five years and thereafter related to the amortization of the above-market and below-market lease intangibles and the amortization of the in-place lease intangibles at December 31, 2020 (in thousands):

	Net decrease to rental revenue	Increase to amortization expense
2021	$ (31,717)	$ 138,254
2022	(30,283)	126,762
2023	(28,745)	114,571
2024	(27,164)	105,775
2025	(26,609)	96,398
Thereafter	(148,610)	514,569
Totals	$ (293,128)	$ 1,096,329

5. Revolving Credit Facility and Commercial Paper Program

A. Credit Facility
We have a $3.0 billion unsecured revolving credit facility with an initial term that expires in March 2023 and includes, at our option, two six-month extensions. The revolving credit facility allows us to borrow in up to 14 currencies, including U.S. dollars, and has a $1.0 billion expansion option, which is subject to obtaining lender commitments. Under our credit facility, our investment grade credit ratings as of December 31, 2020 provide for financing at the London Interbank Offered Rate, commonly referred to as LIBOR, plus 0.775% with a facility commitment fee of 0.125%, for all-in pricing of 0.90% over LIBOR. The borrowing rate is subject to an interest rate floor and may change if our investment grade credit ratings change. We also have other interest rate options available to us under our revolving credit facility. Our revolving credit facility is unsecured and, accordingly, we have not pledged any assets as collateral for this obligation.

At December 31, 2020, credit facility origination costs of $7.7 million are included in other assets, net, as compared to $11.5 million at December 31, 2019, on our consolidated balance sheet. These costs are being amortized over the remaining term of our revolving credit facility.

At December 31, 2020, we had a borrowing capacity of $3.0 billion available on our revolving credit facility (subject to customary conditions to borrowing) and no outstanding balance, as compared to an outstanding balance of $704.3 million, including £169.2 million Sterling, at December 31, 2019.

The weighted average interest rate on outstanding borrowings under our revolving credit facility was 1.5% during 2020 and 3.1% during 2019. At December 31, 2019, the weighted average interest rate on borrowings outstanding under our revolving credit facility was 2.2%. Our revolving credit facility is subject to various leverage and interest coverage ratio limitations, and at December 31, 2020, we were in compliance with the covenants on our revolving credit facility.

B. Commercial Paper Program

In August 2020, we established a U.S. dollar-denominated unsecured commercial paper program. Under the terms of the program, we may, from time to time, issue unsecured commercial paper notes up to a maximum aggregate amount outstanding of $1.0 billion. The commercial paper will rank on a parity in right of payment with all of our other unsecured senior indebtedness outstanding from time to time, including borrowings under our revolving credit facility, our term loan facility and our outstanding senior unsecured notes. Proceeds from commercial paper borrowings are used for general corporate purposes. At December 31, 2020, we had no outstanding commercial paper borrowings. The weighted average interest rate on borrowings under our commercial paper program was 0.3% from inception of the plan through December 31, 2020. We use our $3.0 billion revolving credit facility as a liquidity backstop for the repayment of the notes issued under the commercial paper program.

6. Term Loans

In October 2018, in conjunction with our revolving credit facility, we entered into a $250.0 million senior unsecured term loan, which matures in March 2024. Borrowing under this term loan bears interest at the current one-month LIBOR, plus 0.85%. In conjunction with this term loan, we also entered into an interest rate swap which effectively fixes our per annum interest on this term loan at 3.89%.

In June 2015, in conjunction with entering into our previous credit facility, we entered into a $250.0 million senior unsecured term loan which matured in June 2020. Borrowing under this term loan bore interest at the current one-month LIBOR, plus 0.90%. In conjunction with this term loan, we also entered into an interest rate swap which effectively fixed our per annum interest rate on this term loan at 2.62%. In June 2020, we repaid the term loan in full upon maturity.

Deferred financing costs of $1.2 million incurred in conjunction with the $250.0 million term loan, which matured June 2020, and $1.1 million incurred in conjunction with the $250.0 million term loan maturing March 2024 are being amortized over the remaining terms of each respective term loan. The net balance of deferred financing costs at December 31, 2020 of $642,000 relates to the $250.0 million term maturing March 2024. The net balance of deferred financing costs at December 31, 2019 of $956,000 related to the $250.0 million term loan that matured in June 2020 and the $250.0 million term loan maturing March 2024.

7. Mortgages Payable

During 2020, we made $108.8 million in principal payments, including the repayment of nine mortgages in full for $103.4 million. During 2019, we made $20.7 million in principal payments, including the repayment of one mortgage in full for $15.8 million. No mortgages were assumed during 2020. During 2019, we assumed two mortgages totaling $130.8 million on 33 properties. Assumed mortgages are secured by the properties on which the debt was placed and are considered non-recourse debt with limited customary exceptions for items such as solvency, bankruptcy, misrepresentation, fraud, misapplication of payments, environmental liabilities, failure to pay taxes, insurance premiums, liens on the property, violations of the single purpose entity requirements, and uninsured losses.

Our mortgages contain customary covenants, such as limiting our ability to further mortgage each applicable property or to discontinue insurance coverage without the prior consent of the lender. At December 31, 2020, we were in compliance with these covenants.

The balance of our deferred financing costs, which are classified as part of mortgages payable, net, on our consolidated balance sheets, at December 31, 2020 and 2019 was $973,000 and $1.3 million, respectively. These costs are being amortized over the remaining term of each mortgage.

The following summarizes our mortgages payable as of December 31, 2020 and 2019, respectively (dollars in thousands):

As Of	Number of Properties[(1)]	Weighted Average Stated Interest Rate[(2)]	Weighted Average Effective Interest Rate[(3)]	Weighted Average Remaining Years Until Maturity	Remaining Principal Balance	Unamortized Premium and Deferred Finance Costs Balance, net	Mortgage Payable Balance
12/31/2020	68	4.9 %	4.6 %	2.9	$ 299,631	$ 729	$ 300,360
12/31/2019	92	4.9 %	4.6 %	3.1	$ 408,419	$ 1,700	$ 410,119

(1) At December 31, 2020, there were 18 mortgages on 68 properties. At December 31, 2019, there were 27 mortgages on 92 properties. The mortgages require monthly payments with principal payments due at maturity. At December 31, 2020, all mortgages were at fixed interest rates. At December 31, 2019, we had one variable rate mortgage with a principal balance of $7.1 million that was swapped to a fixed interest rate.

(2) Stated interest rates ranged from 3.8% to 6.9% at each of December 31, 2020 and 2019, respectively.

(3) Effective interest rates ranged from 4.0% to 5.5% at December 31, 2020, while effective interest rates ranged from 3.8% to 7.6% at December 31, 2019.

The following table summarizes the maturity of mortgages payable, excluding net premiums of $1.7 million and deferred financing costs of $973,000, as of December 31, 2020 (dollars in millions):

Year of Maturity	Principal
2021	$ 44.2
2022	111.8
2023	20.6
2024	112.2
2025	0.7
Thereafter	10.1
Totals	$ 299.6

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8. Notes Payable

A. General

Our senior unsecured notes and bonds consist of the following, sorted by maturity date (dollars in millions):

	December 31, 2020	December 31, 2019
5.750% notes, issued in June 2010 and due in January 2021	$ —	$ 250
3.250% notes, $450 issued in October 2012 and $500 issued in December 2017, both due in October 2022 [1]	950	950
4.650% notes, issued in July 2013 and due in August 2023	750	750
3.875% notes, issued in June 2014 and due in July 2024	350	350
3.875% notes, issued in April 2018 and due in April 2025	500	500
0.750% notes, issued December 2020 and due in March 2026	325	—
4.125% notes, $250 issued in September 2014 and $400 issued in March 2017, both due in October 2026	650	650
3.000% notes, issued in October 2016 and due in January 2027	600	600
3.650% notes, issued in December 2017 and due in January 2028	550	550
3.250% notes, issued in June 2019 and due in June 2029	500	500
1.625% notes, issued in October 2020 and due December 2030 [2]	547	—
3.250% notes, $600 issued in May 2020 and $350 issued in July 2020, both due in January 2031	950	—
1.800% notes, issued in December 2020 and due in March 2033	400	—
2.730% notes, issued in May 2019 and due in May 2034 [2]	431	418
5.875% bonds, $100 issued in March 2005 and $150 issued in June 2011, both due in March 2035	250	250
4.650% notes, $300 issued in March 2017 and $250 issued in December 2017, both due in March 2047	550	550
Total principal amount	8,303	6,318
Unamortized net original issuance premiums and deferred financing costs	(35)	(30)
	$ 8,268	$ 6,288

[1] In January 2021, we completed the early redemption of all $950.0 million in principal. See note 19, *Subsequent Events*.
[2] Represents the principal balance (in U.S. dollars) of the October 2020 Sterling-denominated note offering and May 2019 Sterling-denominated private placement of £400.0 million and £315.0 million, respectively, converted at the applicable exchange rate on December 31, 2020.

The following table summarizes the maturity of our notes and bonds payable as of December 31, 2020, excluding unamortized net original issuance premiums of $14.6 million and deferred financing costs of $49.2 million (dollars in millions):

Year of Maturity	Principal
2022 [1]	$ 950
2023	750
2024	350
2025	500
Thereafter	5,753
Totals	$ 8,303

[1] In January 2021, we completed the early redemption of all $950.0 million in principal. See note 19, *Subsequent Events*.

As of December 31, 2020, the weighted average interest rate on our notes and bonds payable was 3.4% and the weighted average remaining years until maturity was 8.2 years.

Interest incurred on all of the notes and bonds was $252.0 million for 2020, $233.5 million for 2019 and $213.8 million for 2018. The interest rate on each of these notes and bonds is fixed.

Our outstanding notes and bonds are unsecured; accordingly, we have not pledged any assets as collateral for these or any other obligations. Additionally, with the exception of our £400.0 million of 1.625% senior unsecured notes issued in October 2020, for which interest is paid annually, interest on our remaining senior unsecured note and bond obligations is paid semiannually.

All of these notes and bonds contain various covenants, including: (i) a limitation on incurrence of any debt which would cause our debt to total adjusted assets ratio to exceed 60%; (ii) a limitation on incurrence of any secured debt which would cause our secured debt to total adjusted assets ratio to exceed 40%; (iii) a limitation on incurrence of any debt which would cause our debt service coverage ratio to be less than 1.5 times; and (iv) the maintenance at all times of total unencumbered assets not less than 150% of our outstanding unsecured debt. At December 31, 2020, we were in compliance with these covenants.

B. Note Repayments
In January 2020, we repaid our $250.0 million of outstanding 5.75% notes, plus accrued and unpaid interest upon maturity. As a result of the early redemption, we recognized a $9.8 million loss on extinguishment of debt during the first quarter of 2020.

In January 2021, we completed the early redemption on all $950.0 million in principal amount of our outstanding 3.250% notes due October 2022. For further information, see note 19, *Subsequent Events*.

C. Note Issuances
During the three year period ended December 31, 2020 we issued the following notes and bonds (in millions):

2020 Issuances	**Date of Issuance**	**Maturity date**	**Principal amount issued**	**Price of par value**	**Effective yield to maturity**
3.250% notes [1]	May 2020	January 2031	$600	98.99 %	3.36%
3.250% notes [1]	July 2020	January 2031	$350	108.24 %	2.34%
1.625% notes	October 2020	December 2030	£400	99.19 %	1.71%
0.750% notes	December 2020	March 2026	$325	99.19 %	0.91%
1.800% notes	December 2020	March 2033	$400	98.47 %	1.94%
2019 Issuances					
2.730% notes	May 2019	May 2034	£315	100.00 %	2.73%
3.250% notes	June 2019	June 2029	$500	99.36 %	3.33%
2018 Issuance					
3.875% notes	April 2018	April 2025	$500	99.50 %	3.96%

[1] In July 2020, we issued $350.0 million of 3.250% senior unsecured notes due January 2031 (the "2031 Notes"), which constituted a further issuance of, and formed a single series with, the $600.0 million of 2031 Notes issued in May 2020.

The net proceeds of $391.3 million from the December 2020 offering of 1.800% notes due 2033 and the net proceeds of $320.3 million from the December 2020 offering of 0.750% notes due 2026 were used, along with available cash and additional borrowings, as necessary to redeem in January 2021 all $950 million in aggregate principal amount of our outstanding 3.25% notes due 2022 at the applicable redemption price, plus accrued interest and, to the extent not used for those purposes, to fund investment opportunities and for other general corporate purposes.

The net proceeds from the October 2020 Sterling-denominated offering of £400.0 million approximated $508.2 million, as converted at the applicable exchange rate on the closing of the offering, and were used to repay GBP-denominated borrowings outstanding under our $3.0 billion revolving credit facility, to settle an outstanding GBP/USD currency exchange swap arrangement and, to the extent not used for those purposes, to fund investment opportunities and for other general corporate purposes.

The net proceeds of $376.6 million from the July 2020 note offering and the net proceeds of $590.0 million from the May 2020 note offering were used to repay borrowings under our credit facility, to fund potential investment opportunities and for other general corporate purposes.

The gross proceeds from the May 2019 Sterling-denominated private placement of £315.0 million approximated $400.9 million, as converted at the applicable exchange rate on the closing of the offering, and were used to fund our initial investment in U.K. properties.

The net proceeds of $493.5 million from the June 2019 note offering and the net proceeds of approximately $494.4 million from the April 2018 note offering were used to repay borrowings outstanding under our credit facility, to fund investment opportunities, and for other general corporate purposes.

9. Issuances of Common Stock

A. Issuance of Common Stock in an Overnight Offering
In March 2020, we issued 9,690,500 shares of common stock in an overnight underwritten public offering, including 690,500 shares purchased by the underwriters upon the exercise of their option to purchase to purchase additional shares. The net proceeds of $728.9 million were used to repay borrowings under our credit facility, to fund investment opportunities, and for other general corporate purposes.

In May 2019, we issued 12,650,000 shares of common stock in an overnight underwritten public offering. The net proceeds of $845.4 million were used to repay borrowings under our credit facility, to fund investment opportunities, and for other general corporate purposes.

We did not issue any shares in an underwritten offering in 2018.
In January 2021, we issued 12,075,000 shares of common stock in an underwritten public offering, including 1,575,000 shares purchased by the underwriters upon the exercise of their option to purchase additional shares. The company used the net proceeds from the offering, along with available cash and additional borrowings, to fund property acquisitions and for general corporate purposes and working capital. For further information, see note 19, *Subsequent Events*.

B. At-the-Market (ATM) Program
Under our "at-the-market" equity distribution plan, or our ATM program, up to 33,402,405 shares of common stock may be offered and sold (1) by us to, or through, a consortium of banks acting as our sales agents or (2) by a consortium of banks acting as forward sellers on behalf of any forward purchasers contemplated thereunder, in each case by means of ordinary brokers' transactions on the New York Stock Exchange ("NYSE: O") at prevailing market prices or at negotiated prices. At December 31, 2020, we had 15,678,031 shares remaining for future issuance under our ATM program. We anticipate maintaining the availability of our ATM program in the future, including the replenishment of authorized shares issuable thereunder.

The following table outlines common stock issuances pursuant to our ATM program (dollars in millions):

	Year Ended December 31,		
	2020	2019	2018
Shares of common stock issued under the ATM program	17,724,374	17,051,456	19,138,610
Gross proceeds	$ 1,094.9	$ 1,274.5	$ 1,125.4

C. Dividend Reinvestment and Stock Purchase Plan
Our Dividend Reinvestment and Stock Purchase Plan, or our DRSPP, provides our common stockholders, as well as new investors, with a convenient and economical method of purchasing our common stock and reinvesting their distributions. Our DRSPP also allows our current stockholders to buy additional shares of common stock by reinvesting all or a portion of their distributions. Our DRSPP authorizes up to 26,000,000 common shares to be issued. At December 31, 2020, we had 11,503,379 shares remaining for future issuance under our DRSPP program.

The following table outlines common stock issuances pursuant to our DRSPP program (dollars in millions):

	Year Ended December 31,		
	2020	2019	2018
Shares of common stock issued under the DRSPP program	149,289	117,522	116,268
Gross proceeds	$ 9.1	$ 8.4	$ 9.1

Our DRSPP includes a waiver approval process, allowing larger investors or institutions, per a formal approval process, to purchase shares at a small discount, if approved by us. We did not issue shares under the waiver approval process during 2020, 2019 or 2018.

10. Noncontrolling Interests

In January 2013, we completed our acquisition of American Realty Capital Trust, Inc. (ARCT). Equity issued as consideration for this transaction included common and preferred partnership units issued by Tau Operating Partnership, L.P., or Tau Operating Partnership, the consolidated subsidiary which owns properties acquired through the ARCT acquisition. At December 31, 2018, Tau Operating Partnership and Realty Income, L.P. were considered variable interest entities, or VIEs, in which we were deemed the primary beneficiary based on our controlling financial interests. In January 2019, we redeemed all 317,022 remaining Tau Operating Partnership common units held by nonaffiliates for $20.2 million and recorded the excess over carrying value of $6.9 million as a reduction to common stock and paid in capital. In conjunction with this redemption, we also paid off the outstanding balance and interest on the $70.0 million senior unsecured term loan entered in January 2013 in conjunction with our acquisition of ARCT. Following the redemption, our taxable REIT subsidiary, Crest Net Lease, obtained a 0.11% interest in Tau Operating Partnership, and we hold 100% of the ownership interests of Tau Operating Partnership, L.P. While we continue to consolidate the entity, it is no longer considered a VIE.

In 2019 and 2018, we completed the acquisitions of portfolios of properties, both by paying cash and by issuing additional common partnership units in Realty Income, L.P. as consideration for the acquisitions. At December 31, 2020, the remaining units from this issuance represent a 1.9% ownership in Realty Income, L.P. We hold the remaining 98.1% interests in this entity and consolidate the entity.

None of our common partnership units have voting rights. Common partnership units are entitled to monthly distributions equal to the amount paid to common stockholders of Realty Income, and are redeemable in cash or Realty Income common stock, at our option, and at a conversion ratio of one to one, subject to certain exceptions. These issuances with redemption provisions that permit the issuer to settle in either cash or common stock, at the option of the issuer, were evaluated to determine whether temporary or permanent equity classification on the balance sheet was appropriate. We determined that the units meet the requirements to qualify for presentation as permanent equity.

In December 2020, we completed the acquisition of a development property by acquiring a controlling interest in a joint venture. We are the managing member of this joint venture, and possess the ability to control the business and manage the affairs of this entity. At December 31, 2020, we and our subsidiaries held an 75.8% interest, and consolidated this entity in our consolidated financial statements.

In December 2019, we completed the acquisition of nine properties by acquiring a controlling interest in a joint venture. We are the managing member of this joint venture, and possess the ability to control the business and manage the affairs of this entity. At December 31, 2020, we and our subsidiaries held an 89.9% interest, and consolidated this entity in our consolidated financial statements.

In 2016, we completed the acquisition of two properties by acquiring a controlling interest in two entities. In December 2018, we acquired all of the outstanding minority ownership interests associated with one of these entities. In July 2019, we acquired all of the outstanding minority interest associated with the remaining entity.

The following table represents the change in the carrying value of all noncontrolling interests through December 31, 2020 (dollars in thousands):

	Tau Operating Partnership units[1]	Realty Income, L.P. units[2]	Other Noncontrolling Interests	Total
Carrying value at December 31, 2018	$ 13,356	$ 17,912	$ 968	$ 32,236
Reallocation of equity	—	653	—	653
Redemptions	(13,356)	—	(901)	(14,257)
Additions to noncontrolling interest	—	6,286	5,084	11,370
Distributions	—	(1,219)	(77)	(1,296)
Allocation of net income	—	964	32	996
Carrying value at December 31, 2019	$ —	$ 24,596	$ 5,106	$ 29,702
Reallocation of equity	—	(47)	—	(47)
Additions to noncontrolling interest	—	—	3,168	3,168
Distributions	—	(1,297)	(299)	(1,596)
Allocation of net income	—	848	172	1,020
Carrying value at December 31, 2020	$ —	$ 24,100	$ 8,147	$ 32,247

[1] 317,022 Tau Operating Partnership units were issued on January 22, 2013. No units remained outstanding as of December 31, 2020 and 2019.
[2] 242,007 units were issued on March 30, 2018, 131,790 units were issued on April 30, 2018 and 89,322 units were issued on March 28, 2019. 463,119 units remained outstanding as of December 31, 2020 and 2019.

At December 31, 2020 and 2019, respectively, Realty Income, L.P. and the joint ventures acquired during 2020 and 2019 were considered variable interest entities, or VIEs, in which we were deemed the primary beneficiary based on our controlling financial interests. Below is a summary of selected financial data of consolidated VIEs included in the consolidated balance sheets at December 31, 2020 and 2019 (in thousands):

	December 31, 2020	December 31, 2019
Net real estate	$ 635,963	$ 654,305
Total assets	723,668	744,394
Total liabilities	47,962	52,087

11. Distributions Paid and Payable

We pay monthly distributions to our common stockholders. The following is a summary of monthly distributions paid per common share for 2020, 2019 and 2018:

Month	2020	2019	2018
January	$ 0.2275	$ 0.2210	$ 0.2125
February	0.2325	0.2255	0.2190
March	0.2325	0.2255	0.2190
April	0.2330	0.2260	0.2195
May	0.2330	0.2260	0.2195
June	0.2330	0.2260	0.2195
July	0.2335	0.2265	0.2200
August	0.2335	0.2265	0.2200
September	0.2335	0.2265	0.2200
October	0.2340	0.2270	0.2205
November	0.2340	0.2270	0.2205
December	0.2340	0.2270	0.2205
Total	$ 2.7940	$ 2.7105	$ 2.6305

The following presents the federal income tax characterization of distributions paid or deemed to be paid per common share for the years:

	2020	2019	2018
Ordinary income	$ 2.2798764	$ 2.1206964	$ 2.0269173
Nontaxable distributions	0.4902835	0.5898036	0.6035827
Total capital gain distribution	0.0238401	—	—
Totals	$ 2.7940000	$ 2.7105000	$ 2.6305000

At December 31, 2020, a distribution of $0.2345 per common share was payable and was paid in January 2021. At December 31, 2019, a distribution of $0.2275 per common share was payable and was paid in January 2020.

12. Operating Leases

A. At December 31, 2020, we owned 6,592 properties in 49 U.S. states, Puerto Rico and the U.K. Of the 6,592 properties, 6,555, or 99.4%, are single-client properties, and the remaining are multi-client properties. At December 31, 2020, 140 properties were available for lease or sale.

Substantially all of our leases are net leases where our client pays or reimburses us for property taxes and assessments, maintains the interior and exterior of the building and leased premises, and carries insurance coverage for public liability, property damage, fire and extended coverage.

Rent based on a percentage of our client's gross sales, or percentage rents, was $5.1 million for 2020, $8.0 million for 2019 and $5.9 million for 2018.

At December 31, 2020, minimum future annual rents to be received on the operating leases for the next five years and thereafter are as follows (dollars in thousands):

2021	$ 1,684,817
2022	1,629,281
2023	1,543,909
2024	1,428,212
2025	1,343,730
Thereafter	8,371,347
Totals	$ 16,001,296

B. Major Clients - No individual client's rental revenue, including percentage rents, represented more than 10% of our total revenue for each of the years ended December 31, 2020, 2019 or 2018.

13. Gain on Sales of Real Estate

The following table summarizes our properties sold during the periods indicated below (dollars in millions):

	Year Ended December 31,		
	2020	2019	2018
Number of properties	126	93	128
Net sales proceeds	$ 262.5	$ 108.9	$ 142.3
Gain on sales of real estate	$ 76.2	$ 30.0	$ 24.6

These property sales do not represent a strategic shift that will have a major effect on our operations and financial results, and therefore do not require presentation as discontinued operations.

14. Financial Instruments and Fair Value Measurements

Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The disclosure for assets and liabilities measured at fair value requires allocation to a three-level valuation hierarchy. This valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Categorization within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

We believe that the carrying values reflected in our consolidated balance sheets reasonably approximate the fair values for cash and cash equivalents, accounts receivable, escrow deposits, loans receivable, line of credit payable and commercial paper borrowings, term loans and all other liabilities, due to their short-term nature or interest rates and terms that are consistent with market, except for our mortgages payable assumed in connection with acquisitions and our senior notes and bonds payable, which are disclosed as follows (dollars in millions):

At December 31, 2020	Carrying value	Estimated fair value
Mortgages payable assumed in connection with acquisitions [(1)]	$ 299.6	$ 309.4
Notes and bonds payable [(2)]	8,302.4	9,324.0
At December 31, 2019	**Carrying value**	**Estimated fair value**
Mortgages payable assumed in connection with acquisitions [(1)]	$ 408.4	$ 417.7
Notes and bonds payable [(2)]	6,317.6	6,826.1

(1) Excludes non-cash net premiums recorded on the mortgages payable. The unamortized balance of these net premiums is $1.7 million at December 31, 2020, and $3.0 million at December 31, 2019. Also excludes deferred financing costs of $973,000 at December 31, 2020, and $1.3 million at December 31, 2019.

(2) Excludes non-cash original issuance premiums and discounts recorded on notes payable. The unamortized balance of the net original issuance premiums was $14.6 million at December 31, 2020, and $6.3 million at December 31, 2019. Also excludes deferred financing costs of $49.2 million at December 31, 2020 and $35.9 million at December 31, 2019.

The estimated fair values of our mortgages payable assumed in connection with acquisitions and private senior notes payable have been calculated by discounting the future cash flows using an interest rate based upon the relevant forward interest rate curve, plus an applicable credit-adjusted spread. Because this methodology includes unobservable inputs that reflect our own internal assumptions and calculations, the measurement of estimated fair values related to our mortgages payable is categorized as level three on the three-level valuation hierarchy.

The estimated fair values of our publicly-traded senior notes and bonds payable are based upon indicative market prices and recent trading activity of our senior notes and bonds payable. Because this methodology includes inputs that are less observable by the public and are not necessarily reflected in active markets, the measurement of the estimated fair values related to our notes and bonds payable is categorized as level two on the three-level valuation hierarchy.

The following table summarizes the terms and fair values of our derivative financial instruments at December 31, 2020 and 2019 (dollars in millions):

Derivative Type	Accounting Classification	Hedge Designation	Notional Amount		Strike	Effective Date	Maturity Date	Fair Value - asset (liability)	
			December 31, 2020	December 31, 2019				December 31, 2020	December 31, 2019
Interest rate swap [(1)]	Derivative	Cash flow	$ —	$ 7.0	6.03%	09/25/2012	09/03/2021	$ —	$ (0.2)
Interest rate swap	Derivative	Cash flow	—	250.0	1.72%	06/30/2015	06/30/2020	—	(0.1)
Interest rate swap	Derivative	Cash flow	250.0	250.0	3.04%	10/24/2018	03/24/2024	(22.6)	(14.7)
Cross-currency swap [(2)]	Derivative	Cash flow	41.6	41.6	(3)	05/20/2019	05/22/2034	(5.2)	(2.6)
Cross-currency swap [(2)]	Derivative	Cash flow	41.6	41.6	(4)	05/20/2019	05/22/2034	(5.1)	(2.6)
Cross-currency swap [(2)]	Derivative	Cash flow	41.6	41.6	(5)	05/20/2019	05/22/2034	(5.4)	(2.9)
Cross-currency swap [(2)]	Derivative	Cash flow	41.6	41.6	(6)	05/20/2019	05/22/2034	(5.7)	(3.2)
Currency exchange swap [(2)]	Derivative	N/A	625.0	—	(7)	12/23/2020	01/29/2021	(8.2)	—
Forward-starting swap	Derivative	Cash flow	75.0	—	2.02%	(8)	06/30/2033	(5.0)	—
Forward-starting swap	Derivative	Cash flow	75.0	—	1.94%	(8)	11/30/2032	(5.2)	—
Forward-starting swap	Derivative	Cash flow	25.0	—	1.67%	(8)	11/30/2032	(1.1)	—
Forward-starting swap	Derivative	Cash flow	125.0	—	1.75%	(8)	06/30/2033	(5.2)	—
Forward-starting swap	Hybrid debt	Cash flow	125.0	—	1.88%	(8)	11/30/2032	(7.9)	—
Forward-starting swap	Hybrid debt	Cash flow	75.0	—	2.00%	(8)	06/30/2033	(4.9)	—
			$ 1,541.4	$ 673.4				$ (81.5)	$ (26.3)

(1) In connection with the early prepayment of a mortgage loan during the fourth quarter of 2020, the swap was terminated with a payment of $0.2 million and we recognized an associated loss on derivative of $0.2 million.

(2) Represents British Pound Sterling, or GBP, United States Dollar, or USD, cross-currency swap.

(3) GBP fixed rates initially at 4.82% and escalating to 10.96%, and USD fixed rate at 9.800%.

(4) GBP fixed rates initially at 4.82% and escalating to 10.96%, and USD fixed rate at 9.803%.

(5) GBP fixed rates initially at 4.82% and escalating to 10.96%, and USD fixed rate at 9.745%.

(6) GBP fixed rates initially at 4.82% and escalating to 10.96%, and USD fixed rate at 9.755%.

(7) The forward GBP-USD exchange rate is 1.35.

(8) The five treasury rate locks which were entered into during February 2020 were terminated in June 2020 and converted into six forward starting interest rate swaps through a cashless settlement of the terminated treasury rate locks.

We measure our derivatives at fair value and include the balances within other assets and accounts payable and accrued expenses on our consolidated balance sheets.

We have agreements with each of our derivative counterparties containing provisions under which we could be declared in default on our derivative obligations if repayment of our indebtedness is accelerated by the lender due to our default.

We utilize interest rate swap agreements to manage interest rate risk and cross-currency swaps to manage foreign currency risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, spot and forward rates, as well as option volatility.

To comply with the provisions of ASC 820, *Fair Value Measurement*, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty’s nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although we have determined that the majority of the inputs used to value our derivatives fall within level two on the three-level valuation hierarchy, the credit valuation adjustments associated with our derivatives utilize level three inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by ourselves and our counterparties. However, at December 31, 2020 and 2019, we assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we determined that our derivative valuations in their entirety are classified as level two on the three-level valuation hierarchy.

Unrealized gains and losses in AOCI are reclassified to interest expense in the case of interest rate swaps and to foreign currency gains and losses, net in the case of cross-currency swaps, when the related hedged items are recognized. During 2020, we reclassified $11.4 million from AOCI as an increase to interest expense for our interest rate swaps and $3.6 million for 2020 in cross-currency swap losses into foreign currency and derivative gains, net. During 2019, we reclassified $3.4 million from AOCI as an increase to interest expense for our interest rate swaps and $5.5 million for 2019 in cross-currency swap losses into foreign currency and derivative gains, net. During 2018, there were no outstanding derivatives designated as hedges and accounted for through AOCI. As a result, there were no amounts to reclassify from AOCI during 2018.

We expect to reclassify $10.3 million from AOCI as an increase to interest expense relating to interest rate swaps and $1.0 million from AOCI to foreign currency gain relating to cross-currency swaps within the next twelve months.

15. Supplemental Disclosures of Cash Flow Information

Cash paid for interest was $285.6 million in 2020, $275.3 million in 2019, and $251.5 million in 2018.

Cash paid for income taxes was $13.1 million in 2020, $4.2 million in 2019, and $4.7 million in 2018.

The following non-cash activities are included in the accompanying consolidated financial statements:

A. During 2020, the fair value of derivatives decreased by $55.2 million.

B. Non-refundable deposits from 2019 of $13.8 million were applied to acquisitions during 2020.

C. As a result of the adoption of Accounting Standards Codifications Topic 842, *Leases*, on January 1, 2019, we recorded $132.0 million of lease liabilities and related right of use assets as lessee under operating leases.

D. During 2019, we issued 89,322 common partnership units of Realty Income, L.P. totaling $6.3 million, as partial consideration for an acquisition of properties.

E. During 2019, we recorded $5.1 million to noncontrolling interests in connection with the acquisition of a controlling interest in a consolidated joint venture.

F. During 2019, we assumed mortgages payable to the third-party lenders of $130.8 million.

G. During 2018, we issued 373,797 common partnership units of Realty Income, L.P. as partial consideration for an acquisition of properties, totaling $18.8 million.

H. During 2018, we completed the acquisition of a property using $7.5 million in funds that were held in a non-refundable escrow account.

Per the requirements of ASU 2016-18 (Topic 230, *Statement of Cash Flows*) the following table provides a reconciliation of cash and cash equivalents reported within the consolidated balance sheets to the total of the cash, cash equivalents and restricted cash reported within the consolidated statements of cash flows (dollars in thousands):

	December 31, 2020	December 31, 2019
Cash and cash equivalents shown in the consolidated balance sheets	$ 824,476	$ 54,011
Restricted escrow deposits [1]	21,220	4,529
Impounds related to mortgages payable [1]	4,983	12,465
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$ 850,679	$ 71,005

[1] Included within other assets, net on the consolidated balance sheets (see note 3). These amounts consist of cash that we are legally entitled to, but that is not immediately available to us. As a result, these amounts were considered restricted as of the dates presented.

16. Common Stock Incentive Plan

In 2012, our Board of Directors adopted and stockholders approved the Realty Income Corporation 2012 Incentive Award Plan, or the 2012 Plan, to enable us to motivate, attract and retain the services of directors and employees considered essential to our long-term success. The 2012 Plan offers our directors and employees an opportunity to own our stock or rights that will reflect our growth, development and financial success. Under the terms of the 2012 plan, the aggregate number of shares of our common stock subject to options, restricted stock, stock appreciation rights, restricted stock units, performance shares and other awards, will be no more than 3,985,734 shares. The 2012 Plan has a term of ten years from the date it was adopted by our Board of Directors.

The amount of share-based compensation costs recognized in general and administrative expense on our consolidated statements of income and comprehensive income was $16.5 million during 2020, $13.7 million during 2019 and $27.3 million during 2018.

Upon the departure of our former CFO in March 2020, we incurred a severance charge of $3.5 million, consisting of $1.6 million of cash, $1.8 million of share-based compensation expense and $58,000 of professional fees.

Upon the departure of our former CEO in October 2018, we incurred a severance charge of $28.3 million, consisting of $9.8 million of cash, $17.9 million of share-based compensation expense and $574,000 of professional fees. The incremental severance of $18.7 million consists of the $28.3 million total severance charge reduced by $9.6 million of compensation accrued prior to separation. The net amount of accelerated equity awards expensed in 2018 related to his departure was $11.8 million.

A. Restricted Stock

The following table summarizes our common stock grant activity under our 2012 Plan.

	2020			2019			2018		
	Number of shares		Weighted average price[(1)]	Number of shares		Weighted average price[(1)]	Number of shares		Weighted average price[(1)]
Outstanding nonvested shares, beginning of year	259,698	$	58.39	307,821	$	53.44	475,768	$	52.32
Shares granted	103,473	$	67.84	87,327	$	69.83	183,952	$	52.21
Shares vested	(141,486)	$	56.94	(126,363)	$	54.45	(310,706)	$	51.05
Shares forfeited	(2,203)	$	66.48	(9,087)	$	55.71	(41,193)	$	53.06
Outstanding nonvested shares, end of each period	219,482	$	63.69	259,698	$	58.39	307,821	$	53.44

(1) Grant date fair value.

The vesting schedule for shares granted to non-employee directors is as follows:

- For directors with less than six years of service at the date of grant, shares vest in 33.33% annual increments upon re-election to the Board at each of the three Annual Meetings of Stockholders following the grant date;
- For directors with six years of service at the date of grant, shares vest in 50% annual increments upon re-election to the Board at each of the two Annual Meetings of Stockholders following the grant date;
- For directors with seven years of service at the date of grant, shares are 100% vested upon re-election to the Board in the following year; and
- For directors with eight or more years of service at the date of grant, there is immediate vesting as of the date the shares of stock are granted.

During May 2020, we granted 36,000 shares of restricted stock to the independent members of our Board of Directors, in connection with our annual awards, of which 24,000 shares vested immediately, and 12,000 shares vest in equal parts over a three-year service period.

Our restricted stock awards granted to employees typically vest annually in equal parts over a four-year service period. During 2020, 67,473 shares were granted to our employees, and vest over a four-year service period, with the exception of 4,541 shares granted to our former CFO, which vested upon his departure from the Company.

As of December 31, 2020, the remaining unamortized share-based compensation expense related to restricted stock totaled $8.6 million, which is being amortized on a straight-line basis over the service period of each applicable award. The amount of share-based compensation is based on the fair value of the stock at the grant date. We define the grant date as the date the recipient and Realty Income have a mutual understanding of the key terms and conditions of the award, and the recipient of the grant begins to benefit from, or be adversely affected by, subsequent changes in the price of the shares.

B. Performance Shares

During 2020, 2019 and 2018, we granted performance share awards, as well as dividend equivalent rights, to our executive officers. The number of performance shares that vest for each of the three years is based on the achievement of the following performance goals:

	Weighting for year granted		
Performance Awards Metrics	**2020**	**2019**	**2018**
Total shareholder return ("TSR") ranking relative to MSCI US REIT Index	70 %	45 %	45 %
TSR ranking relative to J.P. Morgan Net Lease Peer Group	N/A	26 %	26 %
Dividend per share Growth Rate	15 %	16 %	16 %
Debt-to-Adjusted EBITDA*re* Ratio	N/A	13 %	13 %
Net Debt-to-Adjusted EBITDA*re* Ratio	15 %	N/A	N/A

The performance shares are earned based on our performance related to our metrics above, and vest 50% on the first and second January 1 after the end of the three-year performance period, subject to continued service. The performance period for the 2018 performance awards began on January 1, 2018 and ended on December 31, 2020.

The performance period for the 2019 performance awards began on January 1, 2019 and will end on December 31, 2021. The performance period for the 2020 performance awards began on January 1, 2020 and will end on December 31, 2022.

The fair value of the performance shares was estimated on the date of grant using a Monte Carlo Simulation model. The following table summarizes our performance share grant activity:

	2020			2019			2018		
	Number of performance shares		Weighted average price[(1)]	Number of performance shares		Weighted average price[(1)]	Number of performance shares		Weighted average price[(1)]
Outstanding nonvested shares, beginning of year	304,663	$	62.25	223,392	$	58.78	245,309	$	62.49
Shares granted	136,729	$	79.98	128,581	$	65.34	269,868	$	51.98
Shares vested	(139,012)	$	63.66	(47,310)	$	54.27	(291,785)	$	54.88
Shares forfeited	(10,621)	$	66.64	—	$	—	—	$	—
Outstanding nonvested shares, end of each period	291,759	$	69.73	304,663	$	62.25	223,392	$	58.78

(1) Grant date fair value.

As of December 31, 2020, the remaining share-based compensation expense related to the performance shares totaled $8.9 million and is being recognized on a tranche-by-tranche basis over the service period.

C. Restricted Stock Units

During 2020, 2019 and 2018 we also granted restricted stock units that primarily vest over a four-year service period and have the same economic rights as shares of restricted stock:

	2020			2019			2018		
	Number of restricted stock units		Weighted average price[(1)]	Number of restricted stock units		Weighted average price[(1)]	Number of restricted stock units		Weighted average price[(1)]
Outstanding nonvested shares, beginning of year	15,511	$	59.82	14,968	$	54.62	24,869	$	55.97
Shares granted	9,966	$	78.79	5,482	$	69.58	8,383	$	49.96
Shares vested	(6,807)	$	58.63	(4,939)	$	54.90	(10,118)	$	55.01
Shares forfeited	—	$	—	—	$	—	(8,166)	$	53.45
Outstanding nonvested shares, end of each period	18,670	$	70.38	15,511	$	59.82	14,968	$	54.62

(1) Grant date fair value.

The amount of share-based compensation for the restricted stock units is based on the fair value of our common stock at the grant date. The expense amortization period is the lesser of the four-year service period or the period over which the awardee reaches the qualifying retirement age. For employees who have already met the qualifying retirement age, restricted stock units are fully expensed at the grant date. As of December 31, 2020, the remaining share-based compensation expense related to the restricted stock units totaled $399,000 and is being recognized on a straight-line basis over the service period.

17. Segment Information

We evaluate performance and make resource allocation decisions on an industry by industry basis. For financial reporting purposes, we have grouped our clients into 51 activity segments. All of the properties are incorporated into one of the applicable segments. Unless otherwise specified, all segments listed below are located within the U.S. Because substantially all of our leases require our clients to pay or reimburse us for operating expenses, rental revenue is the only component of segment profit and loss we measure. Our investments in industries outside of the U.S. are managed as separate operating segments.

The following tables set forth certain information regarding the properties owned by us, classified according to the business of our respective clients (dollars in thousands):

Assets, as of December 31:	**2020**	**2019**
Segment net real estate:		
Automotive service	$ 328,340	$ 288,453
Beverages	347,366	279,373
Child care	216,718	208,326
Convenience stores	2,101,005	2,057,157
Dollar stores	1,420,210	1,427,950
Drug stores	1,555,106	1,618,854
Financial services	374,508	389,634
General merchandise	730,806	475,418
Grocery stores - U.S.	907,634	922,349
Grocery stores - U.K.	1,131,760	663,210
Health and fitness	1,050,791	1,019,796
Home improvement - U.S.	608,222	495,305
Restaurants-casual dining	515,226	576,526
Restaurants-quick service	1,062,918	1,059,155
Theaters - U.S.	767,117	878,103
Transportation services	729,640	769,614
Wholesale club	407,584	396,690
Other non-reportable segments	3,230,205	2,970,859
Total segment net real estate	17,485,156	16,496,772
Intangible assets:		
Automotive service	55,018	58,854
Beverages	9,401	1,509
Child care	19,848	21,997
Convenience stores	121,151	131,808
Dollar stores	77,176	82,701
Drug stores	167,975	183,319
Financial services	14,611	17,130
General merchandise	108,646	66,135
Grocery stores - U.S.	181,764	180,197
Grocery stores - U.K.	282,211	153,407
Health and fitness	67,537	74,428
Home improvement - U.S.	97,228	72,979
Restaurants-casual dining	20,553	23,289
Restaurants-quick service	47,517	52,353
Theaters - U.S.	28,292	36,089
Transportation services	53,902	66,055
Wholesale club	36,165	23,372
Other non-reportable segments	321,660	247,761
Other corporate assets	1,544,474	564,641
Total assets	$ 20,740,285	$ 18,554,796

Revenue for the years ended December 31,	2020	2019	2018
Segment rental revenue:			
Automotive service	$ 35,090	$ 32,365	$ 28,303
Beverages	32,771	31,807	31,488
Child care	35,643	31,749	21,865
Convenience stores	189,658	166,755	142,194
Dollar stores	126,719	102,695	94,782
Drug stores	140,993	127,853	129,565
Financial services	30,531	30,189	29,429
General merchandise	49,352	35,366	29,249
Grocery stores - U.S.	78,106	69,691	63,594
Grocery stores - U.K.	51,459	17,819	—
Health and fitness	104,744	105,896	94,638
Home improvement - U.S.	46,392	42,351	37,939
Restaurants-casual dining	46,265	45,238	46,171
Restaurants-quick service	88,163	92,018	72,465
Theaters - U.S.	78,653	87,698	70,560
Transportation services	64,131	66,500	63,565
Wholesale club	38,713	38,117	37,571
Other non-reportable segments and contractually obligated reimbursements by our clients	402,150	360,711	328,168
Rental (including reimbursable)	1,639,533	1,484,818	1,321,546
Other	12,092	6,773	6,292
Total revenue	$ 1,651,625	$ 1,491,591	$ 1,327,838

18. Commitments and Contingencies

In the ordinary course of business, we are party to various legal actions which we believe are routine in nature and incidental to the operation of our business. We believe that the outcome of the proceedings will not have a material adverse effect upon our consolidated financial position or results of operations.

At December 31, 2020, we had commitments of $6.8 million for re-leasing costs, recurring capital expenditures, and non-recurring building improvements. In addition, as of December 31, 2020, we had committed $100.0 million under construction contracts, which is expected to be paid in the next twelve months.

We have certain properties that are subject to ground leases, which are accounted for as operating leases.

At December 31, 2020, minimum future rental payments for the next five years and thereafter are as follows (dollars in millions):

	Ground Leases Paid by Realty Income (1)	Ground Leases Paid by Our Clients (2)	Total
2021	$ 1.6	$ 13.7	$ 15.3
2022	1.6	13.6	15.2
2023	1.6	13.7	15.3
2024	1.6	13.8	15.4
2025	1.4	13.5	14.9
Thereafter	18.8	55.9	74.7
Total	$ 26.6	$ 124.2	$ 150.8
Present value adjustment for remaining lease payments (3)			(36.2)
Lease liability - operating leases, net			$ 114.6

(1) Realty Income currently pays the ground lessors directly for the rent under the ground leases.
(2) Our clients, who are generally sub-tenants under the ground leases, are responsible for paying the rent under these ground leases. In the event a client fails to pay the ground lease rent, we are primarily responsible.
(3) The range of discount rates used to calculate the present value of the lease payments is 2.42% to 5.50%. At December 31, 2020, the weighted average discount rate is 4.29% and the weighted average remaining lease term is 11.5 years. The discount rates are derived using a hypothetical corporate credit curve for the ground leases based on our outstanding senior notes and relevant market data. The discount rates are specific for individual leases primarily based on the lease term.

19. Subsequent Events

- In January and February 2021, we declared a dividend of $0.2345, which will be paid in February 2021 and March 2021, respectively.
- In January 2021, we completed the early redemption of our outstanding 3.250% notes due October 2022, for a redemption price of approximately $1.004 billion, consisting of the principal of $950.0 million, call premium of $47.2 million and accrued and unpaid interest of $7.1 million.
- In January 2021, we raised $669.6 million from the issuance of 12,075,000 shares of common stock in an underwritten public offering, which included the underwriters' options to purchase 1,575,000 additional shares.

REALTY INCOME CORPORATION AND SUBSIDIARIES
CONSOLIDATED QUARTERLY FINANCIAL DATA
(dollars in thousands, except per share data) (unaudited)
(not covered by Report of Independent Registered Public Accounting Firm)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2020					
Total revenue[1]	$ 414,341	$ 414,636	$ 404,572	$ 418,076	$ 1,651,625
Depreciation and amortization expense	164,585	168,328	169,084	175,041	677,038
Interest expense	75,925	77,841	76,806	78,764	309,336
Other expenses[2]	53,811	62,222	151,611	72,099	339,743
Net income	147,143	108,070	23,143	118,150	396,506
Net income available to common stockholders	146,827	107,824	22,904	117,931	395,486
Net income per common share					
Basic	0.44	0.31	0.07	0.33	1.15
Diluted	0.44	0.31	0.07	0.33	1.14
Dividends paid per common share	0.6925	0.6990	0.7005	0.7020	2.7940
2019					
Total revenue	$ 354,365	$ 365,450	$ 374,247	$ 397,529	$ 1,491,591
Depreciation and amortization expense	137,517	150,426	149,424	156,594	593,961
Interest expense	70,020	72,488	73,410	75,073	290,991
Other expenses[2]	42,861	54,143	52,139	52,269	201,412
Net income	111,230	95,420	101,275	129,553	437,478
Net income available to common stockholders	110,942	95,194	101,049	129,297	436,482
Net income per common share					
Basic and diluted	0.37	0.31	0.32	0.39	1.38
Dividends paid per common share	0.6720	0.6780	0.6795	0.6810	2.7105

[1] Total revenue for the second half of 2020 was negatively impacted by rent reserves recorded as reductions of rental revenue.
[2] Other expenses can vary among quarters, primarily due to provisions for impairment, gains on sales of real estate, and foreign currency gains and losses.

Item 9: Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

We have had no disagreements with our independent registered public accounting firm on accounting matters or financial disclosure, nor have we changed accountants in the two most recent fiscal years.

Item 9A: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of and for the year ended December 31, 2020, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer, Principal Financial Officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

Management has used the framework set forth in the report entitled "Internal Control--Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting. Management has concluded that the Company's internal control over financial reporting was effective as of the end of the most recent fiscal year. KPMG LLP has issued an attestation report on the effectiveness of the Company's internal control over financial reporting.

Submitted on February 23, 2021 by,

Sumit Roy, President, Chief Executive Officer
Christie B. Kelly, Executive Vice President, Chief Financial Officer, and Treasurer

Changes in Internal Controls

There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Item 9B: Other Information

None.

PART III

Item 10: <u>Directors, Executive Officers and Corporate Governance</u>

The information required by this item is set forth under the captions “Board of Directors” and “Executive Officers of the Company” and “Delinquent Section 16(a) Reports” in our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference. The Annual Meeting of Stockholders is presently scheduled to be held on May 18, 2021.

Item 11: <u>Executive Compensation</u>

The information required by this item is set forth under the caption “Executive Compensation” in our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference.

Item 12: <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>

The information required by this item is set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” in our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference.

Item 13: <u>Certain Relationships, Related Transactions and Director Independence</u>

The information required by this item is set forth under the caption “Related Party Transactions” in our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference.

Item 14: <u>Principal Accounting Fees and Services</u>

The information required by this item is set forth under the caption “Independent Registered Public Accounting Firm Fees and Services” in our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A, and is incorporated herein by reference.

PART IV

Item 15: <u>Exhibits and Financial Statement Schedules</u>

A. The following documents are filed as part of this report.

1. Financial Statements (see Item 8)

    a. Reports of Independent Registered Public Accounting Firm

    b. Consolidated Balance Sheets,
    December 31, 2020 and 2019

    c. Consolidated Statements of Income and Comprehensive Income,
    Years ended December 31, 2020, 2019 and 2018

    d. Consolidated Statements of Equity,
    Years ended December 31, 2020, 2019 and 2018

    e. Consolidated Statements of Cash Flows,
    Years ended December 31, 2020, 2019 and 2018

    f. Notes to Consolidated Financial Statements

    g. Consolidated Quarterly Financial Data (unaudited), for 2020 and 2019

2. Financial Statement Schedule. Reference is made to page F-1 of this report for Schedule III Real Estate and Accumulated Depreciation (electronically filed with the Securities and Exchange Commission).

Schedules not Filed: All schedules, other than those indicated in the Table of Contents, have been omitted as the required information is either not material, inapplicable or the information is presented in the financial statements or related notes.

3. Exhibits

Articles of Incorporation and By-Laws

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of September 6, 2012 (File No. 001-13374), by and among Realty Income Corporation, Tau Acquisition LLC and American Realty Capital Trust, Inc. (filed as exhibit 2.1 to the Company's Form 8-K, filed on September 6, 2012 and incorporated herein by reference).
2.2	First Amendment to Agreement and Plan of Merger, dated as of January 6, 2013, by and among Realty Income Corporation, Tau Acquisition LLC and American Realty Capital Trust, Inc. (filed as exhibit 2.1 to the Company's Form 8-K, filed on January 7, 2013 (File No. 001-13374) and incorporated herein by reference).
3.1	Articles of Incorporation of the Company, as amended by amendment No. 1 dated May 10, 2005 and amendment No. 2 dated May 10, 2005 (filed as exhibit 3.1 to the Company's Form 10-Q for the quarter ended June 30, 2005 (File No. 033-69410) and incorporated herein by reference).
3.2	Articles of Amendment dated July 29, 2011 (filed as exhibit 3.1 to the Company's Form 8-K, filed on August 2, 2011 (File No. 001-13374) and incorporated herein by reference).
3.3	Articles of Amendment dated June 21, 2012 (filed as exhibit 3.1 to the Company's Form 8-K, filed on June 21, 2012 (File No. 001-13374) and incorporated herein by reference).
3.4	Articles of Amendment dated May 14, 2019 (filed as exhibit 3.1 to the Company's Form 8-K, filed on May 16, 2019 (File No. 001-13374) and incorporated herein by reference).
3.5	Amended and Restated Bylaws of the Company dated February 19, 2020 (filed as exhibit 3.1 to the Company's Form 8-K, filed on February 20, 2020 (File No. 001-13374) and incorporated herein by reference).
3.6	Articles Supplementary dated June 30, 1998 establishing the terms of the Company's Class A Junior Participating Preferred Stock (filed as exhibit A to exhibit 1 of Form 8-A12B, filed on June 26, 1998 (File No. 001-13374) and incorporated herein by reference).
3.7	Articles Supplementary dated May 24, 1999 establishing the terms of the Company's 93/8% Class B Cumulative Redeemable Preferred Stock (filed as exhibit 4.1 on Form 8-K, filed on May 25, 1999 (File No. 001-13374) and incorporated herein by reference).
3.8	Articles Supplementary dated July 28, 1999 establishing the terms of the Company's 91/2% Class C Cumulative Redeemable Preferred Stock (filed as exhibit 4.1 on Form 8-K, filed on July 30, 1999 (File No. 001-13374) and incorporated herein by reference).
3.9	Articles Supplementary dated May 24, 2004 and the Articles Supplementary dated October 18, 2004 establishing the terms of the Company's 7.375% Monthly Income Class D Cumulative Redeemable Preferred Stock (filed as exhibit 3.8 on Form 8-A12B, filed on May 25, 2004 (File No. 001-13374) and incorporated herein by reference).
3.10	Articles Supplementary dated November 30, 2006 establishing the terms of the Company's 6.75% Monthly Income Class E Cumulative Redeemable Preferred Stock (filed as exhibit 3.5 on Form 8-A12B, filed on December 5, 2006 (File No. 001-13374) and incorporated herein by reference).
3.11	Articles Supplementary to the Articles of Incorporation of the Company classifying and designating the 6.625% Monthly Income Class F Cumulative Redeemable Preferred Stock, dated February 3, 2012 (the "First Class F Articles Supplementary") (filed as exhibit 3.1 to the Company's Form 8-K, filed on February 3, 2012 (File No. 001-13374) and incorporated herein by reference).
3.12	Certificate of Correction to the First Class F Articles Supplementary, dated April 11, 2012 (filed as exhibit 3.2 to the Company's Form 8-K, filed on April 17, 2012 (File No. 001-13374) and incorporated herein by reference).
3.13	Articles Supplementary to the Articles of Incorporation of the Company classifying and designating additional shares of the 6.625% Monthly Income Class F Cumulative Redeemable Preferred Stock, dated April 17, 2012 (filed as exhibit 3.3 to the Company's Form 8-K, filed on April 17, 2012 (File No. 001-13374) and incorporated herein by reference).
Instruments defining the rights of security holders, including indentures	
4.1	Indenture dated as of October 28, 1998 between the Company and The Bank of New York (filed as exhibit 4.1 to the Company's Form 8-K, filed on October 28, 1998 (File No. 001-13374) and incorporated herein by reference).
4.2	Form of 5.875% Senior Notes due 2035 (filed as exhibit 4.2 to the Company's Form 8-K, filed on March 11, 2005 (File No. 033-69410) and incorporated herein by reference).
4.3	Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York, as Trustee, establishing a series of securities entitled 5.875% Senior Debentures due 2035 (filed as exhibit 4.3 to the Company's Form 8-K, filed on March 11, 2005 (File No. 033-69410) and incorporated herein by reference).
4.4	Form of Common Stock Certificate (filed as exhibit 4.16 to the Company's Form 10-Q for the quarter ended September 30, 2011, filed on October 28, 2011 (File No. 001-13374) and incorporated herein by reference).

4.5	Form of 4.650% Note due 2023 (filed as exhibit 4.2 to Company's Form 8-K, filed on July 16, 2013 (File No. 001-13374) and incorporated herein by reference).
4.6	Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee, establishing a series of securities entitled "4.650% Notes due 2023" (filed as exhibit 4.3 to the Company's Form 8-K, filed on July 16, 2013 (File No. 001-13374) and incorporated herein by reference).
4.7	Form of 3.875% Note due 2024 (filed as exhibit 4.2 to Company's Form 8-K, filed on June 25, 2014 and incorporated herein by reference).
4.8	Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee, establishing a series of securities entitled "3.875% Notes due 2024" (filed as exhibit 4.3 to the Company's Form 8-K, filed on June 25, 2014 and incorporated herein by reference).
4.9	Form of 4.125% Note due 2026 (filed as exhibit 4.2 to Company's Form 8-K, filed on September 23, 2014 and incorporated herein by reference).
4.10	Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee, establishing a series of securities entitled "4.125% Notes due 2026" (filed as exhibit 4.3 to the Company's Form 8-K, filed on September 23, 2014 and incorporated herein by reference).
4.11	Form of 3.000% Note due 2027 (filed as exhibit 4.2 to Company's Form 8-K, filed on October 12, 2016 and incorporated herein by reference).
4.12	Officer's Certificate pursuant to sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee, establishing a series of securities entitled "3.000% Notes due 2027" (filed as exhibit 4.3 to the Company's Form 8-K, filed on October 12, 2016 and incorporated herein by reference).
4.13	Form of 4.650% Note due 2047 (filed as exhibit 4.2 to Company's Form 8-K, filed on March 15, 2017 and incorporated herein by reference).
4.14	Form of 4.125% Note due 2026 (filed as exhibit 4.3 to Company's Form 8-K, filed on March 15, 2017 and incorporated herein by reference).
4.15	Officers' Certificate pursuant to Sections 201, 301, and 303 of the Indenture dated October 28, 1998 between the Company and The bank of New York Mellon Trust Company, N.A. as successor trustee, establishing a series of securities entitled "4.650% Notes due 2047" and re-opening a series of securities entitled "4.125% Notes due 2026" (filed as exhibit 4.4 to Company's Form 8-K, filed on March 15, 2017 and incorporated herein by reference).
4.16	Form of 3.650% Note due 2028 (filed as exhibit 4.2 to Company's Form 8-K, filed on December 6, 2017 and incorporated herein by reference).
4.17	Form of 4.650% Note due 2047 (filed as exhibit 4.4 to Company's Form 8-K, filed on December 6, 2017 and incorporated herein by reference).
4.18	Form of 3.875% Note due 2025 (filed as exhibit 4.2 to Company's Form 8-K, filed on April 4, 2018 and incorporated herein by reference).
4.19	Officers' Certificate pursuant to Sections 201, 301, and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York Mellon Trust Company, N.A. as successor trustee, establishing a series of securities entitled "3.875% Notes due 2025" and re-opening a series of securities entitled "4.125% Notes due 2026" (filed as exhibit 4.3 to Company's Form 8-K, filed on April 4, 2018 and incorporated herein by reference).
4.20	Form of 3.250% Note due 2029 (filed as exhibit 4.2 to the Company's Form 8-K, filed on June 19, 2019 and incorporated herein by reference).
4.21	Officers' Certificate pursuant to Sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee, establishing a series of securities entitled "3.250% Notes due 2029." (filed as exhibit 4.3 to the Company's Form 8-K, filed on June 19, 2019 and incorporated herein by reference).
4.22*	Description of Securities.
4.23	Form of 3.250% Note due 2031 (filed as exhibit 4.2 to the Company's Form 8-K, filed on May 8, 2020 and incorporated herein by reference).
4.24	Form of 3.250% Note due 2031 (filed as exhibit 4.2 to the Company's Form 8-K, filed on July 16, 2020 and incorporated herein by reference).
4.25	Officers' Certificate, dated May 8, 2020, pursuant to Sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee, establishing a series of securities entitled "3.250% Notes due 2031." (filed as exhibit 4.3 to the Company's Form 8-K, filed on May 8, 2020, and incorporated herein by reference).
4.26	Officers' Certificate, dated July 16, 2020, pursuant to Sections 201, 301 and 303 of the Indenture dated October 28, 1998 between the Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee, re-opening a series of securities entitled "3.250% Notes due 2031." (filed as exhibit 4.3 to the Company's Form 8-K, filed on July 16, 2020, and incorporated herein by reference).
4.27	Form of 1.625% Note due 2030 (filed as exhibit 4.2 to the Company's Form 8-K, filed on October 1, 2020 and incorporated herein by reference).
4.28	Officers' Certificate dated October 1, 2020 pursuant to Sections 201, 301 and 303 of the Indenture dated as of October 28, 1998 between the Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee, establishing a series of securities entitled "1.625% Notes due 2030" (filed as an Exhibit 4.3 to the Company's Form 8-K, filed on October 1, 2020 and incorporated herein by reference).
4.29	Form of 0.750% Note due 2026 (filed as exhibit 4.2 to the Company's Form 8-K, filed on December 14, 2020 and incorporated herein by reference).
4.30	Form of 1.800% Note due 2033 (filed as exhibit 4.3 to the Company's Form 8-K, filed on December 14, 2020 and incorporated herein by reference).

4.31	Officers' Certificate dated December 14, 2020 pursuant to Sections 201, 301 and 303 of the Indenture dated as of October 28, 1998 between the Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee, establishing a series of debt securities entitled "0.750% Notes due 2026" and a series of debt securities entitled "1.800% Notes due 2033" (filed as an Exhibit 4.4 to the Company's Form 8-K, filed on December 14, 2020 and incorporated herein by reference).
Material Contracts	
10.1+	Management Incentive Plan (filed as Exhibit 10.10 to the Company's Form 10-K for the year ended December 31, 1997, filed on March 20, 1998 (File No. 001-13374) and incorporated herein by reference).
10.2+	Form of Nonqualified Stock Option Agreement for Independent Directors (filed as Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 1997, filed on March 20, 1998 (File No. 001-13374) and incorporated herein by reference).
10.3+	Form of Restricted Stock Agreement between the Company and Executive Officers under the 2003 Stock Incentive Award Plan of Realty Income Corporation (filed as exhibit 10.11 to the Company's Form 8-K, filed on January 6, 2005 and dated January 1, 2005 (File No. 001-13374) and incorporated herein by reference).
10.4+	2003 Stock Incentive Award Plan of Realty Income Corporation, as amended and restated February 21, 2006 (filed as exhibit 10.10 to the Company's Form 10-K for the year ended December 31, 2005, filed on February 23, 2006 (File No. 033-69410) and incorporated herein by reference).
10.5+	Amendment dated May 15, 2007 to the Amended and Restated 2003 Stock Incentive Award Plan of Realty Income Corporation (filed as exhibit 10.1 to the Company's Form 10-Q, for the quarter ended June 30, 2007 and incorporated herein by reference).
10.6+	Form of Restricted Stock Agreement under the 2003 Stock Incentive Award Plan of Realty Income Corporation (filed as exhibit 10.2 to the Company's Form 10-Q, for the quarter ended June 30, 2007, filed on August 2, 2007 (File No. 001-13374) and incorporated herein by reference).
10.7+	Amended and Restated Form of Employment Agreement between the Company and its Executive Officers (filed as exhibit 10.1 to the Company's Form 8-K, filed on January 7, 2010 and dated January 5, 2010 (File No. 001-13374) and incorporated herein by reference).
10.8+	Realty Income Corporation 2012 Incentive Award Plan (filed as Appendix B to the Company's Proxy Statement on Schedule 14A filed on March 30, 2012 and incorporated herein by reference).
10.9+	Form of Restricted Stock Agreement for Employees under the Realty Income Corporation 2012 Incentive Award Plan (filed as exhibit 10.1 to the Company's Form 8-K, filed on January 8, 2013 (File No. 001-13374) and incorporated herein by reference).
10.10+	Form of Restricted Stock Agreement for Non-Employee Directors under the Realty Income Corporation 2012 Incentive Award Plan (filed as exhibit 10.2 to the Company's Form 8-K, filed on January 8, 2013 (File No. 001-13374) and incorporated herein by reference).
10.11+	Form of Amendment to Employment Agreement (filed as exhibit 10.1 to the Company's Form 8-K, filed on June 19, 2013 (File No. 001-13374) and incorporated herein by reference).
10.12+	Form of Addendum to Restricted Stock Agreement (filed as exhibit 10.2 to the Company's Form 8-K, filed on June 19, 2013 (File No. 001-13374) and incorporated herein by reference).
10.13+	Amended and Restated Form Indemnification Agreement, between the Company and each executive officer and each director of the Board of Directors of the Company (filed as exhibit 10.1 to the Company's Form 8-K, filed on October 30, 2014 and incorporated herein by reference).
10.14+	Form of Performance Share Award Agreement (filed as exhibit 10.1 to the Company's Form 10-Q, filed on April 30, 2015 and incorporated herein by reference).
10.15+	Dividend Reinvestment and Stock Purchase Plan (filed pursuant to Rule 424(b)(5) under the Securities Act of 1933, as amended, on February 23, 2015, as a prospectus supplement to the Company's prospectus dated February 22, 2013 (File No. 333-186788) and incorporated herein by reference).
10.16+	Dividend Reinvestment and Stock Purchase Plan (filed pursuant to Rule 424(b)(5) under the Securities Act of 1933, as amended, on July 30, 2015, as a prospectus supplement to the Company's prospectus dated February 22, 2013 (File No. 333-186788) and incorporated herein by reference).
10.17+	Form of Restricted Stock Agreement (filed as exhibit 10.30 to the Company's Form 10-K for the year ended December 31, 2015 and incorporated herein by reference).
10.18+	Form of Restricted Stock Unit Award Agreement (filed as exhibit 10.31 to the Company's Form 10-K for the year ended December 31, 2015 and incorporated herein by reference).
10.19+	Form of Second Amendment to Employment Agreement (filed as exhibit 10.32 to the Company's Form 10-K for the year ended December 31, 2015 and incorporated herein by reference).
10.20+	First Amendment to Realty Income Corporation 2012 Incentive Award Plan. (filed as exhibit 10.33 to the Company's Form 10-K, filed on February 23, 2017 and incorporated herein by reference).
10.21+	Second Amendment to Realty Income Corporation 2012 Incentive Award Plan (filed as exhibit 10.1 to the Company's Form 8-K, filed on February 17, 2017 and incorporated herein by reference).
10.22+	Form of Performance Share Award Agreement (filed as exhibit 10.3 to the Company's Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference).
10.23+	Realty Income Executive Severance Plan dated January 15, 2019 (filed as exhibit 10.1 to the Company's Form 8-K, filed on January 18, 2019 and incorporated herein by reference).
10.24+	Form of Participation Agreement to Realty Income Executive Severance Plan dated January 15, 2019 (filed as exhibit 10.2 to the Company's Form 8-K, filed on January 18, 2019 and incorporated herein by reference).
10.25	Second Amended and Restated Credit Agreement dated August 7, 2019 (filed as exhibit 10.1 to the Company's Form 8-K, filed on August 12, 2019 and incorporated herein by reference).
10.26+	Severance Agreement and General Release dated January 29, 2020 (filed as exhibit 10.1 to the Company's Form 8-K, filed on January 30, 2020 and incorporated herein by reference).
10.27+	Participation Agreement to Realty Income Executive Severance Plan, dated as of October 12, 2020, by and between Realty Income Corporation and Christie B. Kelly. (filed as exhibit 10.1 to the Company's Form 8-K, filed on October 13, 2020 and incorporated herein by reference).

Subsidiaries of the Registrant	
21.1*	Subsidiaries of the Company as of February 23, 2021.
Consents of Experts and Counsel	
23.1*	Consent of Independent Registered Public Accounting Firm.
Certifications	
31.1*	Rule 13a-14(a) Certifications as filed by the Chief Executive Officer pursuant to SEC release No. 33-8212 and 34-47551.
31.2*	Rule 13a-14(a) Certifications as filed by the Chief Financial Officer pursuant to SEC release No. 33-8212 and 34-47551.
32*	Section 1350 Certifications as furnished by the Chief Executive Officer and the Chief Financial Officer pursuant to SEC release No. 33-8212 and 34-47551.
Interactive Data Files	
101*	The following materials from Realty Income Corporation’s Annual Report on Form 10-K for the year ended December 31, 2020, formatted in Extensible Business Reporting Language: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income and Comprehensive Income, (iii) Consolidated Statements of Stockholders’ Equity, (iv) Consolidated Statements of Cash Flows, (v) Notes to Consolidated Financial Statements, and (vi) Schedule III Real Estate and Accumulated Depreciation.
104*	The cover page from the Company's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in Inline Extensible Business Reporting Language.

* Filed herewith.

+ Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REALTY INCOME CORPORATION

By:	/s/SUMIT ROY Sumit Roy President, Chief Executive Officer	Date: February 23, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By:	/s/MICHAEL D. MCKEE Michael D. McKee Non-Executive Chairman of the Board of Directors	Date: February 23, 2021
By:	/s/KATHLEEN R. ALLEN, Ph.D. Kathleen R. Allen, Ph.D. Director	Date: February 23, 2021
By:	/s/A. LARRY CHAPMAN A. Larry Chapman Director	Date: February 23, 2021
By:	/s/REGINALD H. GILYARD Reginald H. Gilyard Director	Date: February 23, 2021
By:	/s/PRIYA CHERIAN HUSKINS Priya Cherian Huskins Director	Date: February 23, 2021
By:	/s/GERARDO I. LOPEZ Gerardo I. Lopez Director	Date: February 23, 2021
By:	/s/GREGORY T. MCLAUGHLIN Gregory T. McLaughlin Director	Date: February 23, 2021
By:	/s/RONALD L. MERRIMAN Ronald L. Merriman Director	Date: February 23, 2021
By:	/s/SUMIT ROY Sumit Roy Director, President, Chief Executive Officer (Principal Executive Officer)	Date: February 23, 2021

By:	/s/CHRISTIE B. KELLY	Date: February 23, 2021
	Christie B. Kelly Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	
By:	/s/SEAN P. NUGENT	Date: February 23, 2021
	Sean P. Nugent Senior Vice President, Controller (Principal Accounting Officer)	

REALTY INCOME CORPORATION AND SUBSIDIARIES
SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION
AS OF DECEMBER 31, 2020

			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4 and 6)						
Description	Number of Properties (Note 1)	Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Date Acquired	Life on which depreciation in latest Income Statement is Computed (in Years)
U.S.													
Aerospace	5	12,811,485	6,890,774	110,783,380	222,669	—	6,890,774	111,006,049	117,896,823	32,439,224	1994-2013	6/20/2011-6/27/2013	25-35
Apparel stores	37	13,925,000	73,267,619	183,914,767	3,472,987	199,362	73,267,619	187,587,116	260,854,735	48,433,166	1970-2012	10/30/1987-10/6/2020	4-25
Automotive collision services	83	—	59,995,209	140,125,701	1,800,680	10,000	59,995,209	141,936,381	201,931,590	33,434,601	1928-2020	8/30/2002-7/7/2020	19-25
Automotive parts	251	—	98,784,470	252,803,413	4,702,685	826,885	98,784,470	258,332,983	357,117,453	73,960,839	1969-2020	8/6/1987-10/28/2020	15-25
Automotive service	319	—	156,569,614	244,468,843	513,914	147,524	156,569,614	245,130,281	401,699,895	73,360,221	1920-2019	10/2/1985-12/23/2020	14-25
Automotive tire services	202	—	126,835,381	234,004,107	727,127	97,335	126,835,381	234,828,569	361,663,950	123,637,853	1947-2017	11/27/1985-12/14/2020	10-25
Beverages	20	—	217,138,252	174,982,150	—	147	217,138,252	174,982,297	392,120,549	44,754,449	1992-2020	6/25/2010-11/9/2020	25-35
Book Stores	1	—	998,250	3,696,707	129,751	79	998,250	3,826,537	4,824,787	3,590,046	1996	3/11/1997	25
Child care	278	—	98,644,904	221,368,767	5,240,741	901,323	98,644,904	227,510,831	326,155,735	109,437,582	1958-2018	12/22/1981-10/30/2020	4-25
Consumer electronics	12	—	22,731,086	28,326,134	939,944	51,616	22,731,086	29,317,694	52,048,780	12,093,963	1992-2003	6/9/1997-12/7/2020	23-25
Consumer goods	4	—	7,663,458	124,173,738	894,295	—	7,663,458	125,068,033	132,731,491	26,065,011	1987-2011	1/22/2013-9/22/2015	34-35
Convenience stores	1,255	—	1,067,078,213	1,402,601,795	(598,228)	145,384	1,067,078,213	1,402,148,951	2,469,227,164	368,222,563	1949-2020	3/3/1995-10/30/2020	5-25
Crafts and novelties	29	—	53,819,025	124,854,660	995,404	440,482	53,819,025	126,290,546	180,109,571	18,551,249	1974-2020	11/26/1996-9/29/2020	22-34
Diversified industrial	8	9,790,000	12,501,884	140,181,089	139,970	—	12,501,884	140,321,059	152,822,943	21,274,393	1987-2015	9/19/2012-10/30/2020	25-35
Dollar stores	1,337	11,127,000	436,860,261	1,283,734,718	1,749,982	8,879	436,860,261	1,285,493,579	1,722,353,840	302,143,582	1935-2020	2/3/1998-11/6/2020	21-25
Drug stores	384	123,224,723	575,380,313	1,331,712,483	3,288,007	100,379	575,380,313	1,335,100,869	1,910,481,182	355,374,686	1965-2015	9/30/1998-12/16/2019	9-35
Education	13	—	5,689,836	19,699,816	389,722	130,135	5,689,836	20,219,673	25,909,509	16,215,093	1980-2000	12/19/1984-6/28/2006	12-25
Electric utilities	1	—	1,450,000	9,209,989	—	—	1,450,000	9,209,989	10,659,989	1,941,726	1983	8/30/2013	35
Entertainment	10	—	28,373,479	10,617,464	515,457	—	28,373,479	11,132,921	39,506,400	6,634,393	1989-1999	3/26/1998-9/11/2014	24-25
Equipment services	6	—	3,889,283	38,989,570	650,489	140	3,889,283	39,640,199	43,529,482	11,916,443	2000-2014	7/3/2003-12/2/2019	25-35
Financial services	238	—	115,289,112	351,027,648	(4,403,463)	101,099	115,289,112	346,725,284	462,014,396	87,506,735	1807-2015	3/10/1987-6/29/2018	15-35
Food processing	6	28,533,002	13,025,055	151,759,842	210,468	—	13,025,055	151,970,310	164,995,365	25,524,794	1988-2019	4/1/2011-9/27/2019	25-35
General merchandise	122	—	199,207,356	619,215,984	(6,200,698)	557,868	199,207,356	613,573,154	812,780,510	81,974,326	1954-2020	8/6/1987-12/23/2020	15-35
Government services	16	—	8,093,555	121,520,749	3,517,744	—	8,093,555	125,038,493	133,132,048	29,653,734	1983-2011	9/17/2009-1/22/2013	25-35
Grocery stores	132	38,621,000	276,250,552	783,434,945	1,821,243	325,183	276,250,552	785,581,371	1,061,831,923	154,197,849	1948-2020	5/26/1988-12/22/2020	20-35
Health and beauty	2	—	2,475,474	43,935,914	—	—	2,475,474	43,935,914	46,411,388	3,256,609	2005-2017	11/1/2006-4/13/2018	25-35
Health and fitness	103	—	251,062,948	1,054,810,217	7,735,262	172,145	251,062,948	1,062,717,624	1,313,780,572	262,990,060	1940-2019	5/31/1995-3/19/2020	23-25
Health care	66	—	51,510,133	298,522,788	4,046,245	1,285,766	51,510,133	303,854,799	355,364,932	66,121,271	1930-2018	9/9/1991-12/2/2019	16-35
Home furnishings	64	9,700,000	31,810,693	109,453,697	2,365,455	127,944	31,810,693	111,947,096	143,757,789	34,126,430	1968-2015	1/24/1984-1/13/2020	15-35
Home improvement	83	6,095,360	224,674,137	465,949,401	2,472,665	75,210	224,674,137	468,497,276	693,171,413	84,948,975	1950-2015	12/22/1986-11/23/2020	23-35
Insurance	1	—	634,343	6,331,030	—	—	634,343	6,331,030	6,965,373	2,120,895	2012	8/28/2012	25
Jewelry	4	—	—	8,268,989	—	—	—	8,268,989	8,268,989	2,632,294	2006-2008	1/22/2013	25
Machinery	1	—	1,630,917	12,938,430	—	—	1,630,917	12,938,430	14,569,347	4,377,502	2010	7/31/2012	25
Motor vehicle dealerships	28	—	115,897,045	143,335,317	—	231	115,897,045	143,335,548	259,232,593	56,030,088	1975-2017	5/13/2004-3/29/2019	25
Office supplies	7	—	8,281,041	13,776,478	875,115	349,599	8,281,041	15,001,192	23,282,233	12,683,737	1995-2014	1/29/1997-12/2/2019	23-25
Other manufacturing	7	23,664,607	8,893,136	78,526,394	1,676,794	239,723	8,893,136	80,442,911	89,336,047	14,216,221	1989-2016	1/22/2013-12/21/2016	34-35
Packaging	10	1,809,877	20,323,553	163,114,123	2,480,121	—	20,323,553	165,594,244	185,917,797	33,290,751	1965-2016	6/3/2011-12/20/2017	25-35

REALTY INCOME CORPORATION AND SUBSIDIARIES
SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION
AS OF DECEMBER 31, 2020

			Initial Cost to Company		Cost Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period (Notes 3, 4 and 6)						
Description	Number of Properties (Note 1)	Encumbrances (Note 2)	Land	Buildings, Improvements and Acquisition Fees	Improvements	Carrying Costs	Land	Buildings, Improvements and Acquisition Fees	Total	Accumulated Depreciation (Note 5)	Date of Construction	Date Acquired	Life on which depreciation in latest Income Statement is Computed (in Years)
Paper	2	—	2,462,414	11,934,685	44,760	—	2,462,414	11,979,445	14,441,859	3,834,776	2002-2006	5/2/2011-12/21/2012	25-35
Pet supplies and services	43	2,509,000	26,418,753	114,773,425	5,541,147	243,582	26,418,753	120,558,154	146,976,907	25,506,704	1950-2019	12/22/1981-11/24/2020	11-35
Restaurants - casual dining	263	—	225,489,972	416,077,090	(1,386,447)	1,936,522	225,489,972	416,627,165	642,117,137	126,891,240	1965-2018	5/16/1984-12/2/2019	10-40
Restaurants - quick service	907	—	434,309,094	806,191,905	865,353	212,582	434,309,094	807,269,840	1,241,578,934	178,660,444	1968-2019	12/9/1976-10/12/2020	11-26
Shoe stores	3	—	6,251,472	35,793,479	214,466	214,706	6,251,472	36,222,651	42,474,123	10,836,836	1996-2008	3/26/1998-1/22/2013	23-35
Sporting goods	20	—	34,594,645	101,810,538	997,950	178,206	34,594,645	102,986,694	137,581,339	29,388,411	1950-2016	10/17/2001-12/2/2019	19-25
Telecommunications	7	—	9,269,789	68,360,132	1,484,421	21,884	9,269,789	69,866,437	79,136,226	20,270,489	1990-2016	6/26/1998-12/10/2015	22-35
Theaters	78	—	227,724,561	742,442,923	8,987,908	270	227,724,561	751,431,101	979,155,662	212,038,075	1930-2014	7/27/2000-8/13/2019	21-25
Transportation services	44	—	102,948,288	800,700,134	3,051,181	401,593	102,948,288	804,152,908	907,101,196	177,461,019	1967-2016	4/1/2003-9/6/2016	25-35
Wholesale clubs	33	17,820,000	191,190,334	328,001,563	(3,889,900)	—	191,190,334	324,111,663	515,301,997	107,718,055	1985-2015	9/30/2011-9/25/2020	25
Other	6	—	7,254,447	24,355,185	887,023	18,796	7,254,447	25,261,004	32,515,451	6,351,227	1982-1997	5/29/1984-9/13/2013	23-35
U.K.													
Grocery stores	31	—	568,612,041	586,831,469	—	—	568,612,041	586,831,469	1,155,443,510	23,683,408	1975-2020	5/23/2019-12/24/2020	25-167
Health care	2	—	8,902,803	17,341,109	—	—	8,902,803	17,341,109	26,243,912	447,303	2000	3/23/2020	63-71
Home improvement	8	—	101,275,951	86,969,771	—	—	101,275,951	86,969,771	188,245,722	956,356	1986-2006	7/31/2020-12/2/2020	25
Theaters	1	—	1,561,502	—	—	—	1,561,502	—	1,561,502	—	2011	12/18/2019	N/A
	6,593	299,631,054	6,331,886,427	14,647,754,645	59,170,409	9,522,579	6,331,886,427	14,716,447,633	21,048,334,060	3,563,177,697			

REALTY INCOME CORPORATION AND SUBSIDIARIES
SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION

Note 1. Realty Income Corporation owns 6,503 single-client properties in the United States and Puerto Rico, our corporate headquarters property in San Diego, California and 39 single-client properties in the United Kingdom. Crest Net Lease, Inc. owns 13 single-client properties in the United States.

Realty Income Corporation also owns 34 multi-client properties located in the United States and owns three multi-client properties located in the United Kingdom.

Note 2. Includes mortgages payable secured by 68 properties, but excludes unamortized net debt premiums of $1.7 million.

Note 3. The aggregate cost for federal income tax purposes for Realty Income Corporation is $22,741,595,516 and for Crest Net Lease, Inc. is $92,643,698.

Note 4. The following is a reconciliation of total real estate carrying value for the years ended December 31:

	2020	**2019**	**2018**
Balance at Beginning of Period	19,637,626,852	16,566,601,986	15,027,043,415
Additions During Period:			
Acquisitions	2,163,707,260	3,644,884,106	1,802,745,841
Less amounts allocated to acquired lease intangible assets and liabilities on our Consolidated Balance Sheets	(382,849,836)	(401,318,627)	(89,474,897)
Improvements, Etc.	6,194,424	17,447,145	23,043,158
Other (Leasing Costs and Building Adjustments as a result of net debt premiums) (1)	22,489,716	2,740,797	2,839,574
Total Additions	1,809,541,564	3,263,753,421	1,739,153,676
Deductions During Period:			
Cost of Real Estate sold	253,505,789	129,736,613	165,023,825
Cost of Equipment sold	24,799	11,200	15,650
Releasing costs	258,513	673,647	232,089
Other (including Provisions for Impairment) (2)	195,003,525	87,951,488	34,323,541
Total Deductions	448,792,626	218,372,948	199,595,105
Foreign Currency Translation	49,958,270	25,644,393	—
Balance at Close of Period	21,048,334,060	19,637,626,852	16,566,601,986

(1) Includes reclassification of $22.5 million right of use assets under finance leases in 2020.

(2) Includes provision for impairment and, for the year ended 2019, a reclassification of $36.9 million of right of use assets under finance leases in accordance with the adoption of ASC 842, *Leases*, on January 1, 2019.

Note 5. The following is a reconciliation of accumulated depreciation for the years ended:

Balance at Beginning of Period	3,140,854,604	2,723,085,290	2,350,544,126
Additions During Period - Provision for Depreciation	531,908,615	481,498,979	432,482,396
Deductions During Period:			
Accumulated depreciation of real estate and equipment sold or disposed of	110,914,744	64,053,838	59,941,232
Foreign Currency Translation	1,329,222	324,174	—
Balance at Close of Period	3,563,177,697	3,140,854,604	2,723,085,290

Note 6. In 2020, provisions for impairment were recorded on ninety-nine Realty Income properties.
In 2019, provisions for impairment were recorded on fifty-one Realty Income properties.
In 2018, provisions for impairment were recorded on forty-four Realty Income properties.

See report of independent registered public accounting firm.

Exhibit 4.22

DESCRIPTION OF SECURITIES

As of December 31, 2020, Realty Income Corporation, a Maryland corporation ("Realty Income," "we," "us," and the "Company"), had two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): (i) our common stock, $0.01 par value per share ("common stock"); and (ii) our 1.625% Notes due 2030 (the "notes"). Our common stock and notes are listed on The New York Stock Exchange under the ticker symbols "O" and "O.30," respectively.

DESCRIPTION OF COMMON STOCK

The following description of some of the terms of the common stock of the Company, our charter (as amended or restated from time to time, the “charter”) and our Amended and Restated Bylaws (as further amended or restated from time to time, the “Bylaws”), and the Maryland General Corporation Law (the “MGCL”) does not purport to be complete and is subject to and qualified in its entirety by reference to the MGCL and our charter and the bylaws. Copies of our most recent charter and bylaws, and any subsequent amendments thereto, have been filed or incorporated by reference as exhibits to our most recent Annual Report on Form 10-K or a subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K filed by us with the Securities and Exchange Commission (the “SEC”). You may obtain copies of any of those documents by visiting the SEC website at http://www.sec.gov.

General

We have authority to issue 740,200,000 shares of our common stock, $0.01 par value per share, and 69,900,000 shares of preferred stock, $0.01 par value per share ("preferred stock").

Common Stock

Subject to the preferential rights of any other class or series of our stock and to the provisions of our charter regarding the restrictions on ownership and transfer of stock, holders of our common stock are entitled to receive dividends when, as and if authorized by our board of directors and declared by us out of assets legally available therefor. The terms of any preferred stock we may issue in the future may provide for restrictions or prohibitions on the payment of dividends on, and the purchase of, our common stock and may also provide for holders of that class or series of preferred stock to receive preferential distributions in the event of our liquidation, dissolution or winding up before any payments may be made on our common stock.

For information concerning any class or series of our preferred stock that may be outstanding from time to time, see the articles supplementary classifying and designating the shares of such class or series of preferred stock, which have been or will be, as the case may be, filed or incorporated by reference as an exhibit to our most recent Annual Report on Form 10-K or a subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K filed by us with the SEC, and the description of any such class or series of our preferred stock contained in the applicable Registration Statement on Form 8-A, including any amendments and reports filed for the purpose of updating such description, which have been or will be filed by us with the SEC. You may obtain copies of any of these documents by visiting the SEC's website at http://www.sec.gov.

Our charter authorizes our board of directors to classify and reclassify any unissued shares of our common stock or preferred stock into other classes or series of stock and to establish the number of shares in each class or series and to set the terms, preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such class or series. Thus, the board of directors could cause the issuance of shares of preferred stock with dividend rights, rights to distributions in the event of our liquidation, dissolution or winding up, voting rights or other rights that could adversely affect the rights of holders of our common stock or delay or prevent a tender offer or change of control of the Company that might involve a premium price for shares of our common stock or otherwise be in their best interests, any of which could adversely affect the market price of our common stock.

Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our common stock (see "Restrictions on Ownership and Transfers of Stock" below), each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors (other than any directors to be elected exclusively by holders of our outstanding preferred stock or any other class or series of our stock). Except as provided with respect to any other class or series of stock, the holders of shares of our common stock will possess the exclusive voting power.

Holders of our common stock do not have cumulative voting rights in the election of directors, which means that holders of more than 50% of all the shares of our common stock voting for the election of directors can elect all the directors standing for election (other than any directors to be elected exclusively by holders of our outstanding preferred stock or any other class or series of our stock) at the time if they choose to do so, and the holders of the remaining shares of our common stock cannot elect any such directors. All of our directors currently serve a one year term. Holders of shares of common stock do not have preemptive rights, which means they have no right under the charter, bylaws, or Maryland law to acquire any additional shares of common stock that may be issued by us at a subsequent date. Holders of shares of common stock have no preference, conversion, exchange, sinking fund or redemption rights. Under Maryland law, stockholders generally are not liable for the corporation's debts or obligations.

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, convert into another entity, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless approved by its stockholders by the affirmative vote of two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. Our charter provides that any such action shall be effective if approved by the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter. Because the term "substantially all" of a company's assets is not defined in the MGCL, it is subject to Maryland common law and to judicial interpretation and review in the context of the unique facts and circumstances of any particular transaction. Accordingly, there may be uncertainty as to whether a sale of "substantially all" of our assets has taken place within the meaning of the MGCL provisions described above.

Restrictions on Ownership and Transfers of Stock

To maintain our status as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), no more than 50% in value of our outstanding shares of stock may be owned, actually or constructively, by or for five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year. In addition, if we, or an owner of 10% or more of our stock, actually or constructively owns 10% or more of a tenant of ours (or a tenant of any partnership or limited liability company that is treated as a partnership for federal income tax purposes in which we are a partner or member), the rent received by us (either directly or through one or more subsidiaries) from that tenant will not be qualifying income for purposes of the REIT gross income tests of the Code. A REIT's stock must also be beneficially owned by 100 or more persons during at least 335 days of a taxable year of twelve months or during a proportionate part of a shorter taxable year.

Because we expect to continue to qualify as a REIT, our charter contains restrictions on the ownership and transfer of our common stock which, among other purposes, are intended to assist us in complying with applicable Code requirements. Our charter provides that, subject to certain specified exceptions, no person or entity may own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% (by value or by number of shares, whichever is more restrictive) of our outstanding shares of common stock. We refer to this restriction as the "ownership limit." The constructive ownership rules of the Code are complex, and may cause shares of common stock owned actually or constructively by a group of related individuals and/or entities to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.8% of the shares of our common stock (or the acquisition of an interest in an entity that owns, actually or constructively, shares of our common stock) by an individual or entity, could nevertheless cause that individual or entity, or another individual or entity, to constructively own more than 9.8% of our outstanding shares of common stock and thus violate the ownership limit, or any other limit as provided in our charter or as otherwise permitted by our board of directors. Our board of directors may, but in no event is required to, exempt from the ownership limit a particular stockholder if it determines that such ownership will not jeopardize our status as a REIT. As a condition of such exemption, the board of directors may require a ruling from the Internal Revenue Service or an opinion of counsel satisfactory to it and/or undertakings or representations from the applicant with respect to preserving our REIT status.

Our charter further prohibits (1) any person from actually or constructively owning shares of our common stock that would result in our being "closely held" under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT, and (2) any person from transferring shares of our common stock if such transfer would result in shares of our capital stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts to acquire actual or constructive ownership of shares of our common stock that would violate any of the foregoing restrictions on transferability and ownership is required to give written notice to us immediately and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT. The foregoing restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interest to attempt to qualify, or to continue to qualify, as a REIT and such determination is approved by the affirmative vote of holders of two-thirds of all shares entitled to vote on the matter, as required by our charter. Except as otherwise described above, any change in the ownership limit would require an amendment to our charter. We anticipate that any class or series of preferred stock that we issue in the future will be subject to similar restrictions.

Pursuant to our charter, if any purported transfer of common stock or any other event would result in any person violating the ownership limit or such other limit as provided in our charter, or as otherwise permitted by our board of directors, or result in our being "closely held" under Section 856(h) of the Code, or otherwise cause us to fail to qualify as a REIT, then the number of shares that would otherwise cause such violation or result will be transferred automatically to a trust, the beneficiary of which will be a qualified charitable organization selected by us. Such automatic transfer shall be deemed to be effective as of the close of business on the business day prior to the date of such violative transfer.

Within 20 days of receiving notice from us of the transfer of shares to the trust, the trustee of the trust (who shall be designated by us and be unaffiliated with us and any prohibited transferee or prohibited owner) will be required to sell such shares to a person or entity who could own the shares without violating the ownership limit, or any other limit as provided in our charter or as otherwise permitted by our board of directors, and distribute to the prohibited transferee or prohibited owner, as applicable, an amount equal to the lesser of (1) the price paid by the prohibited transferee or prohibited owner for such shares or (2) the net sales proceeds received by the trust for such shares. In the case of any event other than a transfer, or in the case of a transfer for no consideration (such as a gift), the trustee will be required to sell such shares to a qualified person or entity and distribute to the prohibited owner an amount equal to the lesser of (1) the market price (determined as provided in our charter) of such shares as of the date of the event resulting in the transfer or (2) the net sales proceeds received by the trust for such shares. In either case, any proceeds in excess of the amount distributable to the prohibited transferee or prohibited owner, as applicable, will be distributed to the beneficiary. Prior to a sale of any such shares by the trust, the trustee will be entitled to receive, in trust for the beneficiary, all dividends and other distributions paid by us with respect to such shares, and also will be entitled to exercise all voting rights with respect to such shares.

Subject to Maryland law, effective as of the date that such shares have been transferred to the trust, the trustee shall have the authority (at the trustee's sole discretion) (1) to rescind as void any vote cast by a prohibited transferee or prohibited owner, as applicable, prior to the discovery by us that such shares have been transferred to the trust and (2) to recast such vote in accordance with the desires of the trustee acting for the benefit of the beneficiary. However, if we have already taken irreversible corporate action, then the trustee shall not have the authority to rescind and recast that vote. Any dividend or other distribution paid to the prohibited transferee or prohibited owner prior to the discovery by us that such shares had been automatically transferred to a trust as described above will be required to be repaid to the trustee upon demand for distribution to the beneficiary. In the event that the transfer to the trust as described above is not automatically effective (for any reason) to prevent violation of the ownership limit or any other limit as provided in our charter or as otherwise permitted by our board of directors, then our charter provides that the transfer of such shares will be void.

In addition, shares of our common stock held in the trust shall be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of (1) the price per share in the transaction that resulted in such transfer to the trust (or, in the case of a devise or gift, the market price at the time of such devise or gift) and (2) the market price on the date we, or our designee, accept such offer. We shall have the right to accept such offer until the trustee has sold the shares of common stock held in the trust. Upon such a sale to us, the interest of the beneficiary in the shares sold shall terminate and the trustee shall distribute the net proceeds of the sale to the prohibited transferee or prohibited owner, and any dividends or other distributions held by the trustee with respect to such shares will be paid to the beneficiary.

If any purported transfer of shares of common stock would cause us to be beneficially owned by fewer than 100 persons, such transfer will be null and void in its entirety and the intended transferee will acquire no rights to the stock.

All certificates representing shares of our common stock will bear a legend referring to the restrictions described above. The foregoing ownership limitations could delay, defer or prevent a transaction or a change in control of the Company that might involve a premium price for our common stock or otherwise be in the best interests of stockholders.

As set forth in the U.S. Treasury (the "Treasury") regulations promulgated under the Code, every owner of a specified percentage (or more) of the outstanding shares of our stock (including both common stock and preferred stock) must file a completed questionnaire with us containing information regarding their ownership of such shares. Under current Treasury regulations, the percentage will be set between 0.5% and 5.0%, depending upon the number of record holders of our shares of stock. Under our charter, each common stockholder shall upon demand be required to disclose to us in writing such information as we may request, in good faith, in order to determine the effect, if any, of such common stockholder's actual and constructive ownership of common stock on our status as a REIT and to ensure compliance with the ownership limit, or any other limit as provided in our charter or as otherwise permitted by our board of directors.

The transfer restrictions and limitations described above could delay or prevent a tender offer or change in control of the Company or reduce the possibility that a third party will attempt such a transaction, even if a tender offer or a change in control were in our stockholders' best interests or involved a premium price for our stock, which could adversely affect the market price of our common stock or any class or series of our preferred stock.

Election and Removal of Directors

Our charter and bylaws provide that our board of directors may establish the number of directors of the Company as long as the number is not fewer than the minimum number required under the MGCL, which is one, nor, unless our bylaws are amended, more than 15.

Pursuant to our charter, each of our directors is elected by our stockholders to serve until the next annual meeting following his or her election and until his or her successor is duly elected and qualifies.

Pursuant to our bylaws, directors in uncontested elections are elected upon the affirmative vote of a majority of the total votes cast for and against such nominee at a duly called meeting of stockholders, and directors in contested elections are elected by the affirmative vote of a plurality of the votes cast. In both uncontested and contested elections, holders of shares of our common stock have no right to cumulative voting in the election of directors. Consequently, at each annual meeting of stockholders, the holders of a majority of the shares of our common stock will be able to elect all of our directors.

Under the MGCL and our bylaws, except as otherwise provided in the terms of any class or series of our stock, vacancies on our board of directors created by any reason other than an increase in the number of directors may be filled by a majority of the remaining directors, even if the remaining directors do not constitute a quorum, and any vacancy in the number of directors created by an increase in the number of directors may be filled by a majority vote of the entire board. Any individual elected to fill a vacancy will serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualifies.

Our charter provides that, subject to the rights of holders of shares of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause and by the affirmative vote of stockholders entitled to cast a majority of the votes entitled to be cast generally in the election of directors.

Amendment to Charter and Bylaws

Except as provided in the MGCL, amendments to our charter must be advised by our board of directors and approved by the affirmative vote of our stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. Our board of directors generally has the power to amend our bylaws; provided, that, amendments to certain provisions in our bylaws related to a written statement required to be furnished to stockholders in the event of certain distributions, our investment policy and restrictions, an annual report to stockholders and the definitions used in those sections of our bylaws must be approved by the affirmative vote of our stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. Additionally, stockholders may alter or repeal any provision of our bylaws and adopt new bylaw provisions with the approval by a majority of all votes entitled to be cast on the matter.

Maryland Business Combination Act

Under the MGCL, certain "business combinations" (including certain issuances of equity securities) between a Maryland corporation and any person who beneficially owns ten percent or more of the voting power of the corporation's outstanding voting stock, or an affiliate or associate of the corporation who beneficially owned ten percent or more of the voting power at any time within the preceding two years, in each case referred to as an "interested stockholder," or an affiliate thereof, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any such business combination must be approved by two super-majority stockholder votes unless, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares of common stock. The business combination provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of directors prior to the time that the interested stockholder becomes an interested stockholder. These provisions of the MGCL may delay, defer or prevent a transaction or a change of control of our

Company that might involve a premium price for our common stock or any class or series of our preferred stock, or otherwise be in the best interests of our stockholders.

Maryland Control Share Acquisition Act

The MGCL provides that holders of "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock owned by the acquirer, by officers of the corporation or by employees who are directors of the corporation. "Control shares" are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority, or (3) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem for fair value any and all of the control shares (except those for which voting rights have previously been approved). Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or, if a meeting of stockholders is held at which the voting rights of such shares are considered and not approved, as of the date of the meeting. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights, meaning that they may require us to repurchase their shares for their appraised value as determined pursuant to the MGCL. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply to (1) shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (2) acquisitions exempted by the charter or bylaws of the corporation, adopted at any time before the acquisition of the shares.

As permitted by the MGCL, our bylaws contain a provision exempting us from the control share acquisition statute. That bylaw provision states that the control share statute shall not apply to any acquisition by any person of shares of our stock. Our board of directors may, without the consent of any of our stockholders, amend or eliminate this bylaw provision at any time, which means that we would then become subject to the Maryland control share acquisition statute, and there can be no assurance that such provision will not be amended or eliminated by our board of directors at any time in the future.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Securities Exchange Act of 1934, as amended, and at least three independent directors to elect, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to be subject to any or all of five provisions, including:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the board of directors;
- a requirement that a vacancy on the board of directors be filled only by a vote of the remaining directors in office and for the remainder of the full term of the class of directors in which the vacancy occurred and until a successor is elected and qualifies; and
- a majority requirement for the calling of a stockholder-requested special meeting of stockholders.

We have not elected to be subject to any of the provisions of Subtitle 8, including the provisions that would permit us to classify our board of directors or increase the vote required to remove a director without stockholder approval. Through provisions in our charter and bylaws unrelated to Subtitle 8, we (1) vest in our board of directors the exclusive power to fix the number of directors and (2) require, unless called by our chairman, our chief executive officer, our president or our board of directors, the request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at the meeting to call a special meeting of stockholders. The provisions of Subtitle 8 expressly provide that Subtitle 8 does not limit the power of a Maryland corporation, by provision in its charter, to confer on the holders of any class or series of preferred stock the right to elect one or more directors or designate the terms and voting powers of directors, which may vary among directors.

Special Meetings of Stockholders

Pursuant to our bylaws, our chairman, our chief executive officer, our president or our board of directors may call a special meeting of our stockholders. Subject to the provisions of our bylaws, a special meeting of our stockholders to act on any matter that may properly be considered by our stockholders will also be called by our secretary upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at the meeting on such matter, accompanied by the information required by our bylaws. Our secretary will inform the requesting stockholders of the reasonably estimated cost of preparing and delivering the notice of meeting (including our proxy materials), and the requesting stockholder must pay such estimated cost before our secretary may prepare and deliver the notice of the special meeting.

Proxy Access

Our bylaws include provisions permitting, subject to certain eligibility, procedural and disclosure requirements, qualifying stockholders, or a qualifying group of no more than 20 stockholders, who have maintained continuous ownership of at least three percent of our outstanding shares of common stock for at least three years to require us to include in our proxy materials for an annual meeting of stockholders a number of director nominees not to exceed the greater of two nominees or 20 percent of the number of directors up for election.

Advance Notice of Director Nomination and New Business

Our bylaws provide that nominations of individuals for election as directors and proposals of business to be considered by stockholders at any annual meeting may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of our board of directors or (3) by any stockholder who was a stockholder of record as of the record date set by the board for the annual meeting, at the time of giving the notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on such other proposed business and who has complied with the advance notice procedures and, if applicable, the proxy access provisions, of our bylaws. Stockholders generally must provide notice to our secretary not earlier than the 150th day or later than 5:00 p.m., Pacific Time, on the 120th day before the first anniversary of the date our proxy statement was released for the preceding year's annual meeting.

Only the business specified in the notice of the meeting may be brought before a special meeting of our stockholders. Nominations of individuals for election as directors at a special meeting of stockholders may be made only (1) by or at the direction of our board of directors, (2) by a stockholder that has requested that a special meeting be called for the purpose of electing directors in compliance with our bylaws or (3) if the special meeting has been called in accordance with our bylaws for the purpose of electing directors, by a stockholder who is a stockholder of record as of the record date set by the board for the special meeting, at the time of giving the notice required by our bylaws and at the time of the special meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice procedures of our bylaws. Stockholders generally must provide notice to our secretary not earlier than the 120th day before such special meeting or later than 5:00 p.m., Pacific Time, on the later of the 90th day before the special meeting or the tenth day after the first public announcement of the date of the special meeting and the nominees of our board of directors to be elected at the meeting.

A stockholder's notice must contain certain information specified by our bylaws about the stockholder, its affiliates and any proposed business or nominee for election as a director, including information about the economic interest of the stockholder, its affiliates and any proposed nominee in us.

Effect of Certain Provisions of Maryland Law and our Charter and Bylaws

Our charter contains restrictions on ownership and transfer of our stock intended to, among other purposes, assist us in maintaining our status as a REIT for United States federal and/or state income tax purposes. For example, our charter restricts any person or entity from acquiring actual or constructive ownership of more than 9.8% (by value or by number of shares, whichever is more restrictive) of our outstanding shares of common stock.

See "Restrictions on Ownership and Transfers of Stock". These restrictions could delay or prevent a tender offer or change in control of our Company or reduce the possibility that a third party will attempt such a transaction, even if a tender offer or a change of control were in our stockholders' interests or involved a premium price for our common stock, which could adversely affect the market price of our common stock.

Our charter authorizes our board of directors to issue preferred stock of the Company, including convertible preferred stock, without stockholder approval. The board of directors may establish the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption of any class or series of preferred stock we may issue, which may include voting rights and rights to convert such preferred stock into common stock. The issuance of preferred stock could delay or prevent a tender offer or change in control of the Company or reduce the possibility that a third party will attempt such a transaction, even if a tender offer or a change of control were in our stockholders' interests or involved a premium price for our common stock or any class or series of our preferred stock, which could adversely affect the market price of our common stock and any such class or series of preferred stock.

Our charter and bylaws also provide that the number of directors may be established only by our board of directors, which prevents our stockholders from increasing the number of our directors and filling any vacancies created by such increase with their own nominees. The provisions of our bylaws discussed above under the captions "Special Meetings of Stockholders" and "Advance Notice of Director Nomination and New Business" require stockholders seeking to call a special meeting, nominate an individual for election as a director or propose other business at an annual or special meeting to comply with certain notice and information requirements. These provisions, alone or in combination, could make it more difficult for our stockholders to remove incumbent directors or fill vacancies on our board of directors with their own nominees and could delay or prevent a proxy contest, tender offer or change in control of the Company or reduce the possibility that a third party will attempt such a contest or transaction, even if a proxy contest, tender offer or a change of control were in our stockholders' interests or involved a premium price for our common stock or any class or series of our preferred stock, which could adversely affect the market price of our common stock and any such class or series of preferred stock.

Indemnification of Officers and Directors.

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services, or
- active and deliberate dishonesty established by a final judgment as being material to the cause of action.

Our charter contains such a provision which eliminates such liability to the maximum extent permitted by the MGCL.

Our charter authorizes us, and our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to any present or former director or officer who is made or threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity or any individual who, while serving as one of our directors or officers and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise and who is made or threatened to be made a party to, or witness in, the proceeding by reason of his or her service in that capacity. Our charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and to any employee or agent of ours or our predecessor.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it shall ultimately be determined that the standard of conduct was not met.

Transfer Agent

The registrar and transfer agent for our common stock is Computershare Trust Company, N.A.

DESCRIPTION OF 1.625% NOTES DUE 2030

The following description of our 1.625% Notes due 2030 (the "notes") and the indenture dated as of October 28, 1998 (the "Indenture") between Realty Income and The Bank of New York Mellon Trust Company, N.A. (successor trustee to The Bank of New York), as trustee (the "Trustee") pursuant to which the notes were issued is a summary and is not complete. These statements are qualified in their entirety by reference to the provisions of the notes, the officers' certificate establishing the form and terms of the notes and the Indenture, including the definitions in the notes and Indenture of certain terms, and which have been filed as exhibits to our most recent Annual Report on Form 10-K. The terms of the notes include those provisions contained in the Indenture and the officers' certificate establishing the form and terms of the notes (the "Officers" Certificate") and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "TIA"). The notes are subject to all those terms, and investors are referred to the Indenture, such officers' certificate and the TIA for a statement of those terms. Unless otherwise expressly stated or the context otherwise requires, all references to the "Company," "Realty Income," "our," "we," and "us" appearing under this caption "Description of 1.625% Notes due 2030" mean Realty Income Corporation, a Maryland corporation, excluding its subsidiaries. Unless otherwise expressly stated or the context otherwise requires, references to "debt securities" under this caption "Description of 1.625%Notes due 2030" include the notes, which are a series of our debt securities issued under the Indenture. Other capitalized terms used under this caption, but not otherwise defined, shall have the meanings given to them in the Indenture. Copies of the Indenture, the Officers' Certificate and the form of note have been filed or incorporated by reference as exhibits to our most recent Annual Report on Form 10-K or a subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K filed by us with the SEC. You may obtain copies of any of those documents by visiting the SEC website at http://www.sec.gov.

General

We are permitted by the Indenture to issue our debt securities thereunder from time to time in one or more series. On October 1, 2020, we issued £400,000,000 aggregate principal amount of the notes as a new, separate series of our debt securities under the Indenture. The Indenture does not limit the amount of debt securities that we may issue under the Indenture, and we may from time to time issue debt securities in one or more series up to the aggregate amount authorized by us for each series. We may, without the consent of the holders of the notes, re-open this series of notes and issue additional notes of this series under the Indenture in addition to the notes previously issued, and any such additional notes shall be part of the same series of debt securities under the Indenture as this series of notes.

The notes have been issued in fully registered form, without interest coupons, in denominations of £100,000 and integral multiples of £1,000 in excess thereof. The notes are denominated in GBP (as defined below). The principal of, and premium, if any, and interest on, and Additional Amounts (as defined below), if any, in respect of, the notes are payable in GBP, except under the circumstances described below under "—Issuance in GBP" and "—Discharge, Defeasance and Covenant Defeasance of the Notes." The notes are evidenced by one or more global notes (collectively, the "Global Note") in book-entry form, except under the limited circumstances described below under "—Certificated Notes." The Global Note is registered in the name of a nominee of, and deposited with or on behalf of, a common depositary (the "common depositary") for Euroclear Bank SA/NV ("Euroclear", which term includes any successor securities clearing agency thereto) and Clearstream Banking S.A. ("Clearstream", which term includes any successor securities clearing agency thereto). Except in the limited circumstances described below under "—Certificated Notes", owners of beneficial interests in the Global Note are not entitled to have notes registered in their names and do not receive and are not entitled to receive notes in definitive certificated form.

For purposes of the notes, unless otherwise expressly stated under this caption "Description of 1.625% Notes due 2030," (i) a "Business Day" means any day, other than a Saturday or a Sunday, that is not a day on which banking institutions in The City of New York or in London, England are authorized or required by law, regulation or executive order to close, (ii) "sterling," "£" and "GBP" mean the lawful currency of the United Kingdom and (iii) "U.S. dollars," "USD" and "$" mean United States dollars.

Reference is made to the section titled "—Certain Covenants" below for a description of certain covenants applicable to the notes. Compliance with these covenants generally may be waived, insofar as concerns the notes, if the holders of a majority in principal amount of the outstanding notes consent to such waiver.

Except to the limited extent described under "—Merger, Consolidation or Sale of Assets" or "—Certain Covenants" below, the Indenture does not contain any provisions that would afford holders of the notes protection in the event of (1) a highly leveraged or similar transaction involving Realty Income, (2) a change of control or management of Realty Income, or (3) a reorganization, restructuring, merger or similar transaction involving Realty Income that may adversely affect the holders of the notes. In addition, subject to compliance with the covenants set forth under "—Certain Covenants" below and, if applicable, covenants in other debt instruments and the covenant set forth under "—Merger, Consolidation or Sale of Assets" below, Realty Income may, in the future, enter into certain transactions such as the sale of all or substantially all of its assets or the merger or consolidation of Realty Income with another entity that could substantially increase the amount of Realty Income's indebtedness or substantially reduce Realty Income's assets, which may have an adverse effect on Realty Income's ability to service its indebtedness, including the notes.

Paying Agent and Transfer Agent

The Bank of New York Mellon, London Branch, acts as the paying agent for the notes. The Bank of New York Mellon Trust Company, N.A. acts as the trustee and the transfer agent for the notes. We may change any paying agent or transfer agent and appoint additional paying agents and transfer agents, so long as we at all times maintain a paying agent for the notes in London, England and a transfer agent for the notes in Chicago, Illinois.

Issuance in GBP

Investors that purchased the notes were required to pay for those notes in GBP.

Except as described in the next paragraph and in the proviso to this sentence, all payments of principal of, and premium, if any, and interest on, and Additional Amounts, if any, in respect of, the notes must be made in GBP; provided that if GBP is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control, then all payments in respect of the notes will be made in U.S. dollars until GBP is again available to us. In such circumstances, the amount payable on any date in GBP will be converted into U.S. dollars at the rate mandated by the Board of Governors of the U.S. Federal Reserve System (or any successor thereto) as of the close of business on the second Business Day prior to the relevant payment date or, if the Board of Governors of the U.S. Federal Reserve System (or any successor thereto) has not mandated a rate of conversion, on the basis of the most recent U.S. dollar/GBP exchange rate published in The Wall Street Journal (or any successor thereto) on or prior to the second Business Day, prior to the relevant payment date. Any payment in respect of the notes so made in U.S. dollars under such circumstances will not constitute an event of default (as defined; see "—Events of Default" below) with respect to the notes under the Indenture. Neither the Trustee nor the paying agent shall have any responsibility for any calculation or conversion in connection with the foregoing.

See "—Discharge, Defeasance and Covenant Defeasance of the Notes" below for a discussion of certain other circumstances (which would apply only after we effected defeasance or covenant defeasance of the notes) under which the notes could be payable in a currency other than GBP.

Ranking

The notes are our senior unsecured obligations and rank equally in right of payment with all of our other existing and future senior unsecured indebtedness. The notes are our obligations exclusively, however, and are not the obligations of, and are not guaranteed by, any of our subsidiaries, nor are any of our subsidiaries required to provide funds to us, whether by dividend, loan or otherwise, to make payments on the notes. The notes are therefore effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of our subsidiaries from time to time outstanding, including any guarantees of our indebtedness by any of our subsidiaries, and are also subordinated in right of payment to all existing and future secured indebtedness of us and our subsidiaries to the extent of the value of the collateral pledged as security therefor. The notes currently rank equally in right of payment with borrowings under our revolving credit facility, our $250.0 million term loan facility and our commercial paper program. However, under those facilities, if any of our subsidiaries guarantees or otherwise becomes obligated with respect to any of our or any of our subsidiaries' other existing or future indebtedness (subject to limited exceptions), then any such subsidiary would be required to become a guarantor under our revolving credit facility and our $250.0 million term loan facility. Additionally, we may voluntarily cause any of our subsidiaries to become a guarantor under these facilities to the extent we consider appropriate to remain in compliance with certain covenants under these facilities. Although the Indenture and other debt instruments to which we are a party limit our ability and the ability of our subsidiaries to incur additional indebtedness, both we and our subsidiaries have the right to incur substantial additional secured and unsecured indebtedness.

Interest and Maturity

The notes mature on December 15, 2030. The notes are not entitled to the benefit of any sinking fund payments. The notes are subject to redemption at Realty Income's option and are not subject to repayment or repurchase by Realty Income at the option of the holders of the notes. See "—Optional Redemption" and "—Redemption for Changes in Taxes" below. As used herein, "holder" means the person in whose name a note is registered in the security register maintained by the registrar for the notes.

The notes bear interest at the rate of 1.625% per annum, accruing from October 1, 2020 or from the most recent interest payment date (as defined below) to which interest has been paid on the notes, payable annually in arrears on December 15 of each year (each, an "interest payment date"), commencing December 15, 2020, to the persons in whose names the notes are registered in the security register applicable to the notes at the close of business on (i) in the case of notes represented by the Global Note, on the business day (for this purpose, a day on which Clearstream and Euroclear are open for business) immediately preceding the applicable interest payment date and (ii) in all other cases, the 15th day prior to the applicable interest payment date (each, a "regular record date"). Interest on the notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the notes (or from and including October 1, 2020 if no interest has been paid on the notes) to but excluding the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

If any interest payment date, the maturity date, any date fixed for redemption or any other day on which the principal of, or premium, if any, or interest on, or Additional Amounts, if any, in respect of, a note becomes due and payable falls on a day that is not a Business Day, the required payment may be made on the next Business Day as if it were made on the date the payment was due and no interest will accrue on the amount so payable for the period from and after such interest payment date, maturity date, redemption date or other date, as the case may be.

Certain Covenants

The following covenants of Realty Income apply to the notes for the benefit of the holders of the notes:

Existence. Except as permitted under the heading below entitled "—Merger, Consolidation or Sale of Assets," pursuant to the terms of the notes and the Indenture, Realty Income is required to do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, all material rights (by charter, bylaws and statute) and all material franchises; provided, however, that Realty Income shall not be required to preserve any right or franchise if its board of directors determines that the preservation thereof is no longer desirable in the conduct of its business.

Maintenance of Properties. Pursuant to the terms of the notes and the Indenture, Realty Income is required to cause all of its material properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will require Realty Income to cause to be made all necessary repairs, renewals, replacements, betterments and improvements to those properties, as in its judgment may be necessary so that the business carried on in connection with those properties may be properly and advantageously conducted at all times; provided, however, that Realty Income and its Subsidiaries shall not be prevented from selling or otherwise disposing of these properties for value in the ordinary course of business.

Insurance. Pursuant to the terms of the notes and the Indenture, Realty Income is required to, and to cause each of its Subsidiaries to, keep in force upon all of its and their properties and operations policies of insurance carried with responsible companies in such amounts and covering all risks as shall be customary in the industry in accordance with prevailing market conditions and availability.

Payment of Taxes and Other Claims. Pursuant to the terms of the notes and the Indenture, Realty Income is required to pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (a) all taxes, assessments and governmental charges levied or imposed on Realty Income or any of its Subsidiaries or upon the income, profits or property of Realty Income or any of its Subsidiaries and (b) all lawful claims for labor, materials and supplies that, if unpaid, might by law become a lien upon its property or the property of any Subsidiary; provided, however, that Realty Income is not required to pay or discharge or cause to be paid or discharged any tax, assessment, charge or claim the amount, applicability or validity of which Realty Income is contesting in good faith through appropriate proceedings.

Provisions of Financial Information. Whether or not Realty Income is subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to the terms of the notes and the Indenture, Realty Income is required, within 15 days after each of the respective dates by which Realty Income would have been required to file annual reports, quarterly reports and other documents with the SEC if Realty Income was subject to those Sections of the Exchange Act to:

- transmit by mail to all holders of the notes, as their names and addresses appear in the register for the notes, without cost to the holders, copies of the annual reports, quarterly reports and other documents that Realty Income would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if Realty Income was subject to those Sections;
- file with the Trustee copies of the annual reports, quarterly reports and other documents that Realty Income would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if Realty Income was subject to those Sections; and
- supply promptly, upon written request and payment of the reasonable cost of duplication and delivery, copies of these documents to any prospective holder of the notes.

For purposes of the foregoing covenants, the term “Subsidiary” means any other person of which more than 50% of (a) the equity or other ownership interests or (b) the total voting power of shares of capital stock or other ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, trustees or general or managing partners thereof is at the time owned by Realty Income or one or more of its Subsidiaries or a combination thereof.

Limitation on Incurrence of Total Debt. Realty Income will not, and will not permit any Subsidiary to, incur any Debt, other than Intercompany Debt, if, immediately after giving effect to the incurrence of such additional Debt and the application of the proceeds therefrom on a pro forma basis, the aggregate principal amount of all outstanding Debt of Realty Income and its Subsidiaries on a consolidated basis determined in accordance with GAAP is greater than 60% of the sum of (1) Realty Income’s Total Assets as of the end of the latest fiscal quarter covered in Realty Income’s Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, most recently filed with the Securities and Exchange Commission (the “SEC”) (or, if such filing is not required under the Exchange Act, with the Trustee) prior to the incurrence of such additional Debt and (2) the increase, if any, in Total Assets from the end of such quarter including, without limitation, any increase in Total Assets caused by the application of the proceeds of such additional Debt (such increase together with Realty Income’s Total Assets are referred to as the “Adjusted Total Assets”).

Limitation on Incurrence of Secured Debt. Realty Income will not, and will not permit any Subsidiary to, incur any Secured Debt, other than Intercompany Debt, if, immediately after giving effect to the incurrence of such additional Secured Debt and the application of the proceeds therefrom on a pro forma basis, the aggregate principal amount of all outstanding Secured Debt of Realty Income and its Subsidiaries on a consolidated basis determined in accordance with GAAP is greater than 40% of Realty Income’s Adjusted Total Assets.

Debt Service Coverage. Realty Income will not, and will not permit any Subsidiary to, incur any Debt, other than Intercompany Debt, if the ratio of Consolidated Income Available for Debt Service to the Annual Debt Service Charge for the period consisting of the four consecutive fiscal quarters most recently ended prior to the date on which such additional Debt is to be incurred is less than 1.5 to 1.0, on a pro forma basis after giving effect to the incurrence of such Debt and the application of the proceeds therefrom, and calculated on the assumption that (1) such Debt and any other Debt incurred by Realty Income or any of its Subsidiaries since the first day of such four-quarter period and the application of the proceeds therefrom (including to refinance other Debt since the first day of such four-quarter period) had occurred on the first day of such period, (2) the repayment or retirement of any other Debt of Realty Income or any of its Subsidiaries since the first day of such four-quarter period had occurred on the first day of such period (except that, in making such computation, the amount of Debt under any revolving credit facility, line of credit or similar facility shall be computed based upon the average daily balance of such Debt during such period), and (3) in the case of any acquisition or disposition by Realty Income or any Subsidiary of any asset or group of assets since the first day of such four-quarter period, including, without limitation, by merger, stock purchase or sale, or asset purchase or sale, such acquisition or disposition had occurred on the first day of such period with the appropriate adjustments with respect to such acquisition or disposition being included in such pro forma calculation. If the Debt giving rise to the need to make the foregoing calculation or any other Debt incurred after the first day of the relevant four-quarter period bears interest at a floating rate then, for purposes of calculating the Annual Debt Service Charge, the interest rate on such Debt shall be computed on a pro forma basis as if the average interest rate which would have been in effect during the entire such four-quarter period had been the applicable rate for the entire such period.

Maintenance of Total Unencumbered Assets. Realty Income will maintain at all times Total Unencumbered Assets of not less than 150% of the aggregate outstanding principal amount of the Unsecured Debt of Realty Income and its Subsidiaries, computed on a consolidated basis in accordance with GAAP.

As used herein:

“Annual Debt Service Charge” as of any date means the amount which is expensed in any 12-month period for interest on Debt of Realty Income and its Subsidiaries.

“Consolidated Income Available for Debt Service” for any period means Consolidated Net Income plus, without duplication, amounts which have been deducted in determining Consolidated Net Income during such period for (1) Consolidated Interest Expense, (2) provisions for taxes of Realty Income and its Subsidiaries based on income, (3) amortization (other than amortization of debt discount) and depreciation, (4) provisions for losses from sales or joint ventures, (5) provisions for impairment losses, (6) increases in deferred taxes and other non-cash charges, (7) charges resulting from a change in accounting principles, and (8) charges for early extinguishment of debt, and less, without duplication, amounts which have been added in determining Consolidated Net Income during such period for (a) provisions for gains from sales or joint ventures, and (b) decreases in deferred taxes and other non-cash items.

“Consolidated Interest Expense” for any period, and without duplication, means all interest (including the interest component of rentals on finance leases, letter of credit fees, commitment fees and other like financial charges) and all amortization of debt discount on all Debt (including, without limitation, payment-in-kind, zero coupon and other like securities) but excluding legal fees, title insurance charges, other out-of-pocket fees and expenses incurred in connection with the issuance of Debt and the amortization of any such debt issuance costs that are capitalized, all determined for Realty Income and its Subsidiaries on a consolidated basis in accordance with GAAP.

“Consolidated Net Income” for any period means the amount of consolidated net income (or loss) of Realty Income and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

“Debt” means any indebtedness of Realty Income or any Subsidiary, whether or not contingent, in respect of (1) money borrowed or evidenced by bonds, notes, debentures or similar instruments, (2) indebtedness secured by any mortgage, pledge, lien, charge, encumbrance, trust deed, deed of trust, deed to secure debt, security agreement or any security interest existing on property owned by Realty Income or any Subsidiary, (3) letters of credit or amounts representing the balance deferred and unpaid of the purchase price of any property except any such balance that constitutes an accrued expense or trade payable or (4) any lease of property by Realty Income or any Subsidiary as lessee that is reflected on Realty Income’s consolidated balance sheet as a finance lease or as indebtedness in accordance with GAAP, in the case of items of indebtedness under (1) through (3) above to the extent that any such items (other than letters of credit) would appear as liabilities on Realty Income’s consolidated balance sheet in accordance with GAAP, and also includes, to the extent not otherwise included, any obligation of Realty Income or any Subsidiary to be liable for, or to pay, as obligor, guarantor or otherwise (other than for purposes of collection in the ordinary course of business), indebtedness of another person (other than Realty Income or any Subsidiary) of the type referred to in (1), (2), (3) or (4) above (it being understood that Debt shall be deemed to be incurred by Realty Income or any Subsidiary whenever Realty Income or such Subsidiary shall create, assume, guarantee or otherwise become liable in respect thereof).

“Executive Group” means, collectively, those individuals holding the offices of Chairman, Vice Chairman, Chief Executive Officer, President, Chief Operating Officer, or any Vice President of Realty Income.

“GAAP” means generally accepted accounting principles, as in effect from time to time, as used in the United States applied on a consistent basis.

“Intercompany Debt” means indebtedness owed by Realty Income or any Subsidiary solely to Realty Income or any Subsidiary.

“Secured Debt” means Debt secured by any mortgage, lien, charge, encumbrance, trust deed, deed of trust, deed to secure debt, security agreement, pledge, conditional sale or other title retention agreement, finance lease, or other security interest or agreement granting or conveying security title to or a security interest in real property or other tangible assets.

“Subsidiary” means (except as expressly provided above) (1) any corporation, partnership, joint venture, limited liability company or other entity the majority of the shares, if any, of the non-voting capital stock or other equivalent ownership interests of which (except directors’ qualifying shares) are at the time directly or indirectly owned by Realty Income, and the majority of the shares of the voting capital stock or other equivalent ownership interests of which (except for directors’ qualifying shares) are at the time directly or indirectly owned by Realty Income, any other Subsidiary or Subsidiaries, and/or one or more individuals of the Executive Group (or, in the event of death or disability of any of such individuals, his/her respective legal representative(s), or such individuals’ successors in office as an officer of Realty Income), and (2) any other entity the accounts of which are consolidated with the accounts of Realty Income. This definition of "Subsidiary" shall also be applicable with respect to the usage of such term in the provisions described under the caption "—Merger, Consolidation or Sale of Assets."

"Total Assets" as of any date means the sum of (1) Undepreciated Real Estate Assets and (2) all other assets of Realty Income and its Subsidiaries determined on a consolidated basis in accordance with GAAP (but excluding accounts receivable and intangibles).

"Total Unencumbered Assets" as of any date means Total Assets minus the value of any properties of Realty Income and its Subsidiaries that are encumbered by any mortgage, charge, pledge, lien, security interest, trust deed, deed of trust, deed to secure debt, security agreement, or other encumbrance of any kind (other than those relating to Intercompany Debt), including the value of any stock of any Subsidiary that is so encumbered, determined on a consolidated basis in accordance with GAAP; provided, however, that, in determining Total Unencumbered Assets as a percentage of outstanding Unsecured Debt for purposes of the covenant set forth above under "—Maintenance of Total Unencumbered Assets," all investments in any person that is not consolidated with Realty Income for financial reporting purposes in accordance with GAAP shall be excluded from Total Unencumbered Assets to the extent that such investment would otherwise have been included. For purposes of this definition, the value of each property shall be equal to the purchase price or cost of each such property and the value of any stock subject to any encumbrance shall be determined by reference to the value of the properties owned by the issuer of such stock as aforesaid.

"Undepreciated Real Estate Assets" as of any date means the amount of real estate assets of Realty Income and its Subsidiaries on such date, before depreciation and amortization, determined on a consolidated basis in accordance with GAAP.

"Unsecured Debt" means Debt of Realty Income or any Subsidiary that is not Secured Debt.

Optional Redemption

Prior to September 15, 2030 (the "Par Call Date"), the notes are redeemable at any time in whole or from time to time in part at the option of Realty Income at a redemption price equal to the greater of:

(a) 100% of the principal amount of the notes to be redeemed, and

(b) the sum of the present values of the remaining scheduled payments of principal of and interest on the notes to be redeemed (exclusive of interest accrued to the applicable redemption date), assuming that the notes matured and that accrued and unpaid interest on the notes was payable on the Par Call Date, discounted to such redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)) at the Comparable Government Bond Rate plus 25 basis points,

plus, in the case of both clauses (a) and (b) above, accrued and unpaid interest on the principal amount of the notes being redeemed to such redemption date.

On and after the Par Call Date, the notes are redeemable at any time in whole or from time to time in part at the option of Realty Income at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest on the principal amount of the notes being redeemed to the applicable redemption date.

Notwithstanding the foregoing, installments of interest on notes that are due and payable on an interest payment date falling on or prior to a redemption date for the notes will be payable to the persons who were the Holders of the notes (or one or more predecessor notes) registered as such at the close of business on the relevant regular record date according to their terms and the provisions of the Indenture.

"Comparable Government Bond Rate" means, with respect to any redemption date for the notes, the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the notes to be redeemed, if they were to be purchased at such price on the third Business Day prior to the date fixed for redemption, would be equal to the gross redemption yield on such Business Day of the Comparable Government Bond on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such Business Day as determined by an independent investment bank selected by Realty Income.

"Comparable Government Bond" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by Realty Income, a United Kingdom government bond whose maturity is closest to the Par Call Date or, if such independent investment bank in its discretion determines that such similar bond is not in issue, such other United Kingdom government bond as such independent investment bank may, with the advice of the three brokers of, and/or market makers in, United Kingdom government bonds selected by Realty Income, determine to be appropriate for determining the Comparable Government Bond Rate.

Notice of any such redemption shall be given to the Holders of the notes called for redemption, and, if less than all the outstanding notes are to be redeemed, the notes to be redeemed shall be selected, as described below under "—Notice of Redemption."

Unless Realty Income defaults in payment of the redemption price, on and after any redemption date interest will cease to accrue on the notes or portions thereof called for redemption.

Redemption for Changes in Taxes

If (1)(a) as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) or treaties of the United States (as defined below) or any political subdivision or taxing authority thereof or therein having power to tax (each, a "Relevant Taxing Jurisdiction"), or any change in, or amendment to, any official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice), which change or amendment becomes effective on or after September 23, 2020, Realty Income becomes or will become obligated to pay any Additional Amounts (as defined under "—Payment of Additional Amounts" below) or (b) any act is taken by a Relevant Taxing Jurisdiction on or after September 23, 2020, whether or not such act is taken with respect to Realty Income or any affiliate of Realty Income, that results in a substantial probability that Realty Income will or may be required to pay any Additional Amounts, and (2) Realty Income determines, in its business judgment, that the obligation to pay Additional Amounts cannot be avoided by taking reasonable measures available to it, including by making payments through a different paying agent (provided that such reasonable measures do not include substitution of another entity as the obligor under the notes), then Realty Income may, at its option, redeem the notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest on the notes to the applicable redemption date. Notwithstanding the forgoing provisions of this paragraph, installments of interest on notes that are due and payable on an interest payment date falling on or prior to a redemption date for the notes will be payable to the persons who were the Holders of the notes (or one or more predecessor notes) registered as such at the close of business on the relevant regular record date according to their terms and the provisions of the Indenture. No redemption pursuant to this paragraph may be made unless Realty Income has received a written opinion of independent counsel to the effect that, as a result of such change or amendment Realty Income has become or will become obligated to pay, or that such act taken by a Relevant Taxing Jurisdiction has resulted in a substantial probability that Realty Income will or may be required to pay, any Additional Amounts, and Realty Income shall have delivered to the Trustee such legal opinion together with an officers' certificate stating that, based on such opinion, Realty Income is entitled to redeem the notes pursuant to the provisions described in this paragraph and the other provisions of the notes and the Indenture.

The Trustee shall be entitled to rely on such officers' certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Holders of the notes.

Notice of any such redemption will be given to the Holders of the notes as described below under "—Notice of Redemption."

Unless Realty Income defaults in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes called for redemption.

As used in under this caption "—Redemption for Changes In Taxes" and under the caption "—Payment of Additional Amounts" below the term "United States" means the United States of America (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

Notice of Redemption

Notice of any redemption of the notes by Realty Income will be mailed at least 15 days but not more than 60 days before the applicable redemption date to each Holder of notes to be redeemed. If less than all of the outstanding notes are to be redeemed, the notes to be redeemed shall be selected, so long as the notes are in book-entry form, in accordance with the applicable procedures of Clearstream, Euroclear or the common depositary, as applicable, or if the notes are issued in definitive certificated form under the limited circumstances described below under "—Certificated Notes," by such method as the Trustee shall deem fair and appropriate; provided that no note shall be redeemed in part unless the remaining principal amount of such note is £100,000 or an integral multiple of £1,000 in excess thereof.

Payment of Additional Amounts

All payments of principal of and premium, if any, and interest on the notes will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, assessment or other governmental charge of whatsoever nature (collectively, "Taxes") imposed by any Relevant Taxing Jurisdiction, unless the withholding or deduction of such Taxes is required by law or the official interpretation or administration thereof.

In the event that any withholding or deduction from or on any payments on or in respect of the notes for or on account of any Taxes is required by a Relevant Taxing Jurisdiction, Realty Income will, subject to the exceptions and limitations set forth below, pay, as additional interest on the notes, such additional amounts ("Additional Amounts") as will result in receipt by each holder of a note that is not a United States Person (as defined below) of such amounts (after all such withholding or deduction, including from or on any Additional Amounts) as would have been received by such holder had no such withholding or deduction been required. Realty Income will not be required, however, to make any payment of Additional Amounts for or on account of:

(1) any Taxes that are imposed or withheld by reason of a holder of the notes (or the beneficial owner for whose benefit such holder holds such note) (or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder) being considered as:

   (a) being or having been present or engaged in a trade or business in the United States or having or having had a permanent establishment in the United States;

   (b) having a current or former relationship with the United States, including a relationship as a citizen or resident thereof;

   (c) being or having been a foreign or domestic personal holding company, a passive foreign investment company or a controlled foreign corporation with respect to the United States or a corporation that has accumulated earnings to avoid United States federal income tax;

   (d) being or having been a "10 percent shareholder" of Realty Income within the meaning of section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision;

   (e) being a controlled foreign corporation that is related to us within the meaning of Section 864(d)(4) of the Code or any successor provision; or

   (f) being or having been a bank receiving interest described in section 881(c)(3)(A) of the Code or any successor provision;

(2) any holder that is not the sole beneficial owner of the note, or a portion thereof, or that is a fiduciary, limited liability company or partnership, but only to the extent that a beneficiary or settlor with respect to the fiduciary or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an Additional Amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment;

(3) any Taxes that are imposed or withheld by reason of the failure to (a) comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with a Relevant Taxing Jurisdiction of the holder or beneficial owner of such note, if compliance is required by statute or by regulation of the Relevant Taxing Jurisdiction as a precondition to relief or exemption from such Taxes (including the submission, if applicable, of a United States Internal Revenue Service ("IRS") Form W-8 (with any required attachments)) or (b) comply with any information gathering and reporting requirements or to take any similar action (including entering into any agreement with the IRS), in each case, that are required to obtain the maximum available exemption from withholding by a Relevant Taxing Jurisdiction that is available to payments received by or on behalf of the holder or beneficial owner;

(4) any Taxes that are imposed otherwise than by withholding from the payment;

(5) any Taxes that are imposed or withheld by reason of a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the payment becomes due or is duly provided for, whichever occurs later;

(6) any estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax or a similar tax, assessment or governmental charge;

(7) any Taxes required to be withheld by any paying agent from any payment of principal of, or premium, if any, or interest on, any note, if such payment can be made without such withholding by any other paying agent;

(8) any Taxes that are imposed or levied by reason of the presentation (where presentation is required in order to receive payment) of such notes for payment on a date more than 30 days after the date on which such payment became due and payable**,** except to the extent that the holder or beneficial owner thereof would

have been entitled to Additional Amounts had the notes been presented for payment on any date during such 30-day period;

(9) any backup withholding or any Taxes imposed under Sections 1471 through 1474 of the Code (or any successor provisions thereto), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code (or any successor provision thereto), or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code (or any successor thereto); or

(10) any combination of any items (1) through (9).

The notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable thereto. Except as specifically provided under this heading "—Payment of Additional Amounts," Realty Income shall not be required to make any payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein on any payment of principal of, premium, if any, or interest on, or Additional Amounts in respect of, the notes.

If Realty Income becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the notes, Realty Income will deliver to the Trustee and each paying agent on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 30 days prior to that payment date, in which case Realty Income shall notify the Trustee and each paying agent promptly after Realty Income becomes aware that such obligation has arisen) an officers' certificate stating the fact that Additional Amounts will be payable and the amount to be so payable. The officers' certificate must also set forth any other information reasonably necessary to enable the paying agents to pay such Additional Amounts to Holders on the relevant payment date. The Trustee and each paying agent shall be entitled to rely solely on such officers' certificate as conclusive proof that such payments are necessary.

As used under this caption "—Payment of Additional Amounts," the term "United States Person" means any individual who is a citizen or resident of the United States for U.S. federal income tax purposes, a corporation, partnership or other entity created or organized in or under the laws of the United States, any state of the United States or the District of Columbia (other than a partnership that is not treated as a United States Person under any applicable U.S. Treasury Regulations), any estate the income of which is subject to United States federal income taxation regardless of its source, or any trust if a court within the United States is able to exercise primary supervision over the administration of the trust or one or more United States fiduciaries have the authority to control all substantial decisions of the trust; and the term "United States" shall have the meaning set forth above under "—Redemption for Changes in Taxes."

Whenever there is mentioned, in any context (except as otherwise provided in the proviso to this sentence), under this caption "Description of 1.625% Notes due 2030," the payment of principal of, or premium, if any, or interest on, or in respect of, any note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the terms of the notes or the Indenture, and express mention of the payment of Additional Amounts anywhere under such captions shall not be construed as excluding Additional Amounts elsewhere under such captions where such express mention is not made; provided that, notwithstanding the foregoing and also notwithstanding anything in the Indenture to the contrary, the references to "principal" and "premium" appearing in clause (2) of the first paragraph under the caption "—Events of Default, Notice and Waiver" below shall not include any Additional Amounts that may be payable in respect of the principal of or premium, if any, on the notes. Because, as described above, all Additional Amounts, if any, payable in respect of the notes will be treated as additional interest, the proviso to the foregoing sentence means that, for purposes of determining whether an event of default has occurred with respect to the notes, any failure by us to pay any Additional Amounts that are payable in respect of the notes when due will be entitled to the same 30 day grace period to which a failure to pay interest on the notes when due would be entitled as described in clause (1) of the first paragraph under the caption "—Events of Default, Notice and Waiver" below. As a result, any failure by us to pay Additional Amounts (including, without limitation, Additional Amounts payable in respect of principal of or premium, if any, on the notes) when due will not be an event of default with respect to the notes under the Indenture unless that default continues for 30 days.

Notwithstanding any discharge, defeasance or covenant defeasance of the notes or the Indenture as described under "—Discharge, Defeasance and Covenant Defeasance" below, the provisions described under this caption "—Payment of Additional Amounts" shall survive any such discharge, defeasance or covenant defeasance, as the case may be, and remain in full force and effect and shall also survive any transfer by a Holder or beneficial owner of its notes or its beneficial interest in the Global Note.

Discharge, Defeasance and Covenant Defeasance

Upon our request the Indenture shall cease to be of further effect with respect to the notes (except as to certain limited provisions of the Indenture which shall survive) when either (a) all of the notes have been delivered to the trustee for cancellation or (b) all of the notes have become due and payable or will become due and payable within one year (or are scheduled for redemption within one year) and we have irrevocably deposited with the applicable trustee, in trust, funds in the currency or currencies, currency unit or units or composite currency or currencies in which the notes are payable an amount sufficient to pay the entire indebtedness on the notes in respect of principal (and premium, if any) and interest to the date of the deposit (if the notes have become due and payable) or to the stated maturity or redemption date, as the case may be.

The Indenture provides that we may elect either to:

- defease and be discharged from any and all obligations with respect to the notes (except for the obligation, if any, to pay additional amounts in respect of certain taxes imposed on non-U.S. holders of the notes and the obligations to register the transfer or exchange of the notes, to replace temporary or mutilated, destroyed, lost or stolen notes, to maintain an office or agency in respect of the notes and to hold money for payment in trust) (“defeasance”); or
- be released from our obligations with respect to certain covenants applicable to the notes under the Indenture (including, subject to a limited exception, with respect to Realty Income's obligation to preserve and keep in full force and effect its corporate existence, the covenants described under “—Certain Covenants”), and any omission to comply with these obligations shall not constitute a default or an event of default with respect to the notes (“covenant defeasance”),

in either case upon our irrevocable deposit with the applicable trustee, in trust, of an amount, in the currency or currencies, currency unit or units or composite currency or currencies in which the notes are payable at stated maturity, or Government Obligations (as defined below), or both, applicable to the notes that through the scheduled payment of principal and interest in accordance with their terms will provide money in an amount sufficient to pay the principal of (and premium, if any) and interest on the notes, and any mandatory sinking fund or analogous payments on the notes, on the scheduled due dates.

A trust may only be established if, among other things, we have delivered to the applicable trustee an opinion of counsel (as specified in the Indenture) to the effect that the holders of the notes will not recognize income, gain or loss for United States federal income tax purposes as a result of the defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the defeasance or covenant defeasance had not occurred. Additionally, in the case of defeasance, an opinion of counsel must refer to and be based on a ruling of the Internal Revenue Service (the “IRS”) or a change in applicable United States federal income tax law occurring after the date of the Indenture. In the event of defeasance, the holders of the notes will thereafter be able to look only to the trust fund for payment of principal (and premium, if any) and interest.

“Government Obligations” means securities that are (a) direct obligations of the United States of America or the government which issued the foreign currency in which the notes are payable, for the payment of which its full faith and credit is pledged, or (b) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America or the government which issued the foreign currency in which the notes are payable, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America or the other government, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any Government Obligation or a specific payment of interest on or principal of any Government Obligation held by a custodian for the account of the holder of a depository receipt; provided, however, that (except as required by law) the custodian is not authorized to make any deduction from the amount payable to the holder of the depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of the Government Obligation evidenced by the depository receipt.

If, after we have deposited funds and/or Government Obligations to effect defeasance or covenant defeasance with respect to the notes:

- the holder of any note is entitled to, and does, elect pursuant to the Indenture or the terms of the note to receive payment in a currency, currency unit or composite currency other than that in which the deposit has been made in respect of that note, or
- a Conversion Event (as defined below) occurs in respect of the currency, currency unit or composite currency in which the deposit has been made, then the indebtedness represented by that note will be

deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of (and premium, if any) and interest on that note as they become due out of the proceeds yielded by converting the amount or other property so deposited in respect of that note into the currency, currency unit or composite currency in which that note becomes payable as a result of the election or Conversion Event based on the applicable market exchange rate in effect on the second business day prior to each payment date. “Conversion Event” means the cessation of use of:

- a currency, currency unit or composite currency both by the government of the country which issued the currency and for the settlement of transactions by a central bank or other public institution of or within the international banking community; or
- any currency unit or composite currency for the purposes for which it was established.

In the event we effect a covenant defeasance with respect to the notes and the notes are declared due and payable because of the occurrence of any event of default, other than an event of default due to a breach of any of the covenants as to which there has been covenant defeasance (which covenants would no longer be applicable to the notes as a result of such covenant defeasance), the cash and Government Obligations on deposit with the applicable trustee may not be sufficient to pay amounts due on the notes at the time of the acceleration resulting from the event of default. We would, however, remain obligated to make payment of the amounts due at the time of acceleration.

Notwithstanding the foregoing, our obligation to pay Additional Amounts on the notes pursuant to the provisions described above under “—Payment of Additional Amounts” shall survive any such discharge, defeasance or covenant defeasance and remain in full force and effect. In addition, covenant defeasance will be applicable, insofar as concerns the notes, with respect to the covenants described under “—Certain Covenants” (except the covenant requiring Realty Income to preserve and keep in full force and effect its corporate existence).

Events of Default, Notice and Waiver

The following events are “events of default” pursuant to the terms of the notes and the Indenture:

(1) default for 30 days in the payment of any installment of interest on any of the notes;

(2) default in the payment of the principal of (or premium, if any, on) any of the notes when due, whether at stated maturity or by declaration of acceleration, notice of redemption, notice of option to elect repayment or otherwise;

(3) default in the deposit of any sinking fund payment, when and as due by the terms of any of the notes;

(4) default in the performance of any of our other covenants contained in the Indenture or in the notes (other than any covenant added to the Indenture solely for the benefit of a series of debt securities issued thereunder other than the notes), which continues for 60 days after written notice is given to us by the trustee or to us and the trustee by the holders of at least 25% in principal amount of the notes;

(5) default under any bond, debenture, note or other evidence of indebtedness for money borrowed by us or any of our Subsidiaries (including obligations under leases required to be capitalized on the balance sheet of the lessee under generally accepted accounting principles, but not including any indebtedness or obligations for which recourse is limited to property purchased) in an aggregate principal amount in excess of $25,000,000 or under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by us or any of our Subsidiaries (including such leases, but not including such indebtedness or obligations for which recourse is limited to property purchased) in an aggregate principal amount in excess of $25,000,000, whether the indebtedness exists at the date of the relevant indenture or shall thereafter be created, which default shall have resulted in the indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable or which default shall have resulted in the obligation being accelerated, without the acceleration having been rescinded or annulled; or

(6) certain events of bankruptcy, insolvency or reorganization with respect to us or any of our Significant Subsidiaries.

The term “Significant Subsidiary” as used above has the meaning ascribed to the term in Rule 1-02 of Regulation S-X promulgated under the Securities Act, as the Regulation was in effect on January 1, 1996.

If an event of default with respect to the notes occurs and is continuing, then the Trustee or the holders of not less than 25% in principal amount of the notes may declare the principal amount of all the notes to be due and payable immediately by written notice thereof to us (and to the Trustee if given by the holders). However, at any time after the declaration of acceleration with respect to the notes has been made, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of not less than a majority of the principal amount of the outstanding notes may rescind and annul the declaration and its consequences if:

- we shall have deposited with the applicable trustee all required payments of the principal of (and premium, if any) and interest on the notes (other than principal that has become due solely as a result of the acceleration), plus certain fees, expenses, disbursements and advances of the applicable trustee; and
- all events of default, other than the nonpayment of accelerated principal (or specified portion thereof), premium, if any, and interest with respect to the notes, have been cured or waived as provided in the indenture.

The holders of not less than a majority in principal amount of the outstanding notes may waive any past default with respect to the notes and its consequences, except:

- a default in the payment of the principal of (or premium, if any) or interest on any of the notes; or
- a default in respect of a covenant or provision contained in the Indenture that cannot be modified or amended without the consent of the holder of each outstanding note affected by the default.

The Trustee must give notice of a default under the Indenture to the holders of the notes within 90 days unless the default shall have been cured or waived, subject to certain exceptions; provided, however, that the Trustee may withhold notice to the holders of the notes of any default with respect to the notes (except a default in the payment of the principal of (or premium, if any) or interest on any of the notes or in the payment of any sinking fund installment in respect of any of the notes) if specified Responsible Officers of the Trustee consider a withholding to be in those holders' interest.

No holders of the notes may institute any proceedings, judicial or otherwise, with respect to the Indenture or for any remedy thereunder, except in the case of failure of the Trustee, for 60 days, to act after it has received a written request to institute proceedings in respect of an event of default from the holders of not less than 25% in principal amount of the outstanding notes, as well as an offer of indemnity reasonably satisfactory to it, and no direction inconsistent with the written request has been given to the Trustee during the 60-day period by holders of a majority in principal amount of the outstanding notes. This provision will not prevent, however, any holder of notes from instituting suit for the enforcement of payment of the principal of (and premium, if any) and interest on those notes at the respective due dates thereof.

Subject to provisions in the TIA relating to its duties in case of default, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any holders of the notes, unless those holders shall have offered to the Trustee reasonable security or indemnity. The holders of not less than a majority in principal amount of the outstanding notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or of exercising any trust or power conferred upon the Trustee; provided that the direction shall not conflict with any rule of law or the Indenture, and provided further that the Trustee may refuse to follow any direction that may involve the Trustee in personal liability or that may be unduly prejudicial to the holders of the notes not joining in the direction to the Trustee.

Within 120 days after the close of each fiscal year, we are required to deliver to the Trustee a certificate, signed by one of several specified officers, stating whether or not the officer has knowledge of any default under the Indenture and, if so, specifying each default and the nature and status thereof.

As described above under "—Payments of Additional Amounts," because all Additional Amounts, if any, payable in respect to the notes will be treated as additional interest on the notes, any failure by us to pay Additional Amounts in respect to the notes when due will be entitled to the same 30 day grace period to which a failure to pay interest on the notes when due would be entitled as described in clause (1) of the first paragraph under this caption "—Events of Default, Notice and Waiver." As a result, any failure by us to pay Additional Amounts (including, without limitation, Additional Amounts payable in respect of principal of or premium, if any, on the notes) when due will not be an event of default with respect to the notes under the Indenture unless that default continues for 30 days. For additional information, see "—Payment of Additional Amounts" above.

Modification of the Indenture

Modifications and amendments of the Indenture will be permitted with the consent of the holders of not less than a majority in principal amount of all outstanding debt securities of each series issued under the Indenture, including the notes, affected by the modification or amendment; provided, however, that no modification or amendment may, without the consent of the holder of each debt security affected thereby:

- change the stated maturity of the principal of, or any installment of principal of, or interest (or premium, if any) on any debt security, including the notes;
- reduce the principal amount of, or the rate or amount of interest on, or any premium payable on redemption of any debt security, including the notes, or reduce the amount of principal of an Original Issue Discount

Security that would be due and payable upon declaration of acceleration of the maturity of the Original Issue Discount Security or would be provable in bankruptcy, or adversely affect any right of repayment at the option of the holder of any debt security (or reduce the amount of premium payable upon any repayment);

- change the place of payment, or the coin or currency, for payment of principal of (or premium, if any) or interest on any debt security, including the notes;
- impair the right to institute suit for the enforcement of any payment on or with respect to any debt security, including the notes, when due;
- reduce the above-stated percentage of outstanding debt securities of any series, including the notes, necessary to modify or amend the Indenture to waive compliance with certain provisions of the Indenture or certain defaults and consequences under the Indenture or to reduce the quorum or voting requirements set forth in the Indenture; or
- modify any of the foregoing provisions or any of the provisions relating to the waiver of certain past defaults or certain covenants, except to increase the required percentage to effect the action or to provide that certain other provisions may not be modified or waived without the consent of the holder of each outstanding debt security affected thereby.

The holders of a majority in aggregate principal amount of the outstanding notes may, on behalf of all holders of the notes, waive (insofar as that series is concerned) our compliance with certain restrictive covenants in the Indenture with respect to the notes.

We, along with the Trustee, shall be permitted to modify and amend the Indenture without the consent of any holder of debt securities, in each case, including the notes, for any of the following purposes:

- to evidence the succession of another person to our obligations under the Indenture;
- to add to our covenants for the benefit of the holders of all or any series of debt securities or to surrender any right or power conferred upon us in the Indenture;
- to add events of default for the benefit of the holders of all or any series of debt securities;
- to add or change any provisions of the indenture to provide that debt securities in bearer form may be registerable as to principal or to change or eliminate any restrictions on the payment of principal of or any premium or interest on debt securities in bearer form or to make certain other provisions relating to debt securities in bearer form, provided that such action shall not adversely affect the interests of the holders of the debt securities of any series in any material respect;
- to change or eliminate any provisions of the Indenture, provided that any such change or elimination does not apply to any outstanding debt securities of a series created prior to the date of the amendment or supplement that are entitled to the benefit of that provision;
- to secure the debt securities;
- to establish the form or terms of debt securities of any series, including the provisions and procedures, if applicable, for the conversion of debt securities into common stock or preferred stock;
- to provide for the acceptance of appointment by a successor trustee or facilitate the administration of the trusts under the indenture by more than one trustee;
- to cure any ambiguity or to correct any defect or inconsistency in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture which shall not be inconsistent with the provisions of the indenture, provided, however, that such action shall not adversely affect the interests of holders of debt securities of any series in any material respect; or
- to supplement any of the provisions of the Indenture to the extent necessary to permit or facilitate defeasance, covenant defeasance and discharge of any series of debt securities, provided, however, that this action shall not adversely affect the interests of the holders of the debt securities of any series in any material respect.

In determining whether the holders of the requisite principal amount of outstanding debt securities of a series, in each case, including the notes, have given any request, demand, authorization, direction, notice, consent or waiver described in the indenture or whether a quorum is present at a meeting of holders of debt securities:

- the principal amount of an Original Issue Discount Security that shall be deemed to be outstanding shall be the amount of the principal of that security that would be due and payable as of the date of the determination upon declaration of acceleration of the maturity thereof;

- with respect to the notes, the principal amount of any debt security denominated in a foreign currency that shall be deemed outstanding shall be the U.S. dollar equivalent of the principal amount of such debt security, determined as of the second business day prior to the date of determining whether the requisite principal amount of the outstanding debt securities of the applicable series have given such request, demand, authorization, direction, notice, consent or waiver or whether such a quorum is present;
- with respect to any series of debt securities other than the notes, the principal amount of any debt security denominated in a foreign currency that shall be deemed outstanding shall be the U.S. dollar equivalent, determined on the issue date for the debt security, of the principal amount (or, in the case of an Original Issue Discount Security, the U.S. dollar equivalent on the issue date of the debt security of the amount determined as provided in the first bullet above);
- the principal amount of an Indexed Security that shall be deemed outstanding shall be the principal face amount of the Indexed Security at original issuance; and
- debt securities owned by us or any other obligor upon the debt securities or any affiliate of ours or of the other obligor shall be disregarded.

A meeting of the holders of the notes may be called at any time by the Trustee, and also, upon our request or request of the holders of at least 10% in principal amount of the outstanding notes, in any case upon notice given as provided in the Indenture. Except for any consent or waiver that must be given by the holder of each debt security affected thereby, any resolution presented at a meeting or at an adjourned meeting duly reconvened at which a quorum is present, may be adopted by the affirmative vote of the holders of a majority in principal amount of the outstanding notes; provided, however, that, except as referred to above, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that may be made, given or taken by the holders of a specified percentage, which is less than a majority, in principal amount of the outstanding notes may be adopted at a meeting or adjourned meeting duly reconvened at which a quorum is present by the affirmative vote of the holders of the specified percentage in principal amount of the outstanding notes. Any resolution passed or decision taken at any meeting of holders of the notes duly held in accordance with the Indenture will be binding on all holders of the notes. The persons holding or representing a majority in principal amount of the outstanding notes shall constitute a quorum for a meeting of holders of the notes; provided, however, that if any action is to be taken at a meeting with respect to a consent or waiver that may be given by the holders of not less than a specified percentage in principal amount of the outstanding notes, the persons holding or representing the specified percentage in principal amount of the outstanding notes will constitute a quorum.

Notwithstanding the foregoing provisions, the Indenture provides that if any action is to be taken at a meeting of holders of the notes with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that the Indenture expressly provides may be made, given or taken by the holders of the notes and one or more additional series: (a) there shall be no minimum quorum requirement for the meeting and (b) the principal amount of the outstanding debt securities of all those series that are entitled to vote in favor of the request, demand, authorization, direction, notice, consent, waiver or other action shall be taken into account in determining whether the request, demand, authorization, direction, notice, consent, waiver or other action has been made, given or taken under the Indenture.

Merger, Consolidation or Sale of Assets

Pursuant to the terms of the Indenture and the notes, we will not consolidate with, sell, lease or convey all or substantially all of our assets to, or merge with or into, any person unless:

- either we shall be the continuing entity, or the successor person (if not us) formed by or resulting from the consolidation or merger or which shall have received the transfer of the assets shall be a corporation organized and existing under the laws of the United States or any State thereof and shall expressly assume (1) our obligation to pay the principal of (and premium, if any) and interest on all the debt securities issued under the Indenture, including the notes, and (2) the due and punctual performance and observance of all the covenants and conditions contained in the Indenture and in the notes to be performed or observed by us;
- immediately after giving effect to the transaction and treating any indebtedness that becomes our obligation or the obligation of any Subsidiary as a result of the transaction as having been incurred, and treating any liens on any property or assets of ours or any Subsidiary that are incurred, created or assumed as a result of the transaction as having been created, incurred or assumed, by us or the Subsidiary at the time of the transaction, no event of default under the Indenture, and no event that, after notice or the lapse of time, or both, would become an event of default, shall have occurred and be continuing; and
- an officers' certificate and legal opinion covering these conditions shall be delivered to the Trustee.

Payment

All payments of principal of, premium, if any, interest on, and Additional Amounts, if any, in respect of the Global Note will be made by the paying agent on behalf of Realty Income by wire transfer of immediately available funds to an account maintained by the payee.

If notes are issued in definitive certificated form under the limited circumstances described below, under "—Certificated Notes," payments of interest on the certificated notes may be made, at our option, by check mailed to the addresses of the persons entitled thereto, as such addresses appear in the register for the notes, or by wire transfer to accounts maintained by the payees; provided, however, that a holder of £4 million or more in aggregate principal amount of notes in definitive certificated form will be entitled to receive payments of interest due on any interest payment date by wire transfer of immediately available funds to an account specified by such holder so long as such holder has given appropriate wire transfer instructions to the Trustee or a paying agent at least 10 calendar days prior to the applicable interest payment date. Any such wire transfer instructions will remain in effect until revoked by such holder or until such person ceases to be a holder of £4 million or more in aggregate principal amount of notes in definitive certificated form.

Payments of principal of, and premium, if any, and interest on, and Additional Amounts, if any, in respect of, the notes in definitive certificated form that are due and payable on the maturity date of the notes, any redemption date or any other date on which principal of the notes is due and payable will be made by wire transfer of immediately available funds to accounts specified by the holders thereof, so long as such holders have given appropriate wire transfer instructions to the Trustee or a paying agent, against surrender of such notes to the Trustee or a paying agent; provided that installments of interest on notes in definitive certificated form that are due and payable on any interest payment date falling on or prior to such maturity date, redemption date or other date on which principal of the notes is payable will be paid in the manner described in the preceding paragraph to the persons who were the holders of the notes (or one or more predecessor notes) registered as such at the close of business on the relevant regular record dates according to the terms and provisions of the notes and the Indenture.

Book-Entry System

The notes were offered and sold only in denominations of £100,000 and integral multiples of £1,000 in excess thereof. The notes were initially represented by the Global Note. Upon issuance, the Global Note was deposited with, or on behalf of, a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. Except as set forth below, the Global Note may be transferred, in whole and not in part, only to the common depositary or its nominee or to a successor common depositary or its nominee. You may hold your interests in the Global Note in Europe through Euroclear or Clearstream, either as a participant in such systems or indirectly through organizations that are participants in such systems. Euroclear and Clearstream hold interests in the Global Note on behalf of their respective participating organizations or customers through customers' securities accounts in Euroclear's or Clearstream's names on the books of their respective depositaries. Book-entry interests in the notes and all transfers relating to the notes are and will be reflected in the book-entry records of Euroclear and Clearstream.

The distribution of the notes were cleared through Euroclear and Clearstream. Any secondary market trading of book-entry interests in the notes will take place through Euroclear and Clearstream participants and will settle in same-day funds. Owners of book-entry interests in the notes will receive payments relating to their notes in GBP, except as described above under "—Issuance in GBP" and "—Discharge, Defeasance and Covenant Defeasance."

Euroclear and Clearstream have established electronic securities and payment transfer, processing, depositary and custodial links among themselves and others, either directly or through custodians and depositaries. These links allow the notes to be issued, held and transferred among the clearing systems without the physical transfer of certificates. Special procedures to facilitate clearance and settlement have been established among these clearing systems to trade securities across borders in the secondary market.

The policies of Euroclear and Clearstream govern payments, transfers, exchanges and other matters relating to the investors' interest in the notes held by them. None of Realty Income or the Trustee have any responsibility for any aspect of the records kept by Euroclear and Clearstream or any of their direct or indirect participants. Realty Income and the Trustee also do not supervise these systems in any way.

Euroclear and Clearstream and their participants perform these clearance and settlement functions under agreements they have made with one another or with their customers. You should be aware that they are not obligated to perform or continue to perform these procedures and may modify them or discontinue them at any time.

Except as provided below, owners of beneficial interests in the notes will not be entitled to have the notes registered in their names, will not receive or be entitled to receive physical delivery of the notes in definitive certificated form and will not be considered the owners or holders of the notes under the Indenture, including for purposes of receiving any reports delivered by Realty Income or the Trustee pursuant to the Indenture. Accordingly, each person owning a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, as applicable, and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder.

Euroclear. Euroclear was created in 1968 to hold securities for its participants (“Euroclear Participants”) and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and eliminating risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries.

Euroclear is operated by Euroclear Bank SA/NV (the “Euroclear Operator”). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, or the Euroclear Terms and Conditions, and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipt of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the terms and conditions only on behalf of Euroclear Participants, and has no record of or relationship with persons holding securities through Euroclear Participants.

Distributions with respect to interests in the Global Note held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Euroclear Terms and Conditions.

Clearstream. Clearstream is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations (“Clearstream Participants”). Clearstream facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (Commission de Surveillance du Secteur Financier). Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a Clearstream Participant, either directly or indirectly.

Distributions with respect to interests in the Global Note held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures.

Global Clearance and Settlement Procedures

Realty Income understands that investors that hold their notes through Euroclear and Clearstream accounts will follow the settlement procedures that are applicable to conventional sterling-denominated bonds in registered form. Notes will be credited to the securities custody accounts of Euroclear and Clearstream Participants on the business day following the settlement date, for value on the settlement date. They will be credited either free of payment or against payment for value on the settlement date.

We understand that secondary market trading between Euroclear and/or Clearstream Participants will occur in the ordinary way following the applicable rules and operating procedures of Euroclear and Clearstream. Secondary market trading will be settled using procedures applicable to conventional sterling-denominated bonds in registered form.

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving notes through Euroclear and Clearstream on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing transactions involving Euroclear and Clearstream on the same business day as in the United States. U.S. investors who wish to transfer their interests in the notes, or to make or receive a payment or delivery of the notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg or Brussels, depending on whether Euroclear and Clearstream is used.

Euroclear and Clearstream will credit payments to the cash accounts of Euroclear or Clearstream Participants, as applicable, in accordance with the relevant system's rules and procedures, to the extent received by its depositary. Euroclear and/or Clearstream Operator, as the case may be, will take any other action permitted to be taken by a holder under the Indenture on behalf of a Clearstream customer or Euroclear Participant only in accordance with its relevant rules and procedures.

Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of the notes among participants of Euroclear and Clearstream. However, they are under no obligation to perform or continue to perform those procedures, and they may discontinue those procedures at any time.

Certificated Notes

If (1) Euroclear or Clearstream notifies Realty Income that it is unwilling or unable to continue as a clearing agency for the Global Note or if Euroclear or Clearstream ceases to be a clearing agency registered as such under the Exchange Act at any time when it is required to be so registered in order to act as a clearing system for the Global Note and a successor clearing agency is not appointed within 90 days after Realty Income receives such notice or learns of such ineligibility, (2) Realty Income determines that the notes shall no longer be represented by the Global Note and executes and delivers to the Trustee an officers' certificate to that effect or (3) an event of default (as defined; see "—Events of Default" above) with respect to the notes has occurred and is continuing and beneficial owners representing a majority in aggregate principal amount of the outstanding notes advise Euroclear and Clearstream to cease acting as clearing agencies for the Global Note, Realty Income will issue notes in definitive certificated form in exchange for interests in the outstanding Global Note. Any notes issued in definitive certificated form in exchange for interests in a Global Note will be issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof and will be registered in such name or names as Euroclear or Clearstream, as applicable, shall instruct the registrar for the notes. It is expected that the instructions of Euroclear and Clearstream will be based upon directions received from their respective participants with respect to ownership of beneficial interests in the Global Note.

Unclaimed Payments

We will be repaid for all amounts we pay to the Trustee or paying agent for the payment of the principal of or any premium or interest on the notes that remains unclaimed at the end of two years after the principal, premium or interest has become due and payable, and the holder of such notes may look only to us for payment of the principal, premium or interest.

Listing

The notes are listed on The New York Stock Exchange under the ticker symbol "O.30." We have no obligation to maintain such listing, and we may delist the notes at any time.

Exhibit 21.1

Subsidiaries of the Company as of February 23, 2021

Entity	Type	Jurisdiction of Organization	Owner
11990 Eastgate Blvd, LLC	Limited Liability Company	Delaware	Terraza 14, LLC
American Realty Capital Properties, LLC	Limited Liability Company	Delaware	ARCT TRS Corp.
ARC AAHARAL001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC ATMTPSC001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC AZGYAPR001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC AZHUMPR001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC AZPONPR001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC AZSNJPR001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC BBFTMFL001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC BSLBCCA001, LLC	Limited Liability Company	Delaware	ARC CAMBR BSPL, LLC
ARC CAMBR BSPL, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC CVCHIIL001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC CVCHIIL002, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC CVGNVFL001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC ESBKYMO001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC ESSTLMO001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC FEAARMI001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC FEBKYWV001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC FEBNXNY001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC FEDGCKS001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC FEGFKND001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC FEHAYKS001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC FELNCNE001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC FELSVKY001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC FESPFMO001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC FESXFSD001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC HDAUSGA001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC HDTPAKS001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC IHLVRCA001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC IHMPHTN001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC IHMPHTN002, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC IHPKRCO001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC IHROCNY001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC Income Properties II, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC Initial PE Member LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC JJPLYMA001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC KHCLNIL001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC KHGTNKY001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC LWKNXTN001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC ORJOLIL001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC PA-QRS Trust	Trust	Virginia	ARC PA-QRS Trust Member LLC
ARC PA-QRS Trust Member LLC DBA in CA: ARC PA-QRS TRS Member LLC	Limited Liability Company	Delaware	Tau Acquisition LLC

Entity	Type	Jurisdiction of Organization	Owner
ARC PLBKVOH001, LLC	Limited Liability Company	Delaware	ARC CAMBR BSPL, LLC
ARC RACARPA001 GP, LLC	Limited Liability Company	Delaware	ARC/Milestone Capital Ventures, LLC
ARC RACARPA001 LP	Limited Partnership	Delaware	ARC RACARPA001 GP, LLC (1%); ARC Milestone Capital Ventures, LLC (99%)
ARC RAPITPA001 GP, LLC	Limited Liability Company	Delaware	ARC/Milestone Capital Ventures, LLC
ARC RAPITPA001 LP	Limited Partnership	Delaware	ARC RAPITPA001 GP, LLC (1%); ARC Milestone Capital Ventures, LLC (99%)
ARC SCAUGGA001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC SJHSPAR001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC SJHSPAR002, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC SJHSPAR003, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC SSCTRVT001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC SSNANNY001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC SYGRINY001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC TITUCAZ001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC TMDKBIL001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC TSDUBPA001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC TSELBPA001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC TSLWBWV001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC TSMNFPA001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC WGAUBNY001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC WGCNWSC001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC WGGRCNY001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC WGGRCNY002, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC WGGRPMN001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC WGMTPMI001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC WGPLTNY001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC WGSYRNY001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC WMBLYAR001, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARC/Milestone Capital Ventures, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
ARCP / GRD BioLife Portfolio I, LLC	Limited Liability Company	Delaware	Terraza 14, LLC GRD BioLife Holdings I, LLC
ARCT TRS Corp.	Corporation	Delaware	Tau Operating Partnership, L.P.
Bulwark Berlin LLC	Limited Liability Company	Delaware	Realty Income Corporation
Bulwark Branford LLC	Limited Liability Company	Delaware	Realty Income Corporation
Bulwark Brockton LLC	Limited Liability Company	Delaware	Realty Income Corporation
Bulwark Derry LLC	Limited Liability Company	Delaware	Realty Income Corporation
Bulwark Melrose LLC	Limited Liability Company	Delaware	Realty Income Corporation
Bulwark Mount Ephraim LLC	Limited Liability Company	Delaware	Realty Income Corporation
Columbia Road Ohio LLC	Limited Liability Company	Delaware	MDC Coast 7, LLC BI RI Richfield Investor LLC
Conroe Logistics Center, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Crest Net Lease, Inc.	Corporation	Delaware	Realty Income Corporation
GRD Bellingham WA BioLife Holdings, LLC	Limited Liability Company	Delaware	ARCP / GRD BioLife Portfolio I, LLC
GRD Bloomington IN BioLife Holdings, LLC	Limited Liability Company	Delaware	ARCP / GRD BioLife Portfolio I, LLC
GRD Ft. Wayne IN BioLife Holdings, LLC	Limited Liability Company	Delaware	ARCP / GRD BioLife Portfolio I, LLC

Entity	Type	Jurisdiction of Organization	Owner
GRD Grandville MI BioLife Holdings, LLC	Limited Liability Company	Delaware	ARCP / GRD BioLife Portfolio I, LLC
GRD Loveland CO BioLife Holdings, LLC	Limited Liability Company	Delaware	ARCP / GRD BioLife Portfolio I, LLC
GRD St. George UT BioLife Holdings, LLC	Limited Liability Company	Delaware	ARCP / GRD BioLife Portfolio I, LLC
GRD Waite Park MN BioLife Holdings, LLC	Limited Liability Company	Delaware	ARCP / GRD BioLife Portfolio I, LLC
GRD Waterloo IA BioLife Holdings, LLC	Limited Liability Company	Delaware	ARCP / GRD BioLife Portfolio I, LLC
GRD West Fargo ND BioLife Holdings, LLC	Limited Liability Company	Delaware	ARCP / GRD BioLife Portfolio I, LLC
MDC Box 1, LLC	Limited Liability Company	Delaware	Crest Net Lease, Inc.
MDC Coast 1, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 10, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 11, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 12, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 13, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 14, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 15, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 16, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 17, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 18, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 19, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 2, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 20, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 21, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 22, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 3, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 4, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 5, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 6, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 7, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 8, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast 9, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coast EcO 1, LLC	Limited Liability Company	Delaware	Crest Net Lease, Inc.
MDC Coast HI 1, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 1, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 10, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 11, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 12, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 13, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 14, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 2, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 3, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 4, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 5, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 6, LLC	Limited Liability Company	Delaware	Realty Income Corporation

Entity	Type	Jurisdiction of Organization	Owner
MDC Coastal 7, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 8, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Coastal 9, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC East College, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC East Hobson, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC Holabird, LLC	Limited Liability Company	Delaware	Realty Income Corporation
MDC NC Holding Corp.	Corporation	Delaware	Realty Income Corporation
MDC NC Holding GP, LLC	Limited Liability Company	Delaware	MDC NC Holding Corp.
MDC NC1, LP	Limited Partnership	Delaware	MDC NC Holding GP, LLC MDC NC Holding Corp.
MDC NC2, LP	Limited Partnership	Delaware	MDC NC Holding GP, LLC MDC NC Holding Corp.
MDC NC3, LP	Limited Partnership	Delaware	MDC NC Holding GP, LLC MDC NC Holding Corp.
MDC Seal Beach, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Milton Keynes Superstore (Nominee 1) Limited	Private Company	United Kingdom	RI UK 1 Limited
Milton Keynes Superstore (Nominee 2) Limited	Private Company	United Kingdom	RI UK 1 Limited
O CHK, INC.	Corporation	Delaware	Realty Income Corporation
O ICE, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Peterborough Superstore (Nominee 1) Limited	Private Company	United Kingdom	RI UK 1 Limited
Peterborough Superstore (Nominee 2) Limited	Private Company	United Kingdom	RI UK 1 Limited
Realty Income Burlington Milwaukee, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Buffalo Genesee, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Buffalo Grove Deerfield, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Capitol Heights Ritchie Station, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income CK1, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
Realty Income Corporation DBA in FL: "Realty Income Properties, Inc.	Corporation	Maryland	N/A
Realty Income Cumming Market Place, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Deer Park Deerwood Glen GP, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Deer Park Deerwood Glen Limited Partnership	Limited Partnership	Texas	Realty Income Deer Park Deerwood Glen GP, LLC Realty Income Deer Park Deerwood Glen LP, LLC
Realty Income Deer Park Deerwood Glen LP, LLC DBA in CA: Realty Income Deer Park Deerwood Glen, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income DG Texas Portfolio I, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income DG Texas Portfolio II, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income East Syracuse Fair Lakes, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income East Windsor SciPark, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Houston Orem, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Illinois Properties 1, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Illinois Properties 2, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Illinois Properties 3, LLC	Limited Liability Company	Delaware	Realty Income Corporation

Entity	Type	Jurisdiction of Organization	Owner
Realty Income Illinois Properties 4, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Limited f/k/a: RI Crown PMC Limited	Private Company	United Kingdom	RI Crown Limited
Realty Income Magellan, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Neenah Commercial, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Pennsylvania Properties Trust	Trust	Maryland	Realty Income Corporation
Realty Income Pennsylvania Properties Trust 2	Trust	Maryland	Realty Income Corporation
Realty Income Properties 20, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
Realty Income Properties 1, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 10, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 11, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 12, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 13, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 14, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 15, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 16, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 17, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 18, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 19, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 2, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 21, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 22, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 23, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 24, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
Realty Income Properties 25, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 26, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 27, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 28, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 29, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 3, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 30, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 31, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 4, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 5, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 6, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Properties 7, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
Realty Income Properties 8, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
Realty Income Properties 9, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Providence LaSalle Square, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Raphine, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Regent Blvd LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Seaford Merrick, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Texas Properties 1, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
Realty Income Trust 1	Trust	Maryland	Realty Income Corporation

Entity	Type	Jurisdiction of Organization	Owner
Realty Income Trust 2	Trust	Maryland	Realty Income Corporation
Realty Income Trust 3	Trust	Maryland	Realty Income Corporation
Realty Income Trust 4	Trust	Maryland	Realty Income Corporation
Realty Income Trust 5	Trust	Maryland	Realty Income Corporation
Realty Income Trust 6	Trust	Maryland	Realty Income Corporation
Realty Income Upper Darby 69th, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income Wilmington Lancaster, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Realty Income, L.P.	Limited Partnership	Maryland	Realty Income Corporation
Redd Park Limited	Private Company	United Kingdom	RI UK 1 Limited
RI ASD Gillingham Limited	Private Company	United Kingdom	RI UK 1 Limited
RI AZ Speke Limited	Private Company	United Kingdom	RI UK 1 Limited
RI BQ 4 DIY Limited F/K/A: BL Retail Investments Limited	Private Company	United Kingdom	RI UK 1 Limited
RI BQ Birmingham Limited	Private Company	United Kingdom	RI UK 1 Limited
RI BQ Meir Park Limited FKA: RI TSC Bracknell Limited F/K/A RI TSC Worcester Limited	Private Company	United Kingdom	RI UK 1 Limited
RI BQ Stockport Limited	Private Company	United Kingdom	RI UK 1 Limited
RI CK2, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
RI Crown CMC Limited	Private Company	United Kingdom	RI SB Limited
RI Crown Limited	Private Company	United Kingdom	RI Crown LLC
RI Crown LLC	Limited Liability Company	Delaware	Realty Income Corporation
RI CS1, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
RI CS2, LLC	Limited Liability Company	Delaware	Realty Income Corporation
RI CS3, LLC	Limited Liability Company	Delaware	Realty Income Corporation
RI CS4, LLC	Limited Liability Company	Delaware	Realty Income Corporation
RI CS5, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
RI GA 1, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
RI MS Blaydon Limited	Private Company	United Kingdom	RI UK 1 Limited
RI Multi Midlands Limited	Private Company	United Kingdom	RI UK 1 Limited
RI SB Archer Road Limited	Private Company	United Kingdom	RI SB Limited
RI SB Banbury Limited	Private Company	United Kingdom	RI SB Limited
RI SB Bodmin Limited	Private Company	United Kingdom	RI SB Limited
RI SB Bradford Limited	Private Company	United Kingdom	RI SB Limited
RI SB Bridgwater Limited	Private Company	United Kingdom	RI SB Limited
RI SB Cardiff Limited	Private Company	United Kingdom	RI SB Limited
RI SB Grimsby Limited	Private Company	United Kingdom	RI SB Limited
RI SB Guildford Limited	Private Company	United Kingdom	RI UK 1 Limited
RI SB Hereford Limited	Private Company	United Kingdom	RI SB Limited
RI SB Kempston Limited	Private Company	United Kingdom	RI SB Limited
RI SB Limited	Private Company	United Kingdom	RI Crown Limited
RI SB Lincoln Limited	Private Company	United Kingdom	RI UK 1 Limited
RI SB Locksbottom Limited	Private Company	United Kingdom	RI SB Limited
RI SB Nantwich Limited	Private Company	United Kingdom	RI UK 1 Limited
RI SB Northampton Limited	Private Company	United Kingdom	RI SB Limited
RI SB Otley Limited	Private Company	United Kingdom	RI UK 1 Limited

Entity	Type	Jurisdiction of Organization	Owner
RI SB Preston Limited	Private Company	United Kingdom	RI UK 1 Limited
RI SB Southampton Limited	Private Company	United Kingdom	RI SB Limited
RI SB Swadlincote Limited	Private Company	United Kingdom	RI UK 1 Limited
RI SB Thornhill Cardiff Limited	Private Company	United Kingdom	RI UK 1 Limited
RI SB Wallington Limited	Private Company	United Kingdom	RI UK 1 Limited
RI SE, LLC (CA DBA: RI SOUTHEAST, LLC)	Limited Liability Company	Delaware	Realty Income Corporation
RI TN 1, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
RI TN 2, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
RI Trafford Park Limited	Private Company	United Kingdom	RI UK 1 Limited
RI TSC CW Manchester Limited	Private Company	United Kingdom	RI UK 1 Limited
RI TSC Enfield Limited	Private Company	United Kingdom	RI UK 1 Limited
RI TSC Milton Keynes Limited F/K/A: TBL (Milton Keynes) Limited	Private Company	United Kingdom	RI UK 1 Limited
RI TSC Peterborough Limited F/K/A: TBL (Peterborough) Limited	Private Company	United Kingdom	RI UK 1 Limited
RI TSC Prestwich Limited	Private Company	United Kingdom	RI UK 1 Limited
RI UK 1 Limited	Private Company	United Kingdom	RI Crown Limited
RI UK SA 1 Limited	Private Company	United Kingdom	RI UK 1 Limited
RILP NC Holding GP, LLC	Limited Liability Company	Delaware	Realty Income, L.P.
RILP NC1, LP	Limited Partnership	Delaware	RILP NC Holding GP, LLC Realty Income Properties 24, LLC
RILP NC2, LP	Limited Partnership	Delaware	RILP NC Holding GP, LLC RI CS5, LLC
Tau Acquisition LLC	Limited Liability Company	Delaware	Realty Income Corporation
Tau Atlantic, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
Tau Central, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
Tau CVJKVFL, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
Tau FESSPA, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
Tau Midwest, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
Tau NC Holding GP, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, LP
Tau NC1, LP	Limited Partnership	Delaware	Tau NC Holding GP, LLC Tau South, LLC
Tau Northeast, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
Tau NY-NJ, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
Tau Operating Partnership, L.P.	Limited Partnership	Delaware	Tau Acquisition LLC Crest Net Lease, Inc.
Tau Pennsylvania General Partner, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
Tau Pennsylvania, L.P.	Limited Partnership	Delaware	Tau Pennsylvania General Partner, LLC Tau Operating Partnership, L.P.
Tau South, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
Tau West, LLC	Limited Liability Company	Delaware	Tau Operating Partnership, L.P.
Terraza 1, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Terraza 10, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Terraza 11, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Terraza 12 Holding LLC	Limited Liability Company	Delaware	Realty Income Corporation
Terraza 12, LLC	Limited Liability Company	Delaware	Terraza 12 Holding LLC
Terraza 13, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Terraza 14, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Terraza 17, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Terraza 2, LLC	Limited Liability Company	Delaware	Realty Income Corporation

Entity	Type	Jurisdiction of Organization	Owner
Terraza 3, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Terraza 4, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Terraza 5, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Terraza 6, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Terraza 7, LLC	Limited Liability Company	Delaware	Realty Income Corporation
Terraza 8, LLC	Limited Liability Company	Delaware	Realty Income Corporation

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Realty Income Corporation:

We consent to the incorporation by reference in the registration statement No. 333-228157 on Form S-3 of Realty Income Corporation and to the incorporation by reference in registration statement No. 333-181227 on Form S-8 of Realty Income Corporation of our reports dated February 23, 2021, with respect to the consolidated balance sheets of Realty Income Corporation as of December 31, 2020 and 2019, the related consolidated statements of income and comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes and financial statement schedule III, and the effectiveness of internal control over financial reporting as of December 31, 2020, which reports appear in the December 31, 2020 annual report on Form 10-K of Realty Income Corporation. Our report on the consolidated financial statements refers to a change in the method of accounting for leases due to the adoption of Accounting Standards Codification Topic 842, *Leases*.

(signed) KPMG LLP
San Diego, California
February 23, 2021

EXHIBIT 31.1

Certification of Chief Executive Officer

I, Sumit Roy, certify that:

1. I have reviewed this annual report on Form 10-K of Realty Income Corporation for the year ended December 31, 2020;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2021

/s/ SUMIT ROY
Sumit Roy
President, Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer

I, Christie B. Kelly, certify that:

1. I have reviewed this annual report on Form 10-K of Realty Income Corporation for the year ended December 31, 2020;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2021

/s/ CHRISTIE B. KELLY
Christie B. Kelly
Executive Vice President, Chief Financial Officer and Treasurer

Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Realty Income Corporation, a Maryland corporation (the “Company”), hereby certify, to his best knowledge, that:

(i) the accompanying annual report on Form 10-K of the Company for the year ended December 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Act”); and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SUMIT ROY

Sumit Roy
President, Chief Executive Officer

/s/ CHRISTIE B. KELLY

Christie B. Kelly
Executive Vice President, Chief Financial Officer and Treasurer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Act, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.