

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2023, or
- Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number 1-13374



The Monthly Dividend Company®

REALTHY 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 Number)

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(s) | Name of Each Exchange On Which Registered |
|--------------------------------|-------------------|---|
| Common Stock, \$0.01 Par Value | O | New York Stock Exchange |
| 1.125% Notes due 2027 | O27A | New York Stock Exchange |
| 1.875% Notes due 2027 | O27B | New York Stock Exchange |
| 1.625% Notes due 2030 | O30 | New York Stock Exchange |
| 4.875% Notes due 2030 | O30A | New York Stock Exchange |
| 1.750% Notes due 2033 | O33A | New York Stock Exchange |
| 5.125% Notes due 2034 | O34 | New York Stock Exchange |
| 2.500% Notes due 2042 | O42 | New York Stock Exchange |

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 708,787,568 shares of common stock outstanding as of July 31, 2023.

REALTY INCOME CORPORATION
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June 30, 2023

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PART 1. FINANCIAL INFORMATION**Item 1: Financial Statements**

REALTY INCOME CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts) (unaudited)

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
|---|----------------------|--------------------------|
| ASSETS | | |
| Real estate held for investment, at cost: | | |
| Land | \$ 14,011,325 | \$ 12,948,835 |
| Buildings and improvements | 32,652,912 | 29,707,751 |
| Total real estate held for investment, at cost | 46,664,237 | 42,656,586 |
| Less accumulated depreciation and amortization | (5,485,766) | (4,904,165) |
| Real estate held for investment, net | 41,178,471 | 37,752,421 |
| Real estate and lease intangibles held for sale, net | 17,324 | 29,535 |
| Cash and cash equivalents | 253,693 | 171,102 |
| Accounts receivable, net | 620,599 | 543,237 |
| Lease intangible assets, net | 5,238,400 | 5,168,366 |
| Goodwill | 3,731,478 | 3,731,478 |
| Other assets, net | 2,940,701 | 2,276,953 |
| Total assets | <u>\$ 53,980,666</u> | <u>\$ 49,673,092</u> |
| LIABILITIES AND EQUITY | | |
| Distributions payable | \$ 182,855 | \$ 165,710 |
| Accounts payable and accrued expenses | 559,383 | 399,137 |
| Lease intangible liabilities, net | 1,439,968 | 1,379,436 |
| Other liabilities | 855,496 | 774,787 |
| Line of credit payable and commercial paper | 990,257 | 2,729,040 |
| Term loan, net | 1,324,285 | 249,755 |
| Mortgages payable, net | 841,690 | 853,925 |
| Notes payable, net | 16,475,589 | 14,278,013 |
| Total liabilities | <u>22,669,523</u> | <u>20,829,803</u> |
| Commitments and contingencies (Note 17) | | |
| Stockholders' equity: | | |
| Common stock and paid in capital, par value \$0.01 per share, 1,300,000 shares authorized, 708,773 and 660,300 shares issued and outstanding as of June 30, 2023, and December 31, 2022, respectively | 37,149,380 | 34,159,509 |
| Distributions in excess of net income | (6,102,226) | (5,493,193) |
| Accumulated other comprehensive income | 96,057 | 46,833 |
| Total stockholders' equity | <u>31,143,211</u> | <u>28,713,149</u> |
| Noncontrolling interests | 167,932 | 130,140 |
| Total equity | <u>31,311,143</u> | <u>28,843,289</u> |
| Total liabilities and equity | <u>\$ 53,980,666</u> | <u>\$ 49,673,092</u> |

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
(in thousands, except per share amounts) (unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|--------------------|------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| REVENUE | | | | |
| Rental (including reimbursable) | \$ 995,289 | \$ 800,800 | \$ 1,920,578 | \$ 1,600,365 |
| Other | 23,916 | 9,619 | 43,026 | 17,397 |
| Total revenue | 1,019,205 | 810,419 | 1,963,604 | 1,617,762 |
| EXPENSES | | | | |
| Depreciation and amortization | 472,278 | 409,437 | 923,755 | 813,199 |
| Interest | 183,857 | 110,121 | 337,989 | 216,524 |
| Property (including reimbursable) | 94,703 | 52,180 | 164,100 | 104,522 |
| General and administrative | 36,829 | 34,139 | 70,996 | 66,838 |
| Provisions for impairment | 29,815 | 7,691 | 42,993 | 14,729 |
| Merger and integration-related costs | 341 | 2,729 | 1,648 | 9,248 |
| Total expenses | 817,823 | 616,297 | 1,541,481 | 1,225,060 |
| Gain on sales of real estate | 7,824 | 40,572 | 12,103 | 50,728 |
| Foreign currency and derivative (loss) gain, net | (2,552) | 7,480 | 7,770 | 6,890 |
| Gain on extinguishment of debt | — | 127 | — | 127 |
| Equity in income and impairment of investment in unconsolidated entities | 411 | (6,627) | 411 | (5,673) |
| Other income, net | 3,020 | 2,806 | 5,750 | 4,658 |
| Income before income taxes | 210,085 | 238,480 | 448,157 | 449,432 |
| Income taxes | (12,932) | (14,658) | (24,882) | (25,639) |
| Net income | 197,153 | 223,822 | 423,275 | 423,793 |
| Net income attributable to noncontrolling interests | (1,738) | (615) | (2,844) | (1,217) |
| Net income available to common stockholders | \$ 195,415 | \$ 223,207 | \$ 420,431 | \$ 422,576 |
| Amounts available to common stockholders per common share: | | | | |
| Net income available to common stockholders per common share, basic and diluted | \$ 0.29 | \$ 0.37 | \$ 0.63 | \$ 0.71 |
| Weighted average common shares outstanding: | | | | |
| Basic | 674,109 | 601,672 | 667,357 | 597,778 |
| Diluted | 674,593 | 602,031 | 668,108 | 598,141 |
| Net income available to common stockholders | \$ 195,415 | \$ 223,207 | \$ 420,431 | \$ 422,576 |
| Total other comprehensive income (loss): | | | | |
| Foreign currency translation adjustment | 29,046 | (48,992) | 57,796 | (59,698) |
| Unrealized (loss) gain on derivatives, net | (6,410) | 33,454 | (8,572) | 77,144 |
| Total other comprehensive income (loss) | \$ 22,636 | \$ (15,538) | \$ 49,224 | \$ 17,446 |
| Comprehensive income available to common stockholders | \$ 218,051 | \$ 207,669 | \$ 469,655 | \$ 440,022 |

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

REALTY INCOME CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands) (unaudited)

Three months ended June 30, 2023, and 2022

| | Shares of common stock | Common stock and paid in capital | Distributions in excess of net income | Accumulated other comprehensive income | Total stockholders' equity | Noncontrolling interests | Total equity |
|---|------------------------------|---|---|---|----------------------------------|-----------------------------|----------------------|
| Balance, March 31, 2023 | 673,207 | \$ 34,958,608 | \$ (5,772,923) | \$ 73,421 | \$ 29,259,106 | \$ 128,232 | \$ 29,387,338 |
| Net income | — | — | 195,415 | — | 195,415 | 1,738 | 197,153 |
| Other comprehensive income | — | — | — | 22,636 | 22,636 | — | 22,636 |
| Distributions paid and payable | — | — | (524,718) | — | (524,718) | (1,597) | (526,315) |
| Share issuances, net of costs | 35,519 | 2,183,194 | — | — | 2,183,194 | — | 2,183,194 |
| Contributions by noncontrolling interests | — | — | — | — | — | 39,559 | 39,559 |
| Share-based compensation, net | 47 | 7,578 | — | — | 7,578 | — | 7,578 |
| Balance, June 30, 2023 | <u>708,773</u> | <u>\$ 37,149,380</u> | <u>\$ (6,102,226)</u> | <u>\$ 96,057</u> | <u>\$ 31,143,211</u> | <u>\$ 167,932</u> | <u>\$ 31,311,143</u> |
| Balance, March 31, 2022 | 601,567 | \$ 30,236,374 | \$ (4,772,112) | \$ 37,917 | \$ 25,502,179 | \$ 76,546 | \$ 25,578,725 |
| Net income | — | — | 223,207 | — | 223,207 | 615 | 223,822 |
| Other comprehensive loss | — | — | — | (15,538) | (15,538) | — | (15,538) |
| Distributions paid and payable | — | — | (450,245) | — | (450,245) | (894) | (451,139) |
| Share issuances, net of costs | 15,961 | 1,060,529 | — | — | 1,060,529 | — | 1,060,529 |
| Share-based compensation, net | 36 | 6,480 | — | — | 6,480 | — | 6,480 |
| Balance, June 30, 2022 | <u>617,564</u> | <u>\$ 31,303,383</u> | <u>\$ (4,999,150)</u> | <u>\$ 22,379</u> | <u>\$ 26,326,612</u> | <u>\$ 76,267</u> | <u>\$ 26,402,879</u> |

Six months ended June 30, 2023 and 2022

| | Shares of common stock | Common stock and paid in capital | Distributions in excess of net income | Accumulated other comprehensive income | Total stockholders' equity | Noncontrolling interests | Total equity |
|---|------------------------------|---|---|---|----------------------------------|-----------------------------|----------------------|
| Balance, December 31, 2022 | 660,300 | \$ 34,159,509 | \$ (5,493,193) | \$ 46,833 | \$ 28,713,149 | \$ 130,140 | \$ 28,843,289 |
| Net income | — | — | 420,431 | — | 420,431 | 2,844 | 423,275 |
| Other comprehensive income | — | — | — | 49,224 | 49,224 | — | 49,224 |
| Distributions paid and payable | — | — | (1,029,464) | — | (1,029,464) | (4,611) | (1,034,075) |
| Share issuances, net of costs | 48,226 | 2,982,094 | — | — | 2,982,094 | — | 2,982,094 |
| Contributions by noncontrolling interests | — | — | — | — | — | 39,559 | 39,559 |
| Share-based compensation, net | 247 | 7,777 | — | — | 7,777 | — | 7,777 |
| Balance, June 30, 2023 | <u>708,773</u> | <u>\$ 37,149,380</u> | <u>\$ (6,102,226)</u> | <u>\$ 96,057</u> | <u>\$ 31,143,211</u> | <u>\$ 167,932</u> | <u>\$ 31,311,143</u> |
| Balance December 31, 2021 | 591,262 | \$ 29,578,212 | \$ (4,530,571) | \$ 4,933 | \$ 25,052,574 | \$ 76,826 | \$ 25,129,400 |
| Net income | — | — | 422,576 | — | 422,576 | 1,217 | 423,793 |
| Other comprehensive income | — | — | — | 17,446 | 17,446 | — | 17,446 |
| Distributions paid and payable | — | — | (891,155) | — | (891,155) | (1,776) | (892,931) |
| Share issuances, net of costs | 26,133 | 1,720,573 | — | — | 1,720,573 | — | 1,720,573 |
| Share-based compensation, net | 169 | 4,598 | — | — | 4,598 | — | 4,598 |
| Balance, June 30, 2022 | <u>617,564</u> | <u>\$ 31,303,383</u> | <u>\$ (4,999,150)</u> | <u>\$ 22,379</u> | <u>\$ 26,326,612</u> | <u>\$ 76,267</u> | <u>\$ 26,402,879</u> |

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

REALTY INCOME CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands) (unaudited)

| | Six months ended June 30, | |
|--|------------------------------|-------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 423,275 | \$ 423,793 |
| Adjustments to net income: | | |
| Depreciation and amortization | 923,755 | 813,199 |
| Amortization of share-based compensation | 13,923 | 11,643 |
| Non-cash revenue adjustments | (33,420) | (25,332) |
| Gain on extinguishment of debt | — | (127) |
| Amortization of net premiums on mortgages payable | (6,396) | (7,091) |
| Amortization of net premiums on notes payable | (30,657) | (31,423) |
| Amortization of deferred financing costs | 12,568 | 7,081 |
| (Loss) gain on interest rate swaps | (3,600) | 1,446 |
| Foreign currency and unrealized derivative loss, net | (6,289) | (6,890) |
| Gain on sales of real estate | (12,103) | (50,728) |
| Equity in income and impairment of investment in unconsolidated entities | (411) | 5,673 |
| Distributions from unconsolidated entities | — | 1,490 |
| Provisions for impairment on real estate | 42,993 | 14,729 |
| Change in assets and liabilities | | |
| Accounts receivable and other assets | 25,733 | 134,019 |
| Accounts payable, accrued expenses and other liabilities | 116,742 | (34,921) |
| Net cash provided by operating activities | 1,466,113 | 1,256,561 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment in real estate | (4,686,800) | (3,166,063) |
| Improvements to real estate, including leasing costs | (29,458) | (29,654) |
| Proceeds from sales of real estate | 60,460 | 272,245 |
| Return of investment from unconsolidated entities | 3,927 | 746 |
| Insurance proceeds received | 7,198 | 16,046 |
| Non-refundable escrow deposits | (1,935) | (13,815) |
| Net cash used in investing activities | (4,646,608) | (2,920,495) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash distributions to common stockholders | (1,012,336) | (884,109) |
| Borrowings on line of credit and commercial paper programs | 27,136,997 | 9,366,868 |
| Payments on line of credit and commercial paper programs | (28,911,973) | (9,724,268) |
| Proceeds from term loan | 1,029,383 | — |
| Proceeds from notes payable issued | 2,074,883 | 1,405,691 |
| Principal payments on mortgages payable | (8,070) | (225,951) |
| Proceeds from common stock offerings, net | 2,976,683 | 1,712,696 |
| Proceeds from dividend reinvestment and stock purchase plan | 5,411 | 5,731 |
| Distributions to noncontrolling interests | (3,038) | (1,776) |
| Net (payments) receipts on derivative settlements | (9,285) | 7,474 |
| Debt issuance costs | (25,108) | (27,272) |
| Other items, including shares withheld upon vesting | (6,146) | (4,899) |
| Net cash provided by financing activities | 3,247,401 | 1,630,185 |
| Effect of exchange rate changes on cash and cash equivalents | 21,075 | (24,955) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 87,981 | (58,704) |
| Cash, cash equivalents and restricted cash, beginning of period | 226,881 | 332,369 |
| Cash, cash equivalents and restricted cash, end of period | \$ 314,862 | \$ 273,665 |

For supplemental disclosures, see note 15, *Supplemental Disclosures of Cash Flow Information*.

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

REALTY INCOME CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023
(unaudited)

1. Basis of Presentation

Realty Income Corporation ("Realty Income," the "Company," "we," "our" or "us") was founded in 1969 and is organized as a Maryland corporation. We invest in commercial real estate and have elected to be taxed as a real estate investment trust ("REIT"). We are listed on the New York Stock Exchange ("NYSE") under the symbol "O".

As of June 30, 2023, we owned or held interests in a diversified portfolio of 13,118 properties located in all 50 states of the United States ("U.S."), Puerto Rico, the United Kingdom ("U.K."), Spain, Italy, and Ireland, with approximately 255.5 million square feet of leasable space.

Our accompanying unaudited consolidated financial statements were prepared from our books and records in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In the opinion of management, all adjustments (consisting of only normal recurring accruals) necessary to present a fair statement of results for the interim periods presented have been included. Operating results for the three and six months ended June 30, 2023 are not necessarily an indication of the results that may be expected for the entire year. Readers of this quarterly report should refer to our audited consolidated financial statements for the year ended December 31, 2022, which are included in our 2022 Annual Report on [Form 10-K](#), as certain disclosures that would substantially duplicate those contained in the audited financial statements have not been included in this report. The U.S. dollar ("USD") is our reporting currency. Unless otherwise indicated, all dollar amounts are expressed in USD.

For our consolidated subsidiaries whose functional currency is not the USD, we translate their financial statements into USD at the time we consolidate those subsidiaries' financial statements. Generally, assets and liabilities are translated at the exchange rate in effect at the balance sheet date. The resulting translation adjustments are included in 'Accumulated other comprehensive income' ("AOCI") in the consolidated balance sheets. Certain balance sheet items, primarily equity and capital-related accounts, are reflected at the historical exchange rate. Income statement accounts are translated using the average exchange rate for the period.

We and certain of our consolidated subsidiaries have intercompany and third-party debt that is not denominated in our functional currency. When the debt is remeasured to the functional currency of the entity, a gain or loss can result. The resulting adjustment is reflected in 'Foreign currency and derivative (loss) gain, net' in the consolidated statements of income and comprehensive income. Intercompany accounts and transactions are eliminated in consolidation.

Principles of Consolidation. These consolidated financial statements include the accounts of Realty Income and all other entities in which we have a controlling financial interest. We evaluate whether we have a controlling financial interest in an entity in accordance with Accounting Standards Codification ("ASC") 810, *Consolidation*.

Voting interest entities are entities considered to have sufficient equity at risk and which the equity holders have the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity's activities. We consolidate voting interest entities in which we have a controlling financial interest, which we typically have through holding of a majority of the entity's voting equity interests.

Variable interest entities ("VIEs") are entities that lack sufficient equity at risk or where the equity holders either do not have the obligation to absorb losses, do not have the right to receive residual returns, do not have the right to make decisions about the entity's activities, or some combination of the above. A controlling financial interest in a VIE is present when an entity has a variable interest, or a combination of variable interests, that provides the entity with (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. An entity that meets both conditions above is deemed the primary beneficiary and consolidates the VIE. We reassess our initial evaluation of whether an entity is a VIE when certain reconsideration events occur. We reassess our determination of whether we are the primary beneficiary of a VIE on an ongoing basis based on current facts and circumstances.

At June 30, 2023, Realty Income, L.P. and certain investments, including investments in joint ventures, are considered 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 June 30, 2023, and December 31, 2022 (in thousands):

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
|-------------------|----------------------|--------------------------|
| Net real estate | \$ 2,432,712 | \$ 920,032 |
| Total assets | \$ 3,165,836 | \$ 1,082,346 |
| Total liabilities | \$ 159,014 | \$ 60,127 |

The portion of a consolidated entity not owned by us is recorded as a noncontrolling interest. Noncontrolling interests are reflected on our consolidated balance sheets as a component of equity. Noncontrolling interests that were created or assumed as part of a business combination or asset acquisition were recognized at fair value as of the date of the transaction (see *note 9, Noncontrolling Interests*).

Reclassification. Certain prior period amounts have been reclassified to conform to the current year presentation.

Value-added tax receivable is now included in 'Other assets, net', in the consolidated balance sheets. Previously, this was categorized as 'Accounts receivable, net' in the consolidated balance sheets.

Use of Estimates. The consolidated financial statements were prepared in conformity with U.S. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segment Reporting. We report our results in a single reportable segment, which reflects how our chief operating decision maker allocates resources and assesses our performance.

Income Taxes. We have elected to be taxed as a 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 in the U.S., we generally will not be required to pay U.S. 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 ("TRS"). A TRS is a subsidiary of a REIT that is subject to federal, state and local income taxes, as applicable. Our use of TRS entities enables us to engage in certain business activities while complying with the REIT qualification requirements and to retain any income generated by these businesses for reinvestment without the requirement to distribute those earnings. For our international territories, we are liable for taxes in the United Kingdom and Spain. Accordingly, provisions have been made for U.K. and Spain income taxes. Therefore, 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 U.S. income taxes on our TRS entities, city and state income and franchise taxes, and income taxes for the U.K. and Spain.

Earnings and profits that determine the taxability of distributions to stockholders differ from net income reported for financial reporting purposes primarily 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 international, 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 tax positions have been recorded on our consolidated financial statements.

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

We 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, *Leases*. We assess the collectability of our future lease payments based on an analysis of creditworthiness, economic trends and other facts and circumstances related to the applicable clients. If we conclude the 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, including those related to straight-line rental revenue, 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 probable. If we subsequently conclude that the collection of substantially all lease payments under a lease is probable, a reversal of lease receivables previously written off is recognized.

Goodwill. Goodwill is not amortized, but is subject to impairment reviews annually, or more frequently if necessary. Goodwill is qualitatively assessed to determine whether a quantitative impairment assessment is necessary. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized, and the asset is written down to its estimated fair value. We perform our annual goodwill impairment assessment as of June 30. During the six months ended June 30, 2023 and 2022, there were no impairments of goodwill.

Concentration of Credit Risk. There were no clients who accounted for more than more than 10% of our total revenue for each of the six months ended June 30, 2023, and 2022.

Recent Accounting Pronouncements. The Company reviewed all recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact on our consolidated financial statements.

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

| | | |
|---|----------------------|--------------------------|
| A. Accounts receivable, net, consist of the following at: | | |
| | June 30, 2023 | December 31, 2022 |
| Straight-line rent receivables, net | \$ 440,939 | \$ 363,993 |
| Client receivables, net | 179,660 | 179,244 |
| | <u>\$ 620,599</u> | <u>\$ 543,237</u> |
| B. Lease intangible assets, net, consist of the following at: | | |
| | June 30, 2023 | December 31, 2022 |
| In-place leases | \$ 5,649,747 | \$ 5,324,565 |
| Accumulated amortization of in-place leases | (1,715,425) | (1,409,878) |
| Above-market leases | 1,824,355 | 1,697,367 |
| Accumulated amortization of above-market leases | (520,277) | (443,688) |
| | <u>\$ 5,238,400</u> | <u>\$ 5,168,366</u> |

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| | | | |
|----|--|----------------------|--------------------------|
| C. | Other assets, net, consist of the following at: | June 30, 2023 | December 31, 2022 |
| | Financing receivables | \$ 1,556,342 | \$ 933,116 |
| | Right of use asset - operating leases, net | 589,237 | 603,097 |
| | Right of use asset - financing leases | 538,168 | 467,920 |
| | Value-added tax receivable | 51,983 | 24,726 |
| | Prepaid expenses | 39,595 | 28,128 |
| | Impounds related to mortgages payable | 37,174 | 18,152 |
| | Derivative assets and receivables – at fair value | 32,730 | 83,100 |
| | Restricted escrow deposits | 23,995 | 37,627 |
| | Credit facility origination costs, net | 14,730 | 17,196 |
| | Corporate assets, net | 13,649 | 12,334 |
| | Investment in sales type lease | 6,003 | 5,951 |
| | Non-refundable escrow deposits | 1,935 | 5,667 |
| | Other items | 35,160 | 39,939 |
| | | <u>\$ 2,940,701</u> | <u>\$ 2,276,953</u> |
| D. | Accounts payable and accrued expenses consist of the following at: | June 30, 2023 | December 31, 2022 |
| | Notes payable - interest payable | \$ 169,773 | \$ 129,202 |
| | Derivative liabilities and payables – at fair value | 93,017 | 64,724 |
| | Accrued costs on properties under development | 65,981 | 26,559 |
| | Property taxes payable | 63,337 | 45,572 |
| | Value-added tax payable | 44,981 | 23,375 |
| | Accrued income taxes | 40,826 | 22,626 |
| | Accrued property expenses | 26,718 | 25,290 |
| | Mortgages, term loans, and credit line - interest payable | 7,802 | 5,868 |
| | Other items | 46,948 | 55,921 |
| | | <u>\$ 559,383</u> | <u>\$ 399,137</u> |
| E. | Lease intangible liabilities, net, consist of the following at: | June 30, 2023 | December 31, 2022 |
| | Below-market leases | \$ 1,728,348 | \$ 1,617,870 |
| | Accumulated amortization of below-market leases | (288,380) | (238,434) |
| | | <u>\$ 1,439,968</u> | <u>\$ 1,379,436</u> |
| F. | Other liabilities consist of the following at: | June 30, 2023 | December 31, 2022 |
| | Lease liability - operating leases, net | \$ 428,178 | \$ 440,096 |
| | Rent received in advance and other deferred revenue | 358,086 | 269,645 |
| | Lease liability - financing leases | 49,208 | 49,469 |
| | Security deposits | 20,024 | 15,577 |
| | | <u>\$ 855,496</u> | <u>\$ 774,787</u> |

3. Investments in Real Estate

A. Acquisitions of Real Estate

Below is a summary of our acquisitions for the six months ended June 30, 2023:

| | Number of Properties | Leasable Square Feet (in thousands) | Investment (\$ in millions) | Weighted Average Lease Term (Years) | Initial Weighted Average Cash Lease Yield ⁽¹⁾ |
|---|-------------------------|---|--------------------------------|--|---|
| Acquisitions - U.S. | 747 | 12,483 | \$ 3,408.9 | 15.9 | 6.9 % |
| Acquisitions - Europe | 31 | 4,181 | 788.7 | 9.3 | 7.4 % |
| Total acquisitions | 778 | 16,664 | \$ 4,197.6 | 14.6 | 7.0 % |
| Properties under development ⁽²⁾ | 219 | 5,635 | 569.9 | 16.5 | 6.5 % |
| Total ⁽³⁾ | 997 | 22,299 | \$ 4,767.5 | 14.8 | 6.9 % |

- (1) The initial weighted 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 (defined as the monthly aggregate cash amount charged to clients, inclusive of monthly base rent receivables), we cannot provide assurance that the actual return on the funds invested will remain at the percentages listed above. Contractual net operating income used in the calculation of initial weighted average cash lease yield includes approximately \$1.5 million received as settlement credits as reimbursement of free rent periods for the six months ended June 30, 2023. 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 weighted 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) Includes £8.7 million of investments in three U.K. development properties and €10.2 million of investment in one Spain development property, converted at the applicable exchange rates on the funding dates.
- (3) Our clients occupying the new properties are 89.9% retail and 10.1% industrial based on annualized contractual rent. Approximately 26% of the annualized contractual rent generated from acquisitions during the six months ended June 30, 2023 is from our investment grade rated clients, their subsidiaries or affiliated companies.

The aggregate purchase price of the assets acquired during the six months ended June 30, 2023 has been allocated as follows (in millions):

| | Acquisitions - USD | | Acquisitions - Sterling | | Acquisitions - Euro | |
|---|--------------------|---------|-------------------------|-------|---------------------|-------|
| Land ⁽¹⁾ | \$ | 665.4 | £ | 141.0 | € | 15.2 |
| Buildings and improvements | | 2,259.3 | | 318.8 | | 22.1 |
| Lease intangible assets ⁽²⁾ | | 328.6 | | 76.3 | | 14.4 |
| Other assets ⁽³⁾ | | 620.9 | | 59.7 | | — |
| Lease intangible liabilities ⁽⁴⁾ | | (99.4) | | (6.8) | | (0.9) |
| Other liabilities ⁽⁵⁾ | | (57.0) | | (0.1) | | — |
| | \$ | 3,717.8 | £ | 588.9 | € | 50.8 |

⁽¹⁾ Sterling-denominated land includes £7.6 million of right of use assets under long-term ground leases.

⁽²⁾ The weighted average amortization period for acquired lease intangible assets is 11.6 years.

⁽³⁾ USD-denominated other assets consist entirely of financing receivables with above-market terms. Sterling-denominated other assets consist of £11.1 million of financing receivables with above-market terms and £48.6 million of right-of-use assets accounted for as finance leases.

⁽⁴⁾ The weighted average amortization period for acquired lease intangible liabilities is 16.8 years.

⁽⁵⁾ USD-denominated other liabilities consist entirely of deferred rent on certain below-market leases.

The properties acquired during the six months ended June 30, 2023 generated total revenues of \$70.8 million and net income of \$32.9 million during the six months ended June 30, 2023.

B. Investments in Existing Properties

During the six months ended June 30, 2023, we capitalized costs of \$31.9 million on existing properties in our portfolio, consisting of \$26.3 million for non-recurring building improvements, \$5.5 million for re-leasing costs, and \$0.1 million for recurring capital expenditures. In comparison, during the six months ended June 30, 2022, we capitalized costs of \$37.8 million on existing properties in our portfolio, consisting of \$31.8 million for non-recurring building improvements, \$3.2 million for re-leasing costs, and \$2.8 million for recurring capital expenditures.

C. 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 the six months ended June 30, 2023, and 2022 were \$319.4 million and \$318.3 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 in the 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 the six months ended June 30, 2023, and 2022 were \$86.8 million and \$48.6 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 June 30, 2023 (dollars in thousands):

| | Net increase (decrease) to rental revenue | Increase to amortization expense |
|---------------|---|--|
| 2023 | \$ (31,009) | \$ 313,260 |
| 2024 | (56,416) | 571,588 |
| 2025 | (49,649) | 492,288 |
| 2026 | (41,955) | 439,340 |
| 2027 | (33,293) | 381,063 |
| Thereafter | 348,212 | 1,736,783 |
| Totals | \$ 135,890 | \$ 3,934,322 |

D. Gain on Sales of Real Estate

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

| | Three months ended June 30, | | Six months ended June 30, | |
|------------------------------|--------------------------------|----------|------------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Number of properties | 29 | 70 | 55 | 104 |
| Net sales proceeds | \$ 31.9 | \$ 150.0 | \$ 60.5 | \$ 272.2 |
| Gain on sales of real estate | \$ 7.8 | \$ 40.6 | \$ 12.1 | \$ 50.7 |

4. Revolving Credit Facility and Commercial Paper Programs

A. Credit Facility

We have a \$4.25 billion unsecured revolving multicurrency credit facility that matures in June 2026, includes two six-month extensions that can be exercised at our option, and allows us to borrow in up to 14 currencies, including USD. Our revolving credit facility also has a \$1.0 billion expansion option, which is subject to obtaining lender commitments. Under our revolving credit facility, our current investment grade credit ratings provide for USD borrowings at the Secured Overnight Financing Rate ("SOFR"), plus 0.725% with a SOFR adjustment charge of 0.10% and a revolving credit facility fee of 0.125%, for all-in pricing of 0.95% over SOFR, British Pound Sterling at the Sterling Overnight Indexed Average ("SONIA"), plus 0.725% with a SONIA adjustment charge of 0.0326% and a revolving credit facility fee of 0.125%, for all-in pricing of 0.8826% over SONIA, and Euro Borrowings at one-month Euro Interbank Offered Rate ("EURIBOR"), plus 0.725%, and a revolving credit facility fee of 0.125%, for all-in pricing of 0.85% over one-month EURIBOR.

As of June 30, 2023, we had a borrowing capacity of \$3.4 billion available on our revolving credit facility (subject to customary conditions to borrowing) and an outstanding balance of \$867.5 million, comprised of £644.0 million Sterling and €45.0 million Euro borrowings, as compared to an outstanding balance at December 31, 2022 of \$2.0 billion, comprised of €1.8 billion Euro and £70.0 million Sterling borrowings.

The weighted average interest rate on outstanding borrowings under our revolving credit facility was 4.6% and 1.5% during the six months ended June 30, 2023, and 2022, respectively. At June 30, 2023, our weighted average interest rate on borrowings outstanding under our revolving credit facility was 5.6%. Our revolving credit facility is subject to various leverage and interest coverage ratio limitations, and at June 30, 2023, we were in compliance with the covenants under our revolving credit facility.

As of June 30, 2023, credit facility origination costs of \$14.7 million are included in other assets, net, as compared to \$17.2 million at December 31, 2022, on our consolidated balance sheets. These costs are being amortized over the remaining term of our revolving credit facility.

B. Commercial Paper Programs

We have a USD-denominated unsecured commercial paper program, under which we may issue unsecured commercial paper notes up to a maximum aggregate amount outstanding of \$1.5 billion, as well as a Euro-denominated unsecured commercial paper program, which permits us to issue additional unsecured commercial

notes up to a maximum aggregate amount of \$1.5 billion (or foreign currency equivalent). Our Euro-denominated unsecured commercial paper program may be issued in USD or various foreign currencies, including but not limited to, Euros, Sterling, Swiss Francs, Yen, Canadian Dollars, and Australian Dollars, in each case, pursuant to customary terms in the European commercial paper market.

The commercial paper ranks 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 loans and our outstanding senior unsecured notes. Proceeds from commercial paper borrowings are used for general corporate purposes.

As of June 30, 2023, the balance of borrowings outstanding under our commercial paper programs was \$122.7 million, consisting entirely of USD borrowings, as compared to \$701.8 million outstanding commercial paper borrowings, including €361.0 million of Euro-denominated borrowings, at December 31, 2022. The weighted average interest rate on outstanding borrowings under our commercial paper programs was 4.5% and 0.8% for the six months ended June 30, 2023, and 2022, respectively. As of June 30, 2023, our weighted average interest rate on outstanding borrowings under our commercial paper programs was 5.4%. We use our \$4.25 billion revolving credit facility as a liquidity backstop for the repayment of the notes issued under the commercial paper programs. The commercial paper borrowings generally carry a term of less than a year.

5. Term Loans

In January 2023, we entered into a term loan agreement, permitting us to incur multicurrency term loans, up to an aggregate of \$1.5 billion in total borrowings. As of June 30, 2023, we had \$1.1 billion in multicurrency borrowings, including \$90.0 million, £705.0 million, and €85.0 million in outstanding borrowings. The 2023 term loans initially mature in January 2024 and include two 12-month maturity extensions that can be exercised at our option. Our A3/A- credit ratings provide for a borrowing rate of 80 basis points over the applicable benchmark rate, which includes adjusted SOFR for USD-denominated loans, adjusted SONIA for Sterling-denominated loans, and EURIBOR for Euro-denominated loans. In conjunction with our 2023 term loans, we entered into interest rate swaps which fix our per annum interest rate. As of June 30, 2023, the effective interest rate, after giving effect to the interest rate swaps, was 5.0%.

We also have a \$250.0 million senior unsecured term loan, which matures in March 2024. In conjunction with this term loan, we also entered into an interest rate swap. As of June 30, 2023, the effective interest rate on this term loan, after giving effect to the interest rate swap, was 3.8%.

At June 30, 2023, deferred financing costs of \$4.4 million are included net of the term loans principal balance, as compared to \$0.2 million related to our \$250.0 million term loan at December 31, 2022, on our consolidated balance sheets. These costs are being amortized over the remaining term of the term loans. As of June 30, 2023, we were in compliance with the covenants contained in the term loans.

6. Mortgages Payable

During the six months ended June 30, 2023, we made \$8.1 million in principal payments, including the full repayment of one mortgage for \$5.7 million. No mortgages were assumed during the six months ended June 30, 2023. Assumed mortgages are secured by the properties on which the debt was placed and are considered non-recourse debt with limited customary exceptions which vary from loan to loan.

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 June 30, 2023, 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, was \$0.7 million at June 30, 2023 and \$0.8 million at December 31, 2022. These costs are being amortized over the remaining term of each mortgage.

The following table summarizes our mortgages payable as of June 30, 2023 and December 31, 2022 (dollars in millions):

| 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 Financing Costs Balance, net | Mortgage Payable Balance |
|-------------------|-------------------------------------|--|---|---|-----------------------------|---|--------------------------|
| June 30, 2023 | 135 | 4.8 % | 3.3 % | 0.9 | \$ 836.3 | \$ 5.4 | \$ 841.7 |
| December 31, 2022 | 136 | 4.8 % | 3.3 % | 1.4 | \$ 842.3 | \$ 11.6 | \$ 853.9 |

⁽¹⁾ At June 30, 2023, there were 17 mortgages on 135 properties and at December 31, 2022, there were 18 mortgages on 136 properties. With the exception of one Sterling-denominated mortgage which is paid quarterly, the mortgages require monthly payments with principal payments due at maturity. At June 30, 2023 and December 31, 2022, all mortgages were at fixed interest rates.

⁽²⁾ Stated interest rates ranged from 3.0% to 6.9% at June 30, 2023 and December 31, 2022, respectively.

⁽³⁾ Effective interest rates ranged from 2.0% to 6.6% and 2.7% to 6.6% at June 30, 2023 and December 31, 2022, respectively.

The following table summarizes the maturity of mortgages payable as of June 30, 2023, excluding \$5.4 million related to unamortized net premiums and deferred financing costs (dollars in millions):

| Year of Maturity | Principal |
|------------------|-----------------|
| 2023 | \$ 14.1 |
| 2024 | 740.5 |
| 2025 | 43.9 |
| 2026 | 12.0 |
| 2027 | 22.3 |
| Thereafter | 3.5 |
| Totals | \$ 836.3 |

7. Notes Payable

A. General

At June 30, 2023, our senior unsecured notes and bonds are USD-denominated and Sterling-denominated. Foreign-denominated notes are converted at the applicable exchange rate on the balance sheet date. The following are sorted by maturity date (in thousands):

| | Maturity Dates | Principal (Currency Denomination) | Carrying Value (USD) as of | |
|---|-------------------|-----------------------------------|----------------------------|-------------------|
| | | | June 30, 2023 | December 31, 2022 |
| 4.600% Notes due 2024 | February 6, 2024 | \$ 499,999 | \$ 499,999 | \$ 499,999 |
| 3.875% Notes due 2024 | July 15, 2024 | \$ 350,000 | 350,000 | 350,000 |
| 3.875% Notes due 2025 | April 15, 2025 | \$ 500,000 | 500,000 | 500,000 |
| 4.625% Notes due 2025 | November 1, 2025 | \$ 549,997 | 549,997 | 549,997 |
| 5.050% Notes due 2026 | January 13, 2026 | \$ 500,000 | 500,000 | — |
| 0.750% Notes due 2026 | March 15, 2026 | \$ 325,000 | 325,000 | 325,000 |
| 4.875% Notes due 2026 | June 1, 2026 | \$ 599,997 | 599,997 | 599,997 |
| 4.125% Notes due 2026 | October 15, 2026 | \$ 650,000 | 650,000 | 650,000 |
| 1.875% Notes due 2027 | January 14, 2027 | £ 250,000 | 317,700 | 301,225 |
| 3.000% Notes due 2027 | January 15, 2027 | \$ 600,000 | 600,000 | 600,000 |
| 1.125% Notes due 2027 | July 13, 2027 | £ 400,000 | 508,320 | 481,960 |
| 3.950% Notes due 2027 | August 15, 2027 | \$ 599,873 | 599,873 | 599,873 |
| 3.650% Notes due 2028 | January 15, 2028 | \$ 550,000 | 550,000 | 550,000 |
| 3.400% Notes due 2028 | January 15, 2028 | \$ 599,816 | 599,816 | 599,816 |
| 2.200% Notes due 2028 | June 15, 2028 | \$ 499,959 | 499,959 | 499,959 |
| 4.700% Notes due 2028 | December 15, 2028 | \$ 400,000 | 400,000 | — |
| 3.250% Notes due 2029 | June 15, 2029 | \$ 500,000 | 500,000 | 500,000 |
| 3.100% Notes due 2029 | December 15, 2029 | \$ 599,291 | 599,291 | 599,291 |
| 4.850% Notes due 2030 | March 15, 2030 | \$ 600,000 | 600,000 | — |
| 3.160% Notes due 2030 | June 30, 2030 | £ 140,000 | 177,912 | 168,686 |
| 1.625% Notes due 2030 | December 15, 2030 | £ 400,000 | 508,320 | 481,960 |
| 3.250% Notes due 2031 | January 15, 2031 | \$ 950,000 | 950,000 | 950,000 |
| 3.180% Notes due 2032 | June 30, 2032 | £ 345,000 | 438,426 | 415,691 |
| 5.625% Notes due 2032 | October 13, 2032 | \$ 750,000 | 750,000 | 750,000 |
| 2.850% Notes due 2032 | December 15, 2032 | \$ 699,655 | 699,655 | 699,655 |
| 1.800% Notes due 2033 | March 15, 2033 | \$ 400,000 | 400,000 | 400,000 |
| 1.750% Notes due 2033 | July 13, 2033 | £ 350,000 | 444,780 | 421,715 |
| 4.900% Notes due 2033 | July 15, 2033 | \$ 600,000 | 600,000 | — |
| 2.730% Notes due 2034 | May 20, 2034 | £ 315,000 | 400,302 | 379,544 |
| 5.875% Bonds due 2035 | March 15, 2035 | \$ 250,000 | 250,000 | 250,000 |
| 3.390% Notes due 2037 | June 30, 2037 | £ 115,000 | 146,142 | 138,563 |
| 2.500% Notes due 2042 | January 14, 2042 | £ 250,000 | 317,700 | 301,225 |
| 4.650% Notes due 2047 | March 15, 2047 | \$ 550,000 | 550,000 | 550,000 |
| Total principal amount | | | \$ 16,383,189 | \$ 14,114,156 |
| Unamortized net premiums, deferred financing costs and cumulative basis adjustment on fair value hedge ⁽¹⁾ | | | 92,400 | 163,857 |
| | | | \$ 16,475,589 | \$ 14,278,013 |

⁽¹⁾ In January 2023, in conjunction with the pricing of these senior unsecured notes due January 2026, we entered into three-year, fixed-to-variable interest rate swaps, which are accounted for as fair value hedges. See *Note 11, Derivative Instruments* for further details.

The following table summarizes the maturity of our notes and bonds payable as of June 30, 2023, excluding \$92.4 million related to unamortized net premiums, deferred financing costs, and basis adjustment on interest rate swaps designated as fair value hedges (dollars in millions):

| Year of Maturity | Principal |
|------------------|--------------------|
| 2023 | \$ — |
| 2024 | 850.0 |
| 2025 | 1,050.0 |
| 2026 | 2,075.0 |
| 2027 | 2,025.9 |
| Thereafter | 10,382.3 |
| Totals | <u>\$ 16,383.2</u> |

As of June 30, 2023, the weighted average interest rate on our notes and bonds payable was 3.6%, and the weighted average remaining years until maturity was 6.7 years.

Interest incurred on all of the notes and bonds was \$144.1 million and \$103.0 million for the three months ended June 30, 2023, and 2022, respectively, and \$274.4 million and \$206.1 million for the six months ended June 30, 2023, and 2022, respectively.

Our outstanding notes and bonds are unsecured; accordingly, we have not pledged any assets as collateral for these or any other obligations. Interest on our £400 million of 1.625% senior unsecured notes issued in October 2020, our £400 million of 1.125% senior unsecured notes issued in July 2021, our £350 million of 1.750% senior unsecured notes also issued in July 2021, our £250 million of 1.875% senior unsecured notes issued in January 2022, and £250 million of 2.500% senior unsecured notes also issued in January 2022 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 June 30, 2023, we were in compliance with these covenants.

B. Note Issuances

During the six months ended June 30, 2023, we issued the following notes and bonds (in millions):

| | Date of Issuance | Maturity Date | Principal amount | Price of par value | Effective semi-annual yield to maturity |
|--------------|------------------|---------------|-------------------------|--------------------|---|
| 5.050% Notes | January 2023 | January 2026 | \$ 500.0 ⁽¹⁾ | 99.618 % | 5.189 % |
| 4.850% Notes | January 2023 | March 2030 | \$ 600.0 | 98.813 % | 5.047 % |
| 4.700% Notes | April 2023 | December 2028 | \$ 400.0 | 98.949 % | 4.912 % |
| 4.900% Notes | April 2023 | July 2033 | \$ 600.0 | 98.020 % | 5.148 % |

⁽¹⁾ In January 2023, we issued \$500 million of 5.05% senior unsecured notes due January 13, 2026, which are callable at par on January 13, 2024.

In July 2023, we issued €550.0 million of 4.875% senior unsecured notes due July 2030 and €550.0 million of 5.125% senior unsecured notes due July 2034. See note 18, *Subsequent Events*, for further details.

8. Issuances of Common Stock

A. *At-the-Market ("ATM") Program*

Under our current ATM program, we may offer and sell up to 120.0 million shares of common stock (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 under the ticker symbol "O" at prevailing market prices or at negotiated prices. Upon settlement, subject to certain exceptions, we may elect, in our sole discretion, to cash settle or net share settle all or any portion of our obligations under any forward sale agreement, in which cases we may not receive any proceeds (in the case of cash settlement) or will not receive any proceeds (in the case of net share settlement), and we may owe cash (in the case of cash settlement) or shares of our common stock (in the case of net share settlement) to the relevant forward purchaser. As of June 30, 2023, we had 24.3 million additional 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 programs (dollars in millions):

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|------------|------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Shares of common stock issued under the ATM program ⁽¹⁾ | 35,475,153 | 15,899,972 | 48,139,631 | 25,973,181 |
| Gross proceeds | \$ 2,195.7 | \$ 1,067.3 | \$ 2,997.4 | \$ 1,727.5 |
| Sales agents' commissions and other offering expenses | (15.2) | (10.7) | (20.7) | (14.8) |
| Net proceeds | \$ 2,180.5 | \$ 1,056.6 | \$ 2,976.7 | \$ 1,712.7 |

⁽¹⁾During the three and six months ended June 30, 2023, 20.7 million and 46.3 million shares were sold, respectively, and 35.5 million and 48.1 million shares were settled pursuant to forward sale confirmations, respectively. In addition, as of June 30, 2023, 4.9 million shares of common stock subject to forward sale confirmations have been executed, but not settled, at a weighted average initial price of \$59.33 per share. We currently expect to fully settle forward sale agreements outstanding by September 30, 2023, representing \$287.0 million in net proceeds, for which the weighted average forward price at June 30, 2023 was \$58.72 per share.

B. *Dividend Reinvestment and Stock Purchase Plan ("DRSPP")*

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 26.0 million common shares to be issued. At June 30, 2023, we had 11.1 million shares remaining for future issuance under our DRSPP program.

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|--------|------------------------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| Shares of common stock issued under the DRSPP program | 44,118 | 43,260 | 85,781 | 84,631 |
| Gross proceeds | \$ 2.7 | \$ 2.9 | \$ 5.4 | \$ 5.7 |

9. Noncontrolling Interests

As of June 30, 2023, we have six entities with noncontrolling interests that we consolidate, consisting of our operating partnership, (Realty Income, L.P.), a joint venture formed in 2023 in connection with the acquisition of properties, a joint venture acquired in December 2019, and three development joint ventures (one acquired in December 2020, one acquired in May 2021, and one acquired in April 2023).

The following table represents the change in the carrying value of all noncontrolling interests through June 30, 2023 (in thousands):

| | Realty Income, ⁽¹⁾ L.P. units | Other Noncontrolling Interests | Total |
|-------------------------------------|---|--------------------------------------|-------------------|
| Carrying value at December 31, 2022 | \$ 115,801 | \$ 14,339 | \$ 130,140 |
| Contributions ⁽²⁾ | — | 39,559 | 39,559 |
| Distributions ⁽³⁾ | (2,826) | (1,785) | (4,611) |
| Allocation of net income | 1,925 | 919 | 2,844 |
| Carrying value at June 30, 2023 | <u>\$ 114,900</u> | <u>\$ 53,032</u> | <u>\$ 167,932</u> |

⁽¹⁾ 1,795,167 units were outstanding as of both June 30, 2023 and December 31, 2022.

⁽²⁾ Includes contributions of \$39.2 million for the issuance of a 5.0% joint venture interest as partial consideration paid on property acquisitions and contributions of \$0.4 million related to a 5.0% interest in a development joint venture.

⁽³⁾ Includes a non-cash reduction of noncontrolling interest of \$1.5 million from our partner's responsibility to absorb construction cost overages for a development joint venture during the six months ended June 30, 2023.

10. 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 exit price).

ASC 820, *Fair Value Measurements and Disclosures*, sets forth a fair value hierarchy that categorizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs. Categorization within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

- **Level 1 – Unadjusted quoted prices in active markets**
Fair value measurements are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.
- **Level 2 – Valuation Technique Using Observable Inputs**
Fair value measurements classified as Level 2 are valued using quoted prices for identical instruments in markets that are not considered to be active, or quoted prices for similar assets or liabilities in active markets, or valuation techniques in which all significant inputs are observable or can be corroborated by observable market data for substantially the entire contractual term of the financial asset or liability.
- **Level 3 – Valuation Technique Using Significant Unobservable Inputs**
Fair value measurements are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the inputs, or other analytical techniques.

We evaluate our hierarchy disclosures each quarter and depending on various factors, it is possible that an asset or liability may be classified differently from period to period. Changes in the type of inputs may result in a reclassification for certain assets. We have not historically had changes in classifications and do not expect that changes in classifications between levels will be frequent.

A. Financial Instruments Not Measured at Fair Value on the Consolidated Balance Sheets

The fair value of short-term financial instruments such as cash and cash equivalents, accounts receivable, escrow deposits, loans receivable, accounts payable, distributions payable, line of credit payable and commercial paper borrowings, and other liabilities approximate their carrying value in the accompanying consolidated balance sheets, due to their short-term nature. The aggregate fair value of our term loans approximates carrying value due to the frequent repricing of the variable interest rate charged on the borrowing.

The following table reflects the carrying amounts and estimated fair values of our financial instruments (in millions):

| | June 30, 2023 | | December 31, 2022 | |
|--|----------------|-------------|-------------------|-------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Mortgages payable ⁽¹⁾ | \$ 836.3 | \$ 812.5 | \$ 842.3 | \$ 810.4 |
| Notes and bonds payable ⁽²⁾ | \$ 16,383.2 | \$ 14,553.6 | \$ 14,114.2 | \$ 12,522.8 |

⁽¹⁾ Excludes non-cash net premiums recorded on the mortgages payable. The unamortized balance of these net premiums was \$6.0 million at June 30, 2023, and \$12.4 million at December 31, 2022. Also excludes deferred financing costs of \$0.7 million at June 30, 2023, and \$0.8 million at December 31, 2022.

⁽²⁾ Excludes non-cash net premiums recorded on notes payable. The unamortized balance of the net premiums was \$168.8 million at June 30, 2023, and \$224.6 million at December 31, 2022. Also excludes deferred financing costs of \$71.8 million and basis adjustment on interest rate swaps designated as fair value hedges of \$4.6 million at June 30, 2023, and \$60.7 million of deferred financing costs at December 31, 2022.

The estimated fair values of our mortgages payable 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.

B. Financial Instruments Measured at Fair Value on a Recurring Basis

For derivative assets and liabilities, we may utilize interest rate swaps, interest rate swaptions, and forward-starting swaps to manage interest rate risk, and cross-currency swaps, currency exchange swaps, and foreign currency forwards 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.

Derivative fair values also include 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 June 30, 2023, and December 31, 2022, 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.

C. Items Measured at Fair Value on a Non-Recurring Basis

Impairment of Real Estate Investments

Certain financial and nonfinancial assets and liabilities are measured at fair value on a non-recurring basis and are subject to fair value adjustments only under certain circumstances, such as when an impairment write-down occurs.

Depending on impairment triggering events during the applicable period, impairments are typically recorded for properties sold, in the process of being sold, vacant, in bankruptcy, or experiencing difficulties with collection of rent.

The following table summarizes our provisions for impairment on real estate investments during the periods indicated below (in millions):

| | Three months ended June 30, | | Six months ended June 30, | |
|---------------------------------------|--------------------------------|---------|------------------------------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| Carrying value prior to impairment | \$ 97.0 | \$ 64.5 | \$ 125.5 | \$ 98.2 |
| Less: total provisions for impairment | (29.8) | (7.7) | (43.0) | (14.7) |
| Carrying value after impairment | \$ 67.2 | \$ 56.8 | \$ 82.5 | \$ 83.5 |

The valuation of impaired assets is determined using valuation techniques including discounted cash flow analysis, analysis of recent comparable sales transactions and purchase offers received from third parties, which are Level 3 inputs. We may consider a single valuation technique or multiple valuation techniques, as appropriate, when estimating the fair value of its real estate. Estimating future cash flows is highly subjective and estimates can differ materially from actual results.

11. Derivative Instruments

In the normal course of business, our operations are exposed to economic risks from interest rates and foreign currency exchange rates. We may enter into derivative financial instruments to offset these underlying economic risks.

Derivative Designated as Hedging Instruments - Cash Flow Hedges

In order to hedge the foreign currency risk associated with interest payments on intercompany loans denominated in British Pound Sterling ("GBP") and Euro ("EUR"), we have a hedging strategy to enter into foreign currency forward contracts to sell GBP, USD, and EUR and buy EUR, USD, and GBP. These foreign currency forwards are designated as cash flow hedges. Forward points on the forward contracts are included in the assessment of hedge effectiveness. Amounts reported in other comprehensive income related to foreign currency derivative contracts will be reclassified to other gain and (loss) in the same period during which the hedged forecasted transactions affect earnings.

To add stability to interest expense and to manage our exposure to interest rate movements associated with our term loans, we executed variable-to-fixed interest rate swaps. These interest rate swaps are designated as cash flow hedges. The interest rate swaps are recorded on the consolidated balances sheets at fair value. Changes to fair value are recorded to accumulated other comprehensive income, or AOCI, and subsequently reclassified into interest expense in the same periods during which the hedged transaction affects earnings.

To mitigate the impact of fluctuating interest rates, we have also entered into interest rate swaption agreements, structured as a swaption corridor, in anticipation of issuing USD denominated bonds. Interest rate swaption corridors are a combination of two swaption positions, whereby we purchase a payer swaption, which is an option that allows us to enter into a swap where we will pay the fixed rate and receive the floating rate of the swap, and sell a payer swaption, which is an option that provides the counterparty with the right to enter into a swap where we will receive the fixed rate and pay the floating rate of the swap. For the swaption corridor entered into during March 2023, the combination of purchasing the payer swaption and selling the swaption resulted in a premium being paid of \$7.6 million. The interest rate swaptions are designated as cash flow hedges. Changes in fair value of the swaptions have been recorded in AOCI.

Derivative Designated as Hedging Instruments - Fair Value Hedges

Periodically, we enter into and designate fixed-to-floating interest rate swaps as fair value hedges. The purpose of these swaps is to manage interest rate risk by managing our mix of fixed-rate and variable-rate debt. These swaps involve the receipt of fixed-rate amounts for variable interest rate payments over the life of the swaps without exchange of the underlying principal amount.

We also designate some of our cross-currency swaps as fair value hedges. The purpose of these contracts is to hedge foreign currency risk associated with changes in spot rates on foreign-denominated debt. For these hedges, we have elected to exclude the change in fair value of the cross-currency swaps related to both time value and cross-currency basis spread from the assessment of hedge effectiveness (the "excluded component"). Changes in the fair value of the cross-currency swaps attributable to changes in the spot rates on the final notional exchanges and changes in the value of the hedged assets due to changes in the spot rates are recorded in 'Foreign currency

and derivative (loss) gain, net'. Changes in the fair value of the cross-currency swaps attributable to the excluded components are recorded to Other comprehensive income and will be recognized in Foreign currency and derivative (loss) gain, net on a systematic and rational basis, as net cash settlements and interest accruals on the respective cross currency swaps occur, over the remaining life of the hedging instruments.

Derivatives Not Designated as Hedging Instruments

We enter into foreign currency exchange swap agreements to reduce the effects of currency exchange rate fluctuations between the USD, our reporting currency, and GBP and EUR. These derivative contracts generally mature within one year and are not designated as hedge instruments for accounting purposes. 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 (loss) gain, net' in the consolidated statements of income and comprehensive income.

The following table summarizes the terms and fair values of our derivative financial instruments at June 30, 2023 and December 31, 2022 (dollars in millions):

| Derivative Type | Number of Instruments ⁽¹⁾ | Notional Amount as of | | Weighted Average Strike Rate ⁽²⁾ | Maturity Date ⁽³⁾ | Fair Value - asset (liability) as of | |
|--|--------------------------------------|-----------------------|-------------------|---|------------------------------|--------------------------------------|-------------------|
| | | June 30, 2023 | December 31, 2022 | | | June 30, 2023 | December 31, 2022 |
| Derivatives Designated as Hedging Instruments | | | | | | | |
| Interest rate swaps | 9 | \$ 1,630.0 | \$ 250.0 | 4.26% | Jan 2024 - Jan 2026 | \$ 6.4 | \$ 5.6 |
| Interest rate swaptions | 6 | 1,000.0 | — | (4) | Feb 2034 | 8.8 | — |
| Cross-currency swaps | 3 | 320.0 | 320.0 | (5) | Oct 2032 | (45.6) | (33.3) |
| Foreign currency forwards | 24 | 144.0 | 185.5 | (6) | Jul 2023 - Dec 2024 | 6.9 | 16.1 |
| | | <u>\$ 3,094.0</u> | <u>\$ 755.5</u> | | | <u>\$ (23.5)</u> | <u>\$ (11.6)</u> |
| Derivatives not Designated as Hedging Instruments | | | | | | | |
| Currency exchange swaps | 1 | \$ 214.9 | \$ 2,427.7 | (7) | July 2023 | \$ 3.5 | \$ 58.8 |
| Cross-currency swaps | 3 | 280.0 | 280.0 | (5) | Oct 2032 | (40.3) | (29.5) |
| | | <u>\$ 494.9</u> | <u>\$ 2,707.7</u> | | | <u>\$ (36.8)</u> | <u>\$ 29.3</u> |
| Total of all Derivatives | | <u>\$ 3,588.9</u> | <u>\$ 3,463.2</u> | | | <u>\$ (60.3)</u> | <u>\$ 17.7</u> |

⁽¹⁾ This column represents the number of instruments outstanding as of June 30, 2023.

⁽²⁾ Weighted average strike rate is calculated using the notional value as of June 30, 2023.

⁽³⁾ This column represents maturity dates for instruments outstanding as of June 30, 2023.

⁽⁴⁾ Represent purchased payer swaptions with a strike rate of 3.75% and a sold payer swaptions with a strike rate of 4.25%.

⁽⁵⁾ USD fixed rate of 5.625% and EUR weighted average fixed rate of 4.697%.

⁽⁶⁾ Weighted average forward GBP-USD exchange rate of 1.34.

⁽⁷⁾ Weighted average EUR-USD exchange rate of 1.07.

We measure our derivatives at fair value and include the balances within other assets and accounts payable as well as 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.

The following table summarizes the amount of unrecognized gain (loss) on derivatives in other comprehensive income (in thousands):

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|------------------|------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Derivatives in Cash Flow Hedging Relationships | | | | |
| Cross-currency swaps | \$ — | \$ (6,986) | \$ — | \$ (5,091) |
| Interest rate swaps | 3,564 | 30,386 | 1,844 | 69,391 |
| Foreign currency forwards | (4,081) | 10,054 | (9,194) | 12,844 |
| Interest rate swaptions | 4,840 | — | 3,553 | — |
| Total derivatives in cash flow hedging relationships | \$ 4,323 | \$ 33,454 | \$ (3,797) | \$ 77,144 |
| Derivatives in Fair Value Hedging Relationships | | | | |
| Cross-currency swaps | \$ (10,733) | \$ — | \$ (4,775) | \$ — |
| Total derivatives in fair value hedging relationships | \$ (10,733) | \$ — | \$ (4,775) | \$ — |
| Total unrealized (loss) gain on derivatives | \$ (6,410) | \$ 33,454 | \$ (8,572) | \$ 77,144 |

The following table summarizes the amount of gain (loss) on derivatives reclassified from AOCI (in thousands):

| Derivatives in Cash Flow Hedging Relationships | Location of Gain (Loss) Recognized in Income | Three months ended June 30, | | Six months ended June 30, | |
|--|--|--------------------------------|------------------|------------------------------|------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| Cross-currency swaps | Foreign currency and derivative gain (loss), net | \$ — | \$ 21,527 | \$ — | \$ 27,641 |
| Interest rate swaps | Interest income | 3,259 | (2,153) | 4,739 | (4,683) |
| Foreign currency forwards | Foreign currency and derivative gain (loss), net | 892 | — | 2,323 | — |
| Interest rate swaptions | Interest expense | (2,358) | — | (2,358) | — |
| Total derivatives in cash flow hedging relationships | | \$ 1,793 | \$ 19,374 | \$ 4,704 | \$ 22,958 |
| Derivatives in Fair Value Hedging Relationships | | | | | |
| Cross-currency swaps | Foreign currency and derivative gain (loss), net | \$ 190 | \$ — | \$ 484 | \$ — |
| Total derivatives in fair value hedging relationships | | \$ 190 | \$ — | \$ 484 | \$ — |
| Net increase to net income | | \$ 1,983 | \$ 19,374 | \$ 5,188 | \$ 22,958 |

We expect to reclassify \$18.2 million from AOCI as a decrease to interest expense relating to interest rate swaps and interest rate swaption and \$6.6 million from AOCI to foreign currency gain relating to foreign currency forwards within the next twelve months.

The following table details our foreign currency and derivative gains (losses), net included in income (in thousands):

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|-----------------|------------------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Realized foreign currency and derivative gain (loss), net: | | | | |
| (Loss) gain on the settlement of undesignated derivatives | \$ (981) | \$ 79,308 | \$ (1,326) | \$ 76,628 |
| Gain on the settlement of designated derivatives reclassified from AOCI | 1,082 | 21,527 | 2,807 | 27,641 |
| (Loss) gain on the settlement of transactions with third parties | (51) | 1,004 | 1,275 | 952 |
| Total realized foreign currency and derivative gain, net | \$ 50 | \$ 101,839 | \$ 2,756 | \$ 105,221 |
| Unrealized foreign currency and derivative gain (loss), net: | | | | |
| (Loss) gain on the change in fair value of undesignated derivatives | \$ (7,394) | \$ 37,274 | \$ (8,176) | \$ 59,995 |
| Gain (loss) on remeasurement of certain assets and liabilities | 4,792 | (131,633) | 13,190 | (158,326) |
| Total unrealized foreign currency and derivative (loss) gain, net | \$ (2,602) | \$ (94,359) | \$ 5,014 | \$ (98,331) |
| Total foreign currency and derivative (losses) gains, net | \$ (2,552) | \$ 7,480 | \$ 7,770 | \$ 6,890 |

12. Lessor Operating Leases

At June 30, 2023, we owned or held interests in 13,118 properties. Of the 13,118 properties, 12,882, or 98.2%, are single-client properties, and the remaining are multi-client properties. At June 30, 2023, 137 properties were available for lease or sale. The majority of our leases are accounted for as operating leases.

Substantially all of our leases are net leases where our client pays or reimburses us for property taxes and assessments 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 rent, for the three months ended June 30, 2023, and 2022 was \$1.7 million, and \$2.2 million, respectively. Percentage rent for the six months ended June 30, 2023, and 2022 was \$5.8 million, and \$6.0 million, respectively.

13. 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 the periods indicated below:

| | 2023 | 2022 |
|----------|-----------|-----------|
| January | \$ 0.2485 | \$ 0.2465 |
| February | 0.2485 | 0.2465 |
| March | 0.2545 | 0.2465 |
| April | 0.2550 | 0.2470 |
| May | 0.2550 | 0.2470 |
| June | 0.2550 | 0.2470 |
| Total | \$ 1.5165 | \$ 1.4805 |

At June 30, 2023, a distribution of \$0.2555 per common share was payable and was paid in July 2023.

14. 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 (shares in thousands):

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|---------|------------------------------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| Weighted average shares used for the basic net income per share computation | 674,109 | 601,672 | 667,357 | 597,778 |
| Incremental shares from share-based compensation | 409 | 359 | 392 | 363 |
| Dilutive effect of forward ATM offerings | 75 | — | 359 | — |
| Weighted average shares used for diluted net income per share computation | 674,593 | 602,031 | 668,108 | 598,141 |
| Unvested shares from share-based compensation that were anti-dilutive | 182 | 16 | 147 | 16 |
| Weighted average partnership common units convertible to common shares that were anti-dilutive | 1,795 | 1,061 | 1,795 | 1,061 |
| Weighted average forward ATM offerings that were anti-dilutive | 322 | — | 223 | — |

15. Supplemental Disclosures of Cash Flow Information

The following table summarizes our supplemental cash flow information during the periods indicated below (in thousands):

| | Six months ended June 30, | |
|---|------------------------------|------------|
| | 2023 | 2022 |
| Supplemental disclosures: | | |
| Cash paid for interest | \$ 324,711 | \$ 229,929 |
| Cash paid for income taxes | \$ 8,081 | \$ 30,091 |
| Non-cash activities: | | |
| Net (decrease) increase in fair value of derivatives | \$ (77,982) | \$ 146,181 |
| Increase in noncontrolling interests from property acquisitions | \$ 39,156 | \$ — |
| Mortgages assumed at fair value | \$ — | \$ 45,079 |

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 (in thousands):

| | June 30, 2023 | June 30, 2022 |
|--|---------------|---------------|
| Cash and cash equivalents shown in the consolidated balance sheets | \$ 253,693 | \$ 172,849 |
| Restricted escrow deposits ⁽¹⁾ | 23,995 | 100,098 |
| Impounds related to mortgages payable ⁽¹⁾ | 37,174 | 718 |
| Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows | \$ 314,862 | \$ 273,665 |

⁽¹⁾ Included within other assets, net on the consolidated balance sheets (see note 2, *Supplemental Detail for Certain Components of Consolidated Balance Sheets*). 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 March 2021, our Board of Directors adopted, and in May 2021, stockholders approved, the Realty Income 2021 Incentive Award Plan, or 2021 Plan. This note should be read in conjunction with the more complete discussion of our 2021 Plan included in note 17 to our consolidated financial statements in our Annual Report on [Form 10-K](#) for the year ended December 31, 2022.

The amount of share-based compensation costs recognized in 'General and administrative' in the consolidated statements of income and comprehensive income was \$7.6 million and \$6.6 million during the three months ended

June 30, 2023, and 2022, respectively, and \$13.9 million and \$11.6 million during the six months ended June 30, 2023 and 2022, respectively.

A. Restricted Stock and Restricted Stock Units

During the six months ended June 30, 2023, we granted 219,951 shares of common stock under the 2021 Plan. This included 40,000 total shares of restricted stock granted to the independent members of our Board of Directors in connection with our annual awards in May 2023, 20,000 shares of which vested immediately and 20,000 shares of which vest in equal parts over a three-year service period. Our restricted stock awards granted to employees vest over a service period not exceeding four-years.

During the six months ended June 30, 2023, we also granted 14,876 restricted stock units, all of which vest over a four-year service period.

As of June 30, 2023, the remaining unamortized share-based compensation expense related to restricted stock awards and units totaled \$21.7 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.

B. Performance Shares

During the six months ended June 30, 2023, we granted 193,868 performance shares, as well as dividend equivalent rights, to our executive officers. The performance shares are earned based on our Total Shareholder Return (TSR) performance relative to select industry indices and peer groups as well as achievement of certain operating metrics, and vest 50% on the first and second January 1 after the end of the three-year performance period, subject to continued service.

As of June 30, 2023, the remaining share-based compensation expense related to the performance shares totaled \$24.3 million. The performance shares are being recognized on a tranche-by-tranche basis over the service period. The fair value of the performance shares was estimated on the date of grant using a Monte Carlo Simulation model.

17. 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 June 30, 2023, we had commitments of \$15.2 million, which primarily relate to re-leasing costs, recurring capital expenditures, and non-recurring building improvements. In addition, as of June 30, 2023, we had committed \$764.9 million under construction contracts related to development projects, which have estimated rental revenue commencement dates between July 2023 and July 2024.

18. Subsequent Events

A. Dividends

In July 2023, we declared a dividend of \$0.2555 per share to our common stockholders, which will be paid in August 2023.

B. ATM Forward Offerings

As of August 3, 2023, ATM forward agreements for a total of 11.0 million shares remain unsettled with total expected net proceeds of approximately \$651.4 million of which 6.1 million shares were executed in July 2023.

C. Notes Issuance

In July 2023, we issued €550.0 million of 4.875% senior unsecured notes due July 2030 (the "2030 Notes"), and €550.0 million of 5.125% senior unsecured notes due July 2034 (the "2034 Notes"). The public offering price for the 2030 Notes was 99.421% of the principal amount for an effective annual yield to maturity of 4.975%, and the public offering price for the 2034 Notes was 99.506% of the principal amount for an effective annual yield to maturity of 5.185%. Interest on the 2030 Notes and the 2034 Notes is paid annually.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the documents incorporated by reference, contain 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 quarterly report, the words “estimated,” “anticipated,” “expect,” “believe,” “intend,” “continue,” “should,” “may,” “likely,” “plans,” and similar expressions are intended to identify forward-looking statements. Forward-looking statements include discussions of our business and portfolio (including our growth strategies and our intention to acquire or dispose of additional domestic and international properties and the timing of these acquisitions and dispositions), re-lease, re-development and speculative development of properties and expenditures related thereto; future operations and results; the announcement of operating results, strategy, plans, and the intentions of management; and trends in our business, including trends in the market for long-term net leases of freestanding, single-client properties. Forward-looking statements are subject to risks, uncertainties, and assumptions about Realty Income Corporation which may cause our actual future results to differ materially from expected results. Some of the factors that could cause actual results to differ materially are, among others, our continued qualification as a real estate investment trust; general domestic and foreign business, economic, or financial conditions; competition; fluctuating interest and currency rates; inflation and its impact on our clients and us; access to debt and equity capital markets and other sources of funding; continued volatility and uncertainty in the credit markets and broader financial markets; other risks inherent in the real estate business including our clients' defaults under leases, increased client bankruptcies, 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 domestic and foreign income tax laws and rates; our clients' solvency; property ownership through joint ventures and partnerships which may limit control of the underlying investments; current or future epidemics or pandemics, measures taken to limit their spread, the impacts on us, our business, our clients (including those in the theater and fitness industries), and the economy generally; the loss of key personnel; the outcome of any legal proceedings to which we are a party or which may occur in the future; acts of terrorism and war; and any effects of uncertainties regarding whether the anticipated benefits or results of our merger with VEREIT, Inc. in November 2021 will be achieved.

Additional factors that may cause risks and uncertainties include those discussed in the sections entitled “Business”, “Risk Factors” and “Management's Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on [Form 10-K](#) for the year ended December 31, 2022.

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements are not guarantees of future plans and performance and speak only as of the date this quarterly report was filed with the Securities and Exchange Commission (“SEC”). Actual plans and operating results may differ materially from what is expressed or forecasted in this quarterly report and forecasts made in the forward-looking statements discussed in this quarterly report might not materialize. We do not undertake any obligation to update forward-looking statements or publicly release the results of any forward-looking statements that may be made to reflect events or circumstances after the date these statements were made.

OVERVIEW

Realty Income, The Monthly Dividend Company[®], is an S&P 500 company and member of the S&P 500 Dividend Aristocrats[®] index for having increased its dividend every year for over 25 consecutive years. We invest in people and places to deliver dependable monthly dividends that increase over time. The Company is structured as a real estate investment trust (“REIT”), requiring us annually to distribute at least 90% of our 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”) in 1994 under the trading symbol “O”. Over the past 54 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.

As of June 30, 2023, we owned or held interests in 13,118 properties located in all 50 U.S. states, Puerto Rico, the United Kingdom (“U.K.”), Spain, Italy, and Ireland, with approximately 255.5 million square feet of leasable space leased to clients doing business in 85 separate industries. Of the 13,118 properties in our portfolio as of June 30, 2023, 12,882, or 98.2%, were single-client properties, of which 12,747 were leased, and the remaining were multi-client properties. Our total portfolio of 13,118 properties as of June 30, 2023 had a weighted average remaining

lease term (excluding rights to extend a lease at the option of the client) of approximately 9.6 years. Total portfolio annualized contractual rent on our leases as of June 30, 2023 was \$3.76 billion.

As of June 30, 2023, approximately 39.7% of our total portfolio annualized contractual rent comes from properties leased to our investment grade clients, their subsidiaries or affiliated companies. As of June 30, 2023, our top 20 clients (based on percentage of total portfolio annualized contractual rent) represented approximately 40.8% of our annualized rent and 11 of these clients have investment grade credit ratings or are subsidiaries or affiliates of investment grade companies. Approximately 93% of our annualized retail contractual rent as of June 30, 2023, is derived from our clients with a service, non-discretionary, and/or low price point component to their business.

Unless otherwise specified, references to rental revenue in the Management's Discussion and Analysis of Financial Condition and Results of Operations are exclusive of reimbursements from clients for recoverable real estate taxes and operating expenses totaling \$87.7 million and \$41.0 million for the three months ended June 30, 2023, and 2022, respectively, and \$147.3 million and \$85.0 million during the six months ended June 30, 2023 and 2022, respectively.

RECENT DEVELOPMENTS

Increases in Monthly Dividends to Common Stockholders

We have continued our 54-year policy of paying monthly dividends. In addition, we increased the dividend four times during 2023. As of July 2023, we have paid 103 consecutive quarterly dividend increases and increased the dividend 121 times since our listing on the NYSE in 1994.

The following table summarizes our dividend increases in 2023:

| 2023 Dividend increases | Month Declared | Month Paid | Dividend per share | Increase per share |
|-------------------------|----------------|------------|--------------------|--------------------|
| 1st increase | Dec 2022 | Jan 2023 | \$0.2485 | \$0.0005 |
| 2nd increase | Feb 2023 | Mar 2023 | \$0.2545 | \$0.0060 |
| 3rd increase | Mar 2023 | Apr 2023 | \$0.2550 | \$0.0005 |
| 4th increase | Jun 2023 | Jul 2023 | \$0.2555 | \$0.0005 |

The dividends paid per share during the six months ended June 30, 2023, totaled approximately \$1.5165, as compared to approximately \$1.4805 during the six months ended June 30, 2022, an increase of \$0.036, or 2.4%.

The monthly dividend of \$0.2555 per share represents a current annualized dividend of \$3.066 per share, and an annualized dividend yield of 5.1% based on the last reported sale price of our common stock on the NYSE of \$59.79 on June 30, 2023. 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 the Three and Six Months Ended June 30, 2023

During the three months ended June 30, 2023, we invested \$3.1 billion in 710 properties and properties under development or expansion at an initial weighted average cash lease yield of 6.9%. Of such properties, as of June 30, 2023, approximately 18% of the total annualized contractual rent of such properties was attributable to properties leased to investment grade clients.

During the six months ended June 30, 2023, we invested \$4.8 billion in 997 properties and properties under development or expansion at an initial weighted average cash lease yield of 6.9%. Of such properties, as of June 30, 2023, approximately 26% of the total annualized contractual rent of such properties was attributable to properties leased to investment grade clients.

See note 3, *Investments in Real Estate*, to the consolidated financial statements for further details.

Equity Capital Raising

During the three months ended June 30, 2023, we raised \$2.2 billion of net proceeds from the sale of common stock, primarily through our At-The-Market (ATM) program, with a weighted average price of \$61.89. As of June 30, 2023, 4.9 million shares of common stock subject to forward sale confirmations have been executed but not settled. See note 8, *Issuances of Common Stock*, for further details.

Note Issuances

In July 2023, we issued €550.0 million of 4.875% senior unsecured notes due July 2030 and €550.0 million of 5.125% senior unsecured notes due July 2034.

In April 2023, we issued \$400.0 million of 4.70% senior unsecured notes due December 2028 and \$600.0 million of 4.90% senior unsecured notes due July 2033.

In January 2023, we issued \$500.0 million of 5.050% senior unsecured notes due January 2026 and \$600.0 million of 4.85% senior unsecured notes due March 2030.

Portfolio Discussion**Leasing Results**

At June 30, 2023, we had 137 properties available for lease or sale out of 13,118 properties in our portfolio, representing a 99.0% occupancy rate based on the number of properties in the portfolio. Our property-level occupancy rates exclude properties with ancillary leases only, such as cell towers and billboards. Below is a summary of our portfolio activity for the period indicated below:

Three months ended June 30, 2023

| | |
|--|-------|
| Properties available for lease at March 31, 2023 | 131 |
| Lease expirations ⁽¹⁾ | 216 |
| Re-leases to same client | (174) |
| Re-leases to new client | (8) |
| Vacant dispositions | (28) |
| Properties available for lease at June 30, 2023 | 137 |

Six months ended June 30, 2023

| | |
|---|-------|
| Properties available for lease at December 31, 2022 | 126 |
| Lease expirations ⁽¹⁾ | 408 |
| Re-leases to same client | (329) |
| Re-leases to new client | (14) |
| Vacant dispositions | (54) |
| Properties available for lease at June 30, 2023 | 137 |

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

During the three months ended June 30, 2023, the new annualized contractual rent on re-leases was \$51.7 million, as compared to the previous annual rent of \$50.0 million on the same units, representing a rent recapture rate of 103.4% on the units re-leased. We re-leased two units to new clients without a period of vacancy, and 11 units to new clients after a period of vacancy.

During the six months ended June 30, 2023, the new annualized contractual rent on re-leases was \$87.8 million, as compared to the previous annual rent of \$85.5 million on the same units, representing a rent recapture rate of 102.7% on the units re-leased. We re-leased four units to new clients without a period of vacancy, and 17 units 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.

Anticipated Transition of Chief Financial Officer Role

On June 22, 2023, we announced the planned retirement of Christie Kelly as of Executive Vice President, Chief Financial Officer (CFO) and Treasurer, and the anticipated transition of that role to Jonathan Pong, currently the company's Senior Vice President, Head of Corporate Finance as part of our planned succession process, in each case, effective January 1, 2024.

Theater Industry Update

As previously disclosed, Cineworld Group plc and its affiliates ("Cineworld") commenced Chapter 11 reorganization proceedings during September 2022. As of June 30, 2023, we own 35 properties leased to Cineworld, which represent 1.1% of our total portfolio annualized contractual rent.⁽¹⁾

During the three months ended June 30, 2023, we collected approximately 99.0% of contractual rent across our entire theater portfolio. Uncollected rent during the period was primarily related to unpaid contractual rent at properties leased to Cineworld, but subsequently rejected as part of the bankruptcy process. We remain in negotiations with Cineworld regarding the terms and conditions of the leases at the properties Cineworld currently operates. We expect to reach final resolution on these matters in 2023.

As of June 30, 2023, we had cumulative reserves of \$31.4 million on properties leased to Cineworld with total receivables, net of reserves, of \$12.9 million. These reserves for Cineworld, representing a reduction of rental revenue, primarily relate to contractual rent and expense recoveries recorded during the COVID-19 pandemic in 2020, and during the fourth quarter of 2022, and exclude straight-line rent reserves.

⁽¹⁾ We define contractual rent as the monthly aggregate cash amount charged to clients, inclusive of monthly base rent receivables. Charged amounts have not been adjusted for any COVID-19 related rent relief granted and include contractual rent from any clients in bankruptcy.

Impact of Inflation

Leases generally provide for limited increases in rent as a result of fixed increases, increases in the consumer price index, or retail price index in the case of certain leases in the U.K. (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 and other costs (including increases in employment and other fees and expenses).

Moreover, our strategic focus on the use of net lease agreements reduces our exposure to rising property expenses due to inflation because the client is responsible for property expenses. Even though the utilization of 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. Additionally, inflationary periods may cause us to experience increased costs of financing, make it difficult to refinance debt at attractive rates or at all, and may adversely affect the properties we can acquire if the cost of financing an acquisition is in excess of our anticipated earnings from such property, thereby limiting the properties that can be acquired.

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.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2023, we had approximately \$3.5 billion of liquidity, which consists of cash and cash equivalents of approximately \$253.7 million, including £113.9 million denominated in Sterling and €40.2 million denominated in Euro, and \$3.3 billion of availability under our \$4.25 billion unsecured revolving credit facility, after deducting \$122.7 million in commercial paper borrowings under our commercial paper programs (comprised of a \$1.5 billion U.S. dollar-denominated unsecured commercial paper program and \$1.5 billion, or foreign currency equivalent, Euro-denominated unsecured commercial paper program). We use our unsecured revolving credit facility as a liquidity backstop for the repayment of the notes issued under these programs.

Our primary cash obligations, for the current year and subsequent years, are included in the “Material Cash Requirements” table, 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 under our revolving credit facility, short-term term loans, and under our commercial paper programs, and through public securities offerings. As of June 30, 2023, there are approximately \$1.1 billion of obligations becoming due through the remainder of 2023, which we expect to fund through a combination of the following:

- Cash and cash equivalents;
- Future cash flows from operations;
- Issuances of common stock or debt; and
- Additional borrowings under our revolving credit facility and our term loan (after deducting outstanding borrowings under our commercial paper programs).

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 programs.

Long-Term Liquidity Requirements

Our goal is to deliver dependable monthly dividends to our stockholders that increase over time. Historically, we have met our principal short-term and long-term capital needs, including the funding of high-quality real estate acquisitions, property development, and capital expenditures, by issuing common stock, preferred stock, long-term unsecured notes and term loan borrowings. Over the long term, we believe that common stock should be the majority of our capital structure. We may issue common stock when we believe our share price is at a level that allows for the proceeds of an offering to be accretively invested into additional properties or to permanently finance properties that were initially financed by our revolving credit facility, commercial paper programs, or shorter-term 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.

Capitalization

As of June 30, 2023, our total market capitalization was \$62.0 billion. Total market capitalization consisted of \$42.5 billion of common equity (based on the June 30, 2023 closing price on the NYSE of \$59.79 and assuming the conversion of common units of Realty Income, L.P.) and total outstanding borrowings of \$19.5 billion on our senior unsecured notes and bonds, term loans, mortgages payable, revolving credit facility and commercial paper (excluding unamortized deferred financing costs, discounts, and premiums). Our total debt to market capitalization was 31.5% at June 30, 2023.

ATM Program

As of June 30, 2023, there were approximately 4.9 million shares of common stock subject to forward sale agreements through our ATM program, representing approximately \$0.3 billion in expected net proceeds and a weighted average initial price of \$59.33 per share, which have been executed at a weighted average price of \$58.72 per share (assuming full physical settlement of all outstanding shares of common stock, subject to such forward sale agreements and certain assumptions made with respect to settlement dates), but not settled. During the six months ended June 30, 2023, we settled approximately 48.1 million shares of common stock previously sold pursuant to forward sale agreements through our ATM program for approximately \$3.0 billion of net proceeds. Under our current ATM program, we may offer and sell up to 120.0 million shares of common stock (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 under the ticker symbol "O" at prevailing market prices or at negotiated prices. As of June 30, 2023, we had 24.3 million additional 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.

Debt and Financing Activities

At June 30, 2023, our total outstanding borrowings of senior unsecured notes and bonds, term loans, mortgages payable, revolving credit facility and commercial paper were \$19.5 billion, with a weighted average maturity of 5.9 years and a weighted average interest rate of 3.79%. As of June 30, 2023, approximately 92% of our total debt was fixed rate debt. See notes 4 through 7 to the consolidated financial statements for additional information about our outstanding debt, along with our debt financing activities during the six months ended June 30, 2023 below.

Note Issuances

During the six months ended June 30, 2023, we issued the following notes and bonds (in millions):

| Note Issuance | Date of Issuance | Maturity Date | Principal amount | Price of par value | Effective semi-annual yield to maturity |
|---------------|------------------|---------------|------------------|--------------------|---|
| 5.050% Notes | January 2023 | January 2026 | \$ 500.0 | 99.618 % | 5.189 % |
| 4.850% Notes | January 2023 | March 2030 | \$ 600.0 | 98.813 % | 5.047 % |
| 4.700% Notes | April 2023 | December 2028 | \$ 400.0 | 98.949 % | 4.912 % |
| 4.900% Notes | April 2023 | July 2033 | \$ 600.0 | 98.020 % | 5.148 % |

In July 2023, we issued €550.0 million of 4.875% senior unsecured notes due July 2030 (the "2030 Notes"), and €550.0 million of 5.125% senior unsecured notes due July 2034 (the "2034 Notes"). The public offering price for the 2030 Notes was 99.421% of the principal amount for an effective annual yield to maturity of 4.975%, and the public offering price for the 2034 Notes was 99.506% of the principal amount for an effective annual yield to maturity of 5.185%.

New Term Loan

In January 2023, we entered into a term loan agreement, permitting us to incur multicurrency term loans, up to an aggregate of \$1.5 billion in total borrowings. As of June 30, 2023, we had \$1.1 billion in multicurrency borrowings, including \$90.0 million, £705.0 million and €85.0 million in outstanding borrowings. The 2023 term loans initially mature in January 2024 and include two 12-month maturity extensions that can be exercised at our option. In conjunction with our 2023 term loans, we entered into interest rate swaps which fix our per annum interest rate. As of June 30, 2023, the effective interest rate, after giving effect to the interest rate swaps, was 5.0%.

Covenants

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 accounting principles generally accepted in the United States of America ("U.S. GAAP"), 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 June 30, 2023, are:

| Note Covenants | Required | Actual |
|---|--------------------------|---------|
| Limitation on incurrence of total debt | ≤ 60% of adjusted assets | 39.5 % |
| Limitation on incurrence of secured debt | ≤ 40% of adjusted assets | 1.8 % |
| Debt service coverage (trailing 12 months) ⁽¹⁾ | ≥ 1.5x | 4.6x |
| Maintenance of total unencumbered assets | ≥ 150% of unsecured debt | 259.8 % |

⁽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 July 1, 2022 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 July 1, 2022, 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 June 30, 2023 (in thousands, for trailing twelve months):

| | | |
|--|----|------------------|
| Net income available to common stockholders | \$ | 867,265 |
| Plus: interest expense, excluding the amortization of deferred financing costs | | 566,816 |
| Less: gain on extinguishment of debt | | (240) |
| Plus: provision for taxes | | 44,425 |
| Plus: depreciation and amortization | | 1,780,945 |
| Plus: provisions for impairment | | 54,124 |
| Plus: pro forma adjustments | | 354,489 |
| Less: gain on sales of real estate | | (64,333) |
| Income available for debt service, as defined | \$ | <u>3,603,491</u> |
| Total pro forma debt service charge | \$ | <u>786,752</u> |
| Debt service and fixed charge coverage ratio | | 4.6 |

Credit Agency Ratings

The borrowing interest rates under our revolving credit facility are based upon our ratings assigned by credit rating agencies. As of June 30, 2023, 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 June 30, 2023: 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 credit agency ratings as of June 30, 2023, interest rates under our credit facility for U.S. borrowings would have been at the SOFR, plus 0.725% with a SOFR adjustment charge of 0.10% and a revolving credit facility fee of 0.125%, for all-in pricing of 0.95% over SOFR, for British Pound Sterling borrowings, at the SONIA, plus 0.725% with a SONIA adjustment charge of 0.0326% and a revolving credit facility fee of 0.125%, for all-in pricing of 0.8826% over SONIA, and for Euro Borrowings at one-month EURIBOR, plus 0.725%, and a revolving credit facility fee of 0.125%, for all-in pricing of 0.85% over one-month EURIBOR. In addition, our credit facility provides that the interest rates can range between: (i) SOFR/SONIA/EURIBOR, plus 1.40% if our credit rating is lower than BBB-/Baa3 or our senior unsecured debt is unrated and (ii) SOFR/SONIA/EURIBOR, plus 0.70% 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 ranges 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.

Material Cash Requirements

The following table summarizes the maturity of each of our obligations as of June 30, 2023 (dollars in millions):

| | Credit Facility and Commercial Paper ⁽¹⁾ | Senior Unsecured Notes | Term Loans ⁽²⁾ | Mortgages Payable | Interest ⁽³⁾ | Ground Leases Paid by the Company ⁽⁴⁾ | Ground Leases Paid by Our Clients ⁽⁵⁾ | Other ⁽⁶⁾ | Totals |
|---------------|---|------------------------|---------------------------|-------------------|-------------------------|--|--|----------------------|--------------------|
| 2023 | \$ 122.7 | \$ — | \$ — | \$ 14.1 | \$ 354.6 | \$ 5.3 | \$ 15.5 | \$ 579.3 | \$ 1,091.5 |
| 2024 | — | 850.0 | 250.0 | 740.5 | 734.3 | 13.4 | 30.8 | 194.4 | 2,813.4 |
| 2025 | — | 1,050.0 | — | 43.9 | 646.5 | 11.5 | 30.1 | 0.7 | 1,782.7 |
| 2026 | 867.5 | 2,075.0 | 1,078.7 | 12.0 | 493.8 | 17.2 | 29.3 | 1.6 | 4,575.1 |
| 2027 | — | 2,025.9 | — | 22.3 | 408.6 | 8.9 | 26.5 | 0.3 | 2,492.5 |
| Thereafter | — | 10,382.3 | — | 3.5 | 1,808.2 | 288.7 | 266.7 | 3.8 | 12,753.2 |
| Totals | \$ 990.2 | \$ 16,383.2 | \$ 1,328.7 | \$ 836.3 | \$ 4,446.0 | \$ 345.0 | \$ 398.9 | \$ 780.1 | \$ 25,508.4 |

⁽¹⁾ The initial term of the credit facility expires in June 2026 and includes, at our option, two six-month extensions. At June 30, 2023, there were \$867.5 million borrowings under our revolving credit facility, and commercial paper programs outstanding were \$122.7 million, which matured in July 2023.

⁽²⁾ The maturity date for our 2023 multi-currency term loan assumes the two twelve-month extensions available at the company's option are fully exercised.

⁽³⁾ Interest on the term loans, notes, bonds, mortgages payable, credit facility and commercial paper programs has been calculated based on outstanding balances at period end through their respective maturity dates. It excludes interest on the July 2023 issuances of €550.0 million of senior unsecured notes due July 2030 and €550.0 million of senior unsecured notes due July 2034.

⁽⁴⁾ We currently pay the ground lessors directly for the rent under the ground leases.

⁽⁵⁾ Our clients, who are generally sub-tenants clients 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.

⁽⁶⁾ "Other" consists of \$764.9 million of commitments under construction contracts, and \$15.2 million for re-leasing costs, recurring capital expenditures, and non-recurring building improvements.

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 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 2022, our cash distributions to common stockholders totaled \$1.81 billion, or approximately 95.3% of our estimated taxable income of \$1.90 billion. Certain measures are available to us to reduce or eliminate our tax exposure as a REIT, and accordingly, no provision for federal income taxes, other than our taxable REIT subsidiaries (each, a "TRS"), has been made. 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 cash on hand and funds from operations are sufficient to support our current level of cash distributions to our stockholders. We distributed \$1.5165 per share to stockholders during the six months ended June 30, 2023, representing 76.6% of our diluted AFFO per share of \$1.98.

Future distributions will be at the discretion of our Board of Directors and will depend on, among other things, our results of operations, FFO, Normalized 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, 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 our common 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 TRSs) 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. None of the distributions to our common stockholders, made or deemed to have been made in 2022, were classified as a return of capital for federal income tax purposes.

RESULTS OF OPERATIONS

The following is a comparison of our results of operations for the three and six months ended June 30, 2023 and 2022.

Total Revenue

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

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---------------------------------|--------------------------------|-------------------|-------------------|------------------------------|---------------------|-------------------|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Rental (excluding reimbursable) | \$ 907,551 | \$ 759,825 | \$ 147,726 | \$ 1,773,259 | \$ 1,515,383 | \$ 257,876 |
| Rental (reimbursable) | 87,738 | 40,975 | 46,763 | 147,319 | 84,982 | \$ 62,337 |
| Other | 23,916 | 9,619 | 14,297 | 43,026 | 17,397 | \$ 25,629 |
| Total revenue | <u>\$ 1,019,205</u> | <u>\$ 810,419</u> | <u>\$ 208,786</u> | <u>\$ 1,963,604</u> | <u>\$ 1,617,762</u> | <u>\$ 345,842</u> |

Rental Revenue (excluding reimbursable)

The table below summarizes our rental revenue (excluding reimbursable) in the three and six months ended June 30, 2023 and 2022 (dollars in thousands):

| | Number of Properties | Three Months Ended June 30, | | | Six months ended June 30, | | |
|--|-------------------------|--------------------------------|-------------------|-------------------|------------------------------|---------------------|-------------------|
| | | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Properties acquired during 2023 & 2022 | 2,203 | \$ 186,693 | \$ 28,248 | \$ 158,445 | \$ 323,895 | \$ 34,237 | \$ 289,658 |
| Same store rental revenue ⁽¹⁾ | 10,685 | 718,768 | 704,886 | 13,882 | 1,435,311 | 1,420,152 | 15,159 |
| Constant currency adjustment ⁽²⁾ | N/A | (1,345) | (937) | (408) | (5,258) | 2,226 | (7,484) |
| Properties sold during and prior to 2023 | 243 | 135 | 5,537 | (5,402) | 1,193 | 11,907 | (10,714) |
| Straight-line rent and other non-cash adjustments | N/A | (7,912) | 3,933 | (11,845) | (6,078) | 12,188 | (18,266) |
| Vacant rents, development and other ⁽³⁾ | 230 | 10,445 | 14,064 | (3,619) | 20,188 | 28,457 | (8,269) |
| Other excluded revenue ⁽⁴⁾ | N/A | 767 | 4,094 | (3,327) | 4,008 | 6,216 | (2,208) |
| Totals | | <u>\$ 907,551</u> | <u>\$ 759,825</u> | <u>\$ 147,726</u> | <u>\$ 1,773,259</u> | <u>\$ 1,515,383</u> | <u>\$ 257,876</u> |

⁽¹⁾ Same store rental revenue increased by 2.0% and 1.1% for the three and six months ended June 30, 2023 as compared to the same periods in 2022, respectively.

⁽²⁾ For purposes of comparability, same store rental revenue is presented on a constant currency basis using the exchange rate as of June 30, 2023, of 1.27 British Pound Sterling (“GBP”)/USD and 1.09 Euro (“EUR”)/USD. None of the properties in Italy and Ireland met our same store pool definition for the periods presented.

⁽³⁾ Relates to the aggregate of (i) rental revenue from 203 properties that were available for lease during part of 2023 or 2022, and (ii) rental revenue for 27 properties under development or completed developments that do not meet our same store pool definition for the periods presented.

⁽⁴⁾ Primarily consists of reimbursements for tenant improvements and rental revenue that is not contractual base rent such as lease termination

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.

Of the 13,827 in-place leases in the portfolio, which excludes 196 vacant units, 11,636, or 84.2%, were under leases that provide for increases in rents through: base rent increases tied to inflation (typically subject to ceilings), percentage rent based on a percentage of the clients' gross sales, fixed increases, or a combination of two or more of the aforementioned rent provisions.

Rent based on a percentage of our client's gross sales, or percentage rent, was \$1.7 million in the three months ended June 30, 2023, \$2.2 million for the three months ended June 30, 2022, \$5.8 million for the six months ended June 30, 2023, and \$6.0 million for the six months ended June 30, 2022. Percentage rent represents less than 1.0% of rental revenue.

At June 30, 2023, our portfolio of 13,118 properties was 99.0% leased with 137 properties available for lease, as compared to 99.0% leased with 126 properties available for lease at December 31, 2022, and 98.9% leased with 132 properties available for lease at June 30, 2022. 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 COVID-19 pandemic.

Rental Revenue (reimbursable)

A number of our leases provide for contractually obligated reimbursements from clients for recoverable real estate taxes and operating expenses. Contractually obligated reimbursements by our clients increased by \$46.8 million and \$62.3 million for the three and six months ended June 30, 2023 as compared with the same periods in 2022, respectively, primarily due to higher recoverable real estate tax taxes from overall portfolio growth.

Other Revenue

Other revenue primarily relates to interest income recognized on financing receivables for certain leases with above-market terms. Other revenue increased by \$14.3 million and \$25.6 million for the three and six months ended June 30, 2023 as compared to the same periods in 2022, respectively, due to a higher number of leases with above-market terms in recent acquisitions.

Total Expenses

The following summarizes our total expenses (in thousands):

| | Three months ended June 30, | | | Six months ended June 30, | | |
|--|--------------------------------|------------|------------|------------------------------|--------------|------------|
| | 2023 | 2022 | Change | 2023 | 2022 | Change |
| Depreciation and amortization | \$ 472,278 | \$ 409,437 | \$ 62,841 | \$ 923,755 | \$ 813,199 | \$ 110,556 |
| Interest | 183,857 | 110,121 | 73,736 | 337,989 | 216,524 | 121,465 |
| Property (excluding reimbursable) | 6,965 | 11,205 | (4,240) | 16,781 | 19,540 | (2,759) |
| Property (reimbursable) | 87,738 | 40,975 | 46,763 | 147,319 | 84,982 | 62,337 |
| General and administrative | 36,829 | 34,139 | 2,690 | 70,996 | 66,838 | 4,158 |
| Provisions for impairment | 29,815 | 7,691 | 22,124 | 42,993 | 14,729 | 28,264 |
| Merger and integration-related costs | 341 | 2,729 | (2,388) | 1,648 | 9,248 | (7,600) |
| Total expenses | \$ 817,823 | \$ 616,297 | \$ 201,526 | \$ 1,541,481 | \$ 1,225,060 | \$ 316,421 |
| Total revenue ⁽¹⁾ | \$ 931,467 | \$ 769,444 | | \$ 1,816,285 | \$ 1,532,780 | |
| General and administrative expenses as a percentage of total revenue ⁽¹⁾ | 4.0 % | 4.4 % | | 3.9 % | 4.4 % | |
| Property expenses (excluding reimbursable) as a percentage of total revenue ⁽¹⁾ | 0.7 % | 1.5 % | | 0.9 % | 1.3 % | |

⁽¹⁾ Excludes rental revenue (reimbursable).

Depreciation and Amortization

Depreciation and amortization increased by \$62.8 million and \$110.6 million for the three and six months ended June 30, 2023 as compared to the same periods in 2022, respectively, primarily due to overall portfolio growth from acquisitions.

Interest Expense

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|-------------------|------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Interest on our credit facility, commercial paper, term loans, notes, mortgages and interest rate swaps | \$ 197,321 | \$ 124,313 | \$ 365,287 | \$ 245,288 |
| Credit facility commitment fees | 1,313 | 1,226 | 2,642 | 2,163 |
| Amortization of debt origination and deferred financing costs | 6,497 | 3,280 | 12,568 | 6,403 |
| (Gain) loss on interest rate swaps | (1,799) | 724 | (3,600) | 1,446 |
| Amortization of net mortgage premiums | (3,196) | (3,530) | (6,396) | (7,091) |
| Amortization of net note premiums | (15,125) | (15,683) | (30,657) | (31,423) |
| Capital lease obligation | 402 | 356 | 805 | 678 |
| Interest capitalized | (1,556) | (565) | (2,660) | (940) |
| Interest expense | <u>\$ 183,857</u> | <u>\$ 110,121</u> | <u>\$ 337,989</u> | <u>\$ 216,524</u> |

Credit facility, commercial paper, term loans, mortgages and notes

| | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|
| Average outstanding balances | \$ 20,406,982 | \$ 15,944,510 | \$ 19,594,007 | \$ 15,629,159 |
| Weighted average interest rates | 3.84 % | 3.08 % | 3.71 % | 3.10 % |

Interest expense increased by \$73.7 million and \$121.5 million for the three and six months ended June 30, 2023 as compared to the same periods in 2022, primarily due to higher average debt and weighted average interest. See notes to the accompanying consolidated financial statements additional information regarding our indebtedness.

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 and include, but are not limited to, property taxes, maintenance, insurance, utilities, property inspections and legal fees.

Property expenses (excluding reimbursable) decreased \$4.2 million and \$2.8 million for the three and six months ended June 30, 2023 as compared with the same periods in 2022, respectively, primarily due to our decrease in property tax expense.

Property Expenses (reimbursable)

Property expenses (reimbursable) consist of reimbursable property taxes and operating costs paid on behalf of our clients. Property expenses (reimbursable) increased by \$46.8 million and \$62.3 million for the three and six months ended June 30, 2023 as compared with the same periods in 2022, respectively, which is proportional to overall portfolio growth.

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 \$2.7 million and \$4.2 million for the three and six months ended June 30, 2023 as compared with the same periods in 2022, respectively, primarily due to higher payroll-related compensation costs associated with the growth of the company.

Provisions for Impairment

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---------------------------------------|--------------------------------|---------|------------------------------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| Carrying value prior to impairment | \$ 97.0 | \$ 64.5 | \$ 125.5 | \$ 98.2 |
| Less: total provisions for impairment | (29.8) | (7.7) | (43.0) | (14.7) |
| Carrying value after impairment | \$ 67.2 | \$ 56.8 | \$ 82.5 | \$ 83.5 |

Merger and Integration-Related Costs

Merger and integration-related costs consist of advisory fees, attorney fees, accountant fees, and incremental and non-recurring costs necessary to convert data and systems, retain employees and otherwise enable us to operate the acquired business or assets efficiently.

We incurred approximately \$0.3 million and \$1.6 million of merger and integration-related transaction costs during the three and six months ended June 30, 2023, respectively, compared to approximately \$2.7 million and \$9.2 million during the three and six months ended June 30, 2022, respectively, in conjunction with our merger with VEREIT, Inc. in November 2021.

Gain on Sales of Real Estate

The following summarizes our property dispositions (dollars in millions):

| | Three months ended June 30, | | Six months ended June 30, | |
|------------------------------|--------------------------------|----------|------------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Number of properties sold | 29 | 70 | 55 | 104 |
| Net sales proceeds | \$ 31.9 | \$ 150.0 | \$ 60.5 | \$ 272.2 |
| Gain on sales of real estate | \$ 7.8 | \$ 40.6 | \$ 12.1 | \$ 50.7 |

Foreign Currency and Derivative (Loss) Gain, Net

We borrow in the functional currencies of the countries in which we invest. Net foreign currency gain and loss are primarily related to the remeasurement of intercompany debt from foreign subsidiaries. Derivative gain and loss primarily relates to mark-to-market adjustments on derivatives that do not qualify for hedge accounting and settlement of designated derivatives reclassified from AOCI.

Net foreign currency and derivative (loss) gain, net for the three and six months ended June 30, 2023 was a loss of \$2.6 million and a gain of \$7.8 million, respectively, primarily due to foreign currency fluctuations on undesignated foreign currency exchange swap agreements.

In June 2022, following the early prepayment of our Sterling-denominated intercompany loan receivable from our consolidated foreign subsidiaries, we terminated the four cross-currency swaps used to hedge the foreign currency exposure of the intercompany loan. As the hedge relationship was terminated and the future principal and interest associated with the prepaid intercompany loan will not occur, \$20.0 million gain was reclassified from AOCI. The reclassification from AOCI was offset by \$7.9 million in losses from the intercompany loan remeasurement on the final exchange.

Equity in Income and Impairment of Investment in Unconsolidated Entities

Equity in income of unconsolidated entities relates to three equity method investments acquired in our merger with VEREIT, Inc. in November 2021, which were all sold during 2022. The income for the three and six months ended June 30, 2023 is attributable to distributions in excess of our basis. Following the sale of the properties, distributions primarily result from the release of holdbacks from property sales, refunds from taxing authorities and distributions of operating cash. The loss for the three and six months ended June 30, 2022 is primarily driven by an other than temporary impairment of \$7.8 million related to the sale of these investments.

Other Income, Net

Certain miscellaneous non-recurring revenue is included in other income, net. The increase of \$0.2 million and \$1.1 million for the three and six months ended June 30, 2023 as compared to the same periods in 2022, respectively, was primarily due to higher interest income earned on cash balances from an increase in interest rates.

Income Taxes

Income taxes primarily consist of international income taxes accrued or paid by us and our subsidiaries, as well as to state and local taxes. The decrease of \$1.7 million and \$0.8 million in income taxes for the three and six months ended June 30, 2023, as compared to the same periods in 2022, is primarily attributable to lower UK tax rates.

NON-GAAP FINANCIAL MEASURES

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization for Real Estate ("Adjusted EBITDAre")

Nareit established an EBITDA metric for real estate companies (i.e., EBITDA for real estate, or EBITDAre) it believed would provide investors with a consistent measure to help make investment decisions among REITs. Our definition of "Adjusted EBITDAre" is generally consistent with the Nareit definition, other than our adjustments to remove foreign currency and derivative gain and loss, excluding gain and loss from the settlement of foreign currency forwards not designated as hedges (which is consistent with our previous calculations of "Adjusted EBITDA"). We define Adjusted EBITDAre, 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) merger and integration-related costs, (vi) gain on sales of real estate, (vii) foreign currency and derivative (gains) losses, net (as described in the Adjusted Funds from Operations section), and (viii) our proportionate share of adjustments from unconsolidated entities. Our Adjusted EBITDAre may not be comparable to Adjusted EBITDAre reported by other companies or as defined by Nareit, and other companies may interpret or define Adjusted EBITDAre differently than we do. Management believes Adjusted EBITDAre to be a meaningful measure of a REIT's performance because it provides a view of our operating performance, analyzes our ability to meet interest payment obligations before the effects of income tax, depreciation and amortization expense, provisions for impairment, gain on sales of real estate and other items, as defined above, that affect comparability, including the removal of non-recurring and non-cash items that industry observers believe are less relevant to evaluating the operating performance of a company. In addition, EBITDAre is widely followed by industry analysts, lenders, investors, rating agencies, and others as a means of evaluating the operational cash generating capacity of a company prior to servicing debt obligations. Management also believes the use of an annualized quarterly Adjusted EBITDAre metric, which we refer to as Annualized Adjusted EBITDAre, is meaningful because it represents our current earnings run rate for the period presented. Annualized Adjusted EBITDAre and Annualized Pro Forma Adjusted EBITDAre, as defined below, are also used to determine the vesting of performance share awards granted to executive officers. Annualized Adjusted EBITDAre 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 EBITDAre as Annualized Adjusted EBITDAre, subject to certain adjustments to incorporate Adjusted EBITDAre from properties we acquired or stabilized during the applicable quarter and to remove Adjusted EBITDAre from properties we disposed of during the applicable quarter, and include transaction accounting adjustments in accordance with U.S. GAAP, giving pro forma effect to all transactions as if they occurred at the beginning of the applicable period. Our calculation includes all adjustments consistent with the requirements to present Adjusted EBITDAre on a pro forma basis in accordance with Article 11 of Regulation S-X. The Annualized Pro Forma Adjustments are consistent with the debt service coverage ratio calculated under financial covenants for our senior unsecured notes. We believe Annualized Pro Forma Adjusted EBITDAre 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. Management also uses our ratios of net debt-to-Annualized Adjusted EBITDAre and net debt-to-Annualized Pro Forma Adjusted EBITDAre as measures of leverage in assessing our financial performance, which is calculated as net debt (which we define as total debt per the consolidated balance sheets, excluding deferred financing costs and net premiums and discounts, but including our proportionate share on debt from unconsolidated entities, less cash and cash equivalents), divided by annualized quarterly Adjusted EBITDAre and annualized Pro Forma Adjusted EBITDAre, respectively.

The following is a reconciliation of net income (which we believe is the most comparable U.S. GAAP measure) to Adjusted EBITDAre and Annualized Pro Forma EBITDAre calculations for the period indicated below (dollars in thousands):

| | Three months ended June 30, | |
|---|--------------------------------|---------------|
| | 2023 | 2022 |
| Net income | \$ 197,153 | \$ 223,822 |
| Interest | 183,857 | 110,121 |
| Gain on extinguishment of debt | — | (127) |
| Income taxes | 12,932 | 14,658 |
| Depreciation and amortization | 472,278 | 409,437 |
| Provisions for impairment | 29,815 | 7,691 |
| Merger and integration-related costs | 341 | 2,729 |
| Gain on sales of real estate | (7,824) | (40,572) |
| Foreign currency and derivative losses (gains), net | 2,552 | (7,480) |
| Gain on settlement of foreign currency forwards | — | 2,106 |
| Proportionate share of adjustments from unconsolidated entities | (411) | 9,049 |
| Quarterly Adjusted EBITDAre | \$ 890,693 | \$ 731,434 |
| Annualized Adjusted EBITDAre ⁽¹⁾ | \$ 3,562,772 | \$ 2,925,736 |
| Annualized Pro Forma Adjustments | \$ 87,712 | \$ 55,756 |
| Annualized Pro Forma Adjusted EBITDAre | \$ 3,650,484 | \$ 2,981,492 |
| Total debt per the consolidated balance sheets, excluding deferred financing costs and net premiums and discounts | \$ 19,538,466 | \$ 15,738,383 |
| Proportionate share for unconsolidated entities debt, excluding deferred financing costs | — | 86,006 |
| Less: Cash and cash equivalents | (253,693) | (172,849) |
| Net Debt ⁽²⁾ | \$ 19,284,773 | \$ 15,651,540 |
| Net Debt/Annualized Adjusted EBITDAre | 5.4 x | 5.3 x |
| Net Debt/Annualized Pro Forma Adjusted EBITDAre | 5.3 x | 5.2 x |

⁽¹⁾ We calculate Annualized Adjusted EBITDAre by multiplying the Quarterly Adjusted EBITDAre by four.

⁽²⁾ Net Debt is total debt per our consolidated balance sheets, excluding deferred financing costs and net premiums and discounts, but including our proportionate share on debt from unconsolidated entities, less cash and cash equivalents.

As described above, the Annualized Pro Forma Adjustments, which include transaction accounting adjustments in accordance with U.S. GAAP, consist of adjustments to incorporate the Adjusted EBITDAre from properties we acquired or stabilized during the applicable quarter and remove Adjusted EBITDAre 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 period, consistent with the requirements of Article 11 of Regulation S-X. The following table summarizes our Annualized Pro Forma Adjusted EBITDAre calculation for the period indicated below (dollars in thousands):

| | Three months ended June 30, | |
|---|--------------------------------|-----------|
| | 2023 | 2022 |
| Annualized pro forma adjustments from properties acquired or stabilized | \$ 87,510 | \$ 56,048 |
| Annualized pro forma adjustments from properties disposed | 202 | (292) |
| Annualized Pro forma Adjustments | \$ 87,712 | \$ 55,756 |

FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS ("FFO") AND NORMALIZED FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS ("Normalized FFO")

We define FFO, a non-GAAP 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 gain on property sales. We define Normalized FFO, a non-GAAP financial measure, as FFO excluding merger and integration-related costs related to our merger with VEREIT, Inc. We define diluted FFO and diluted normalized FFO as FFO and normalized FFO adjusted for dilutive noncontrolling interests.

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

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|--------------------------------|----------|----------|------------------------------|------------|----------|
| | 2023 | 2022 | % Change | 2023 | 2022 | % Change |
| FFO available to common stockholders | \$ 688.0 | \$ 608.8 | 13.0 % | \$ 1,372.3 | \$ 1,210.2 | 13.4 % |
| FFO per share ⁽¹⁾ | \$ 1.02 | \$ 1.01 | 1.0 % | \$ 2.05 | \$ 2.02 | 1.5 % |
| Normalized FFO available to common stockholders | \$ 688.3 | \$ 611.5 | 12.6 % | \$ 1,373.9 | \$ 1,219.5 | 12.7 % |
| Normalized FFO per share ⁽¹⁾ | \$ 1.02 | \$ 1.02 | 0.0 % | \$ 2.06 | \$ 2.04 | 1.0 % |

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

The following is a reconciliation of net income available to common stockholders (which we believe is the most comparable U.S. GAAP measure) to FFO and Normalized 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):

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|------------|------------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net income available to common stockholders | \$ 195,415 | \$ 223,207 | \$ 420,431 | \$ 422,576 |
| Depreciation and amortization | 472,278 | 409,437 | 923,755 | 813,199 |
| Depreciation of furniture, fixtures and equipment | (297) | (489) | (839) | (967) |
| Provisions for impairment | 29,815 | 7,691 | 42,993 | 14,729 |
| Gain on sales of real estate | (7,824) | (40,572) | (12,103) | (50,728) |
| Proportionate share of adjustments for unconsolidated entities | (465) | 9,860 | (465) | 12,095 |
| FFO adjustments allocable to noncontrolling interests | (937) | (319) | (1,496) | (673) |
| FFO available to common stockholders | \$ 687,985 | \$ 608,815 | \$ 1,372,276 | \$ 1,210,231 |
| FFO allocable to dilutive noncontrolling interests | 1,371 | 776 | 2,791 | 1,584 |
| Diluted FFO | \$ 689,356 | \$ 609,591 | \$ 1,375,067 | \$ 1,211,815 |
| FFO available to common stockholders | \$ 687,985 | \$ 608,815 | \$ 1,372,276 | \$ 1,210,231 |
| Merger and integration-related costs | 341 | 2,729 | 1,648 | 9,248 |
| Normalized FFO available to common stockholders | \$ 688,326 | \$ 611,544 | \$ 1,373,924 | \$ 1,219,479 |
| Normalized FFO allocable to dilutive noncontrolling interests | 1,371 | 776 | 2,791 | 1,584 |
| Diluted Normalized FFO | \$ 689,697 | \$ 612,320 | \$ 1,376,715 | \$ 1,221,063 |
| FFO per common share | | | | |
| Basic | \$ 1.02 | \$ 1.01 | \$ 2.06 | \$ 2.02 |
| Diluted | \$ 1.02 | \$ 1.01 | \$ 2.05 | \$ 2.02 |
| Normalized FFO per common share, basic and diluted | \$ 1.02 | \$ 1.02 | \$ 2.06 | \$ 2.04 |
| Distributions paid to common stockholders | \$ 515,091 | \$ 445,829 | \$ 1,012,336 | \$ 884,109 |
| FFO available to common stockholders in excess of distributions paid to common stockholders | \$ 172,894 | \$ 162,986 | \$ 359,940 | \$ 326,122 |
| Normalized FFO available to common stockholders in excess of distributions paid to common stockholders | \$ 173,235 | \$ 165,715 | \$ 361,588 | \$ 335,370 |
| Weighted average number of common shares used for FFO and Normalized FFO: | | | | |
| Basic | 674,109 | 601,672 | 667,357 | 597,778 |
| Diluted | 676,388 | 603,091 | 669,903 | 599,201 |

We consider FFO and Normalized FFO to be appropriate supplemental measures of a REIT's operating performance as they are based on a net income analysis of property portfolio performance that adds back items such as depreciation and impairments for FFO, and adds back merger and integration-related costs, for Normalized 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.

ADJUSTED FUNDS FROM OPERATIONS AVAILABLE TO COMMON STOCKHOLDERS ("AFFO")

We define AFFO, a non-GAAP measure, as FFO adjusted for unique revenue and expense items, which we believe are not as pertinent to the measurement of our ongoing operating performance. We define diluted AFFO as AFFO adjusted for dilutive noncontrolling interests.

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

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---------------------------------------|--------------------------------|----------|----------|------------------------------|------------|----------|
| | 2023 | 2022 | % Change | 2023 | 2022 | % Change |
| AFFO available to common stockholders | \$ 671.7 | \$ 583.7 | 15.1 % | \$ 1,322.5 | \$ 1,163.8 | 13.6 % |
| AFFO per share ⁽¹⁾ | \$ 1.00 | \$ 0.97 | 3.1 % | \$ 1.98 | \$ 1.94 | 2.1 % |

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

We consider AFFO to be an appropriate supplemental measure of our performance. Most 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 U.S. GAAP measure) to Normalized 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):

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|------------|------------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net income available to common stockholders | \$ 195,415 | \$ 223,207 | \$ 420,431 | \$ 422,576 |
| Cumulative adjustments to calculate Normalized FFO ⁽¹⁾ | 492,911 | 388,337 | 953,493 | 796,903 |
| Normalized FFO available to common stockholders | 688,326 | 611,544 | 1,373,924 | 1,219,479 |
| Gain on extinguishment of debt | — | (127) | — | (127) |
| Amortization of share-based compensation | 7,623 | 6,641 | 13,923 | 11,643 |
| Amortization of net debt premiums and deferred financing costs ⁽²⁾ | (10,509) | (16,948) | (24,197) | (34,044) |
| Non-cash (gain) loss on interest rate swaps | (1,799) | 724 | (3,600) | 1,446 |
| Straight-line impact of cash settlement on interest rate swaps ⁽³⁾ | 1,797 | — | 3,595 | — |
| Leasing costs and commissions | (5,032) | (794) | (5,476) | (3,167) |
| Recurring capital expenditures | (85) | (173) | (138) | (186) |
| Straight-line rent and expenses, net | (33,963) | (27,554) | (70,448) | (55,376) |
| Amortization of above and below-market leases, net | 19,670 | 16,402 | 37,028 | 30,044 |
| Proportionate share of adjustments for unconsolidated entities | — | (2,090) | — | (4,154) |
| Other adjustments ⁽⁴⁾ | 5,709 | (3,897) | (2,145) | (1,732) |
| AFFO available to common stockholders | \$ 671,737 | \$ 583,728 | \$ 1,322,466 | \$ 1,163,826 |
| AFFO allocable to dilutive noncontrolling interests | 1,382 | 787 | 2,813 | 1,607 |
| Diluted AFFO | \$ 673,119 | \$ 584,515 | \$ 1,325,279 | \$ 1,165,433 |
| AFFO per common share: | | | | |
| Basic | 1.00 | 0.97 | \$ 1.98 | \$ 1.95 |
| Diluted | 1.00 | 0.97 | \$ 1.98 | \$ 1.94 |
| Distributions paid to common stockholders | \$ 515,091 | \$ 445,829 | \$ 1,012,336 | \$ 884,109 |
| AFFO available to common stockholders in excess of distributions paid to common stockholders | \$ 156,646 | \$ 137,899 | \$ 310,130 | \$ 279,717 |
| Weighted average number of common shares used for computation per share: | | | | |
| Basic | 674,109 | 601,672 | 667,357 | 597,778 |
| Diluted | 676,388 | 603,091 | 669,903 | 599,201 |

⁽¹⁾ See reconciling items for Normalized FFO presented under "Funds from Operations Available to Common Stockholders ("FFO") and Normalized Funds from Operations Available to Common Stockholders ("Normalized FFO").

⁽²⁾ Includes the amortization of net premiums on notes payable and assumption of our mortgages payable, which are being amortized over the life of the applicable debt, and costs incurred and capitalized upon issuance and exchange of our notes payable, assumption of our mortgages payable and issuance of our term loans, which are also being amortized over the lives of the applicable debt. No costs associated with our credit facility agreements or annual fees paid to credit rating agencies have been included.

⁽³⁾ Represents the straight-line amortization of \$72.0 million gain realized upon the termination of \$500.0 million in notional interest rate swaps, over the term of the \$750.0 million of 5.625% senior unsecured notes due October 2032.

⁽⁴⁾ Includes foreign currency gain and loss as a result of intercompany debt and remeasurement transactions, mark-to-market adjustments on investments and derivatives that are non-cash in nature, straight-line payments from cross-currency swaps, obligations related to financing lease liabilities, and adjustments allocable to noncontrolling interests.

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 U.S. GAAP performance metric to which AFFO should be reconciled is net income available to common stockholders.

Presentation of the information regarding FFO, Normalized 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, Normalized FFO, and AFFO in the same way, so comparisons with other REITs may not be meaningful. Furthermore, FFO, Normalized 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, Normalized FFO, and AFFO should not be considered as alternatives to reviewing our cash flows from operating, investing, and financing activities. In addition, FFO, Normalized FFO, and AFFO should not be considered as measures of liquidity, our ability to make cash distributions, or our ability to pay interest payments.

PROPERTY PORTFOLIO INFORMATION

At June 30, 2023, out of the 13,118 properties that we owned or held interest in, 12,981 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, clients of our properties typically pay rent increases based on: (1) fixed increases, (2) increases tied to inflation (typically subject to ceilings), or (3) additional rent calculated as a percentage of the clients' gross sales above a specified level.

We define total portfolio annualized contractual rent as the monthly aggregate cash amount charged to clients, inclusive of monthly base rent receivables, but excluding percentage rent and reimbursements from clients, 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 adjustments to U.S. GAAP rental revenue in the periods presented and excludes unconsolidated entities.

Top 10 Industry Concentrations

We are engaged in a single business activity, which is the leasing of property to clients, generally on a net basis. That business activity spans various geographic boundaries and includes property types and clients engaged in various industries. Even though we have a single segment, we believe our investors continue to view diversification as a key component of our investment philosophy and so we believe it remains important to present 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 ⁽¹⁾

| | As of | | | | |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Jun 30, 2023 | Dec 31, 2022 | Dec 31, 2021 | Dec 31, 2020 | Dec 31, 2019 |
| Convenience Stores | 11.1% | 8.6% | 9.1% | 11.9% | 12.3% |
| Grocery | 9.9 | 10.0 | 10.2 | 9.8 | 7.9 |
| Dollar Stores | 7.1 | 7.4 | 7.5 | 7.6 | 7.9 |
| Home Improvement | 5.9 | 5.6 | 5.1 | 4.3 | 2.9 |
| Drug Stores | 5.8 | 5.7 | 6.6 | 8.2 | 8.8 |
| Restaurants-Quick Service | 5.5 | 6.0 | 6.6 | 5.3 | 5.8 |
| Restaurants-Casual Dining | 4.8 | 5.1 | 5.9 | 2.8 | 3.2 |
| Health and Fitness | 4.2 | 4.4 | 4.7 | 6.7 | 7.0 |
| Automotive Service | 4.0 | 4.0 | 3.2 | 2.7 | 2.6 |
| General Merchandise | 3.7 | 3.7 | 3.7 | 3.4 | 2.5 |

⁽¹⁾ The presentation of Top 10 Industry Concentrations combines total portfolio contractual rent from the U.S. and Europe. Europe consists of properties in the U.K., starting in May 2019, in Spain, starting in September 2021, in Italy, starting in October 2022, and in Ireland, starting in June 2023.

Property Type Composition

The following table sets forth certain property type information regarding our property portfolio as of June 30, 2023 (dollars in thousands):

| Property Type | Number of Properties | Approximate Leasable Square Feet ⁽¹⁾ | Total Portfolio Annualized Contractual Rent | Percentage of Total Portfolio Annualized Contractual Rent |
|----------------------|-------------------------|---|--|---|
| Retail | 12,722 | 166,983,000 | \$ 3,097,985 | 82.5 % |
| Industrial | 358 | 82,978,500 | 492,865 | 13.1 |
| Gaming | 1 | 3,096,700 | 100,000 | 2.7 |
| Other ⁽²⁾ | 37 | 2,411,200 | 64,592 | 1.7 |
| Totals | 13,118 | 255,469,400 | \$ 3,755,442 | 100.0 % |

⁽¹⁾ Includes leasable building square footage. Excludes 2,962 acres of leased land categorized as agriculture at June 30, 2023.

⁽²⁾ "Other" includes 27 properties classified as agriculture, consisting of approximately 0.3 million leasable square feet and \$37.4 million in annualized contractual rent and ten properties classified as office, consisting of approximately 2.1 million leasable square feet and \$27.2 million in annualized contractual rent.

Client Diversification

The following table sets forth the 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 June 30, 2023:

| Client | Number of Leases | Percentage of Total Portfolio Annualized Contractual Rent ⁽¹⁾ |
|-----------------------------|-------------------------|---|
| Dollar General | 1,579 | 3.8 % |
| Walgreens | 362 | 3.8 |
| Dollar Tree / Family Dollar | 1,162 | 3.3 |
| 7-Eleven | 634 | 3.2 |
| EG Group Limited | 414 | 2.7 |
| Wynn Resorts | 1 | 2.7 |
| FedEx | 79 | 2.3 |
| B&Q (Kingfisher) | 45 | 1.9 |
| Sainsbury's | 35 | 1.9 |
| LA Fitness | 73 | 1.8 |
| BJ's Wholesale Clubs | 33 | 1.6 |
| Lifetime Fitness | 22 | 1.5 |
| CVS Pharmacy | 192 | 1.5 |
| Wal-Mart / Sam's Club | 67 | 1.5 |
| Tractor Supply | 184 | 1.4 |
| Tesco | 20 | 1.3 |
| AMC Theaters | 35 | 1.3 |
| Red Lobster | 200 | 1.2 |
| Regal Cinemas (Cineworld) | 35 | 1.1 |
| Lowe's | 40 | 1.1 |
| Total | 5,212 | 40.8 % |

⁽¹⁾ Amounts for each client are calculated independently; therefore, the individual percentages may not sum to the total.

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 June 30, 2023 (dollars in thousands):

| Year | Expiring Leases | | Approximate Leasable Square Feet | Total Portfolio Annualized Contractual Rent | Percentage of Total Portfolio Annualized Contractual Rent |
|-----------|--------------------------------|------------|----------------------------------|---|---|
| | Retail | Non-Retail | | | |
| | Total Portfolio ⁽¹⁾ | | | | |
| 2023 | 290 | 4 | 2,399,900 | \$ 41,120 | 1.1 % |
| 2024 | 640 | 30 | 11,722,100 | 135,249 | 3.6 |
| 2025 | 902 | 36 | 14,547,300 | 207,867 | 5.5 |
| 2026 | 842 | 33 | 16,660,200 | 197,022 | 5.2 |
| 2027 | 1,421 | 36 | 22,388,600 | 290,526 | 7.7 |
| 2028 | 1,470 | 54 | 27,542,000 | 331,018 | 8.8 |
| 2029 | 1,012 | 25 | 21,926,900 | 270,987 | 7.2 |
| 2030 | 585 | 20 | 15,789,100 | 187,762 | 5.0 |
| 2031 | 540 | 39 | 22,238,400 | 257,989 | 6.9 |
| 2032 | 969 | 33 | 17,739,300 | 255,151 | 6.8 |
| 2033 | 672 | 16 | 15,579,600 | 197,693 | 5.4 |
| 2034 | 578 | 7 | 10,565,900 | 221,600 | 5.9 |
| 2035 | 430 | 3 | 5,222,900 | 113,601 | 3.0 |
| 2036 | 424 | 8 | 7,737,200 | 140,243 | 3.7 |
| 2037 | 504 | 9 | 8,607,300 | 135,066 | 3.6 |
| 2038-2143 | 2,128 | 67 | 31,919,500 | 772,548 | 20.6 |
| Totals | 13,407 | 420 | 252,586,200 | \$ 3,755,442 | 100.0 % |

⁽¹⁾ Leases on our multi-client properties are counted separately in the table above. This table excludes 196 vacant units.

Geographic Diversification

The following table sets forth certain geographic information regarding our property portfolio as of June 30, 2023 (dollars in thousands):

| Location | Number of Properties | Percent Leased | Approximate Leasable Square Feet | Percentage of Total Portfolio Annualized Contractual Rent |
|----------------|----------------------|----------------|----------------------------------|---|
| Alabama | 404 | 99 % | 4,379,300 | 1.8 % |
| Alaska | 6 | 100 | 299,700 | 0.1 |
| Arizona | 253 | 100 | 3,996,100 | 1.9 |
| Arkansas | 256 | 100 | 2,775,000 | 1.0 |
| California | 351 | 99 | 12,415,900 | 5.6 |
| Colorado | 170 | 98 | 2,697,500 | 1.1 |
| Connecticut | 53 | 98 | 1,759,200 | 0.7 |
| Delaware | 24 | 100 | 141,100 | 0.1 |
| Florida | 880 | 99 | 10,528,000 | 5.3 |
| Georgia | 571 | 98 | 9,141,400 | 3.4 |
| Hawaii | 22 | 100 | 47,800 | 0.2 |
| Idaho | 27 | 100 | 189,100 | 0.1 |
| Illinois | 554 | 99 | 13,221,500 | 5.1 |
| Indiana | 427 | 99 | 8,197,900 | 2.6 |
| Iowa | 107 | 100 | 3,452,300 | 0.9 |
| Kansas | 193 | 99 | 4,690,400 | 1.0 |
| Kentucky | 372 | 99 | 6,288,400 | 1.6 |
| Louisiana | 353 | 100 | 5,275,400 | 2.0 |
| Maine | 85 | 99 | 1,208,700 | 0.6 |
| Maryland | 79 | 97 | 3,067,500 | 1.2 |
| Massachusetts | 207 | 100 | 6,672,000 | 4.8 |
| Michigan | 474 | 99 | 5,893,600 | 2.6 |
| Minnesota | 258 | 98 | 4,343,400 | 1.8 |
| Mississippi | 301 | 99 | 4,493,600 | 1.2 |
| Missouri | 388 | 98 | 5,393,400 | 1.9 |
| Montana | 24 | 100 | 223,100 | 0.1 |
| Nebraska | 79 | 99 | 1,122,500 | 0.3 |
| Nevada | 74 | 100 | 2,665,700 | 0.9 |
| New Hampshire | 54 | 98 | 667,300 | 0.5 |
| New Jersey | 146 | 97 | 2,282,900 | 1.5 |
| New Mexico | 108 | 100 | 1,343,500 | 0.5 |
| New York | 337 | 99 | 5,033,100 | 3.1 |
| North Carolina | 409 | 98 | 8,307,800 | 2.9 |
| North Dakota | 21 | 95 | 427,800 | 0.2 |
| Ohio | 714 | 99 | 15,990,500 | 4.1 |
| Oklahoma | 316 | 100 | 4,271,000 | 1.6 |
| Oregon | 41 | 100 | 650,400 | 0.4 |
| Pennsylvania | 346 | 97 | 6,241,500 | 2.4 |
| Rhode Island | 31 | 100 | 207,400 | 0.2 |
| South Carolina | 323 | 99 | 4,481,300 | 1.8 |
| South Dakota | 32 | 100 | 453,700 | 0.2 |
| Tennessee | 455 | 98 | 7,292,000 | 2.4 |
| Texas | 1,590 | 99 | 26,416,400 | 10.1 |
| Utah | 39 | 100 | 1,585,500 | 0.5 |
| Vermont | 18 | 100 | 173,500 | 0.1 |
| Virginia | 367 | 99 | 7,352,500 | 2.3 |
| Washington | 80 | 100 | 1,815,200 | 0.9 |
| West Virginia | 81 | 100 | 769,900 | 0.3 |
| Wisconsin | 286 | 100 | 6,577,200 | 2.0 |
| Wyoming | 23 | 100 | 157,700 | 0.1 |
| Puerto Rico | 6 | 100 | 59,400 | 0.1 |
| United Kingdom | 241 | 100 | 23,003,000 | 10.5 |
| Spain | 53 | 100 | 3,960,100 | 0.9 |
| Italy | 7 | 100 | 1,075,100 | 0.4 |
| Ireland | 2 | 100 | 294,200 | 0.1 |
| Totals/average | 13,118 | 99 % | 255,469,400 | 100.0 % |

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

For information on the impact of new accounting standards on our business, see note 1, *Basis of Presentation*, to our Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements have been prepared in accordance with U.S. 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. There have been no material changes to the Critical Accounting Policies disclosed in our Annual Report on [Form 10-K](#) for the year ended December 31, 2022. This summary should be read in conjunction with the more complete discussion of our accounting policies and procedures included in note 2, Summary of Significant Accounting Policies and Procedures and New Accounting Standards, to our consolidated financial statements in our Annual Report.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

We are exposed to economic risks from interest rates and foreign currency exchange rates. A portion of these risks is hedged, but the risks may affect our financial statements.

Interest Rates

We are exposed to interest rate changes primarily as a result of our credit facility and commercial paper programs, term loans, 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 swaptions, 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 and variable rate debt as of June 30, 2023. This information is presented to evaluate the expected cash flows and sensitivity to interest rate changes (dollars in millions):

Expected Maturity Data

| Year of Principal Due | Fixed rate debt | Weighted average rate on fixed rate debt | Variable rate debt | Weighted average rate on variable rate debt |
|---------------------------|-----------------|--|--------------------|---|
| 2023 | \$ 14.1 | 4.65 % | \$ 122.7 | 5.37 % |
| 2024 | 1,840.5 | 4.48 % | — | — |
| 2025 | 1,093.9 | 4.23 % | — | — |
| 2026 ⁽¹⁾ | 1,587.0 | 3.72 % | 2,446.2 | 4.98 % |
| 2027 | 2,048.2 | 2.66 % | — | — |
| Thereafter | 10,385.8 | 3.50 % | — | — |
| Totals ⁽²⁾ | \$ 16,969.5 | 3.57 % | \$ 2,568.9 | 5.00 % |
| Fair Value ⁽³⁾ | \$ 15,123.1 | | \$ 2,562.0 | |

⁽¹⁾ Assumes the two twelve-month extensions available at the company's option on our 2023 term loans are fully exercised. As our interest rate swaps which fix our per annum interest rate expires upon the initial maturity date (excluding extensions), it becomes variable-rate debt starting in 2024 and is reflected in table above.

⁽²⁾ Excludes net premiums recorded on mortgages payable, net premiums recorded on notes payable, deferred financing costs on mortgages payable, notes payable, and term loans, and basis adjustment on interest rate swaps designated as fair value hedges on notes payable.

⁽³⁾ We base the estimated fair value of the publicly-traded fixed rate senior notes and bonds at June 30, 2023, 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 and private senior notes payable at June 30, 2023, on the relevant forward interest rate curve, plus an applicable credit-adjusted spread. We believe that the carrying values of the line of credit and commercial paper borrowings and term loan balances reasonably approximate their estimated fair values at June 30, 2023.

The table above incorporates only those exposures that exist as of June 30, 2023. 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 June 30, 2023, our outstanding notes, bonds and mortgages payable had fixed interest rates. Interest on our credit facility and commercial paper borrowings and term loans is variable. However, the variable interest rate feature on our term loans have been mitigated by interest rate swap agreements. Based on our revolving credit facility balance of \$867.5 million at June 30, 2023, a 1% change in interest rates would change our interest rate costs by \$8.7 million per year.

Foreign Currency Exchange Rates

We are exposed to foreign currency exchange variability related to investments in and earnings from our foreign investments. Foreign currency market risk is the possibility that our results of operations or financial position could be better or worse than planned because of changes in foreign currency exchange rates. We primarily hedge our foreign currency risk by borrowing in the currencies in which we invest thereby providing a natural hedge. We continuously evaluate and manage our foreign currency risk through the use of derivative financial instruments, including currency exchange swaps, and foreign currency forward contracts with financial counterparties where practicable. Such derivative instruments are viewed as risk management tools and are not used for speculative or trading purposes. Additionally, our inability to redeploy rent receipts from our international operations on a timely basis subjects us to foreign exchange risk.

Item 4: 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 quarter ended June 30, 2023, 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 as of June 30, 2023 our disclosure controls and procedures were effective and were operating at a reasonable assurance level.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2023, 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.

PART II. OTHER INFORMATION

Item 1A: Risk Factors

You should carefully consider the risks described in "Item 1A, Risk Factors" in Part I of our Annual Report on [Form 10-K](#) for the year ended December 31, 2022. There have been no material changes to the risk factors disclosed in our Annual Report on [Form 10-K](#) for the year ended December 31, 2022.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

The following shares of stock were withheld for state and federal payroll taxes on the vesting of employee stock awards, as permitted under the 2021 Incentive Award Plan of Realty Income Corporation:

| Period | Total Number of Shares Purchased ⁽¹⁾ | Average Price Paid per Share |
|--------------------------------|--|-------------------------------------|
| April 1, 2023 — April 30, 2023 | 30 | \$ 63.27 |
| May 1, 2023 — May 31, 2023 | 763 | \$ 60.70 |
| June 1, 2023 — June 30, 2023 | 73 | \$ 59.68 |
| Total | 866 | \$ 60.70 |

⁽¹⁾ All 866 shares of common stock purchased during the three months ended June 30, 2023 were withheld for state and federal payroll taxes on the vesting of employee stock awards, as permitted under the 2021 Incentive Award Plan of Realty Income Corporation. The withholding of common stock by us could be deemed a purchase of such common stock.

Item 5: Other Information

During the three months ended June 30, 2023, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

Item 6: Exhibits

Exhibit No. Description

Plans of acquisition, reorganization, arrangement, liquidation or succession

- 2.1 [Agreement and Plan of Merger, dated as of April 29, 2021, by and among Realty Income Corporation, Rams MD Acquisition Sub I, Inc., Rams Acquisition Sub II, LLC, VEREIT, Inc. and VEREIT Operating Partnership, L.P \(filed as exhibit 2.1 to the Company's Form 8-K, filed on April 30, 2021 \(File No. 001-13374\), and incorporated herein by reference\).](#)
- 2.2 [First Amendment to Agreement and Plan of Merger, dated as of June 25, 2021, by and among Realty Income Corporation, Rams MD Acquisition Sub I, Inc., Rams Acquisition Sub II, LLC, VEREIT, Inc. and VEREIT Operating Partnership, L.P \(filed as exhibit 2.1 to the Company's Form 8-K, filed on June 25, 2021 \(File No. 001-13374\), 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 4.700% Note due 2028 issued on April 14, 2023 \(filed as part of exhibit 4.4 to the Company's Form 8-K, filed on April 14, 2023 \(File No. 001-13374\) and incorporated herein by reference\).](#)
- 4.3 [Form of 4.900% Note due 2033 issued on April 14, 2023 \(filed as part of exhibit 4.4 to the Company's Form 8-K, filed on April 14, 2023 \(File No. 001-13374\) and incorporated herein by reference\).](#)
- 4.4 [Officers' Certificate dated April 14, 2023 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 the terms of a new series of debt securities entitled "4.700% Notes due 2028" and a new series of debt securities entitled "4.900% Notes due 2033" and including the forms of debt securities of each such series \(filed as exhibit 4.4 to the Company's Form 8-K, filed on April 14, 2023 \(File No. 001-13374\) and incorporated herein by reference\).](#)
- 4.5 [Form of 4.875% Note due 2030 issued on July 6, 2023 \(filed as part of exhibit 4.4 to the Company's Form 8-K, filed on July 6, 2023 \(File No. 001-13374\) and incorporated herein by reference\).](#)
- 4.6 [Form of 5.125% Note due 2034 issued on July 6, 2023 \(filed as part of exhibit 4.4 to the Company's Form 8-K, filed on July 6, 2023 \(File No. 001-13374\) and incorporated herein by reference\).](#)
- 4.7 [Officers' Certificate dated July 6, 2023 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 the terms of a new series of debt securities entitled "4.875% Notes due 2030" and a new series of debt securities entitled "5.125% Notes due 2034" and including the forms of debt securities of each such series \(filed as exhibit 4.4 to the Company's Form 8-K, filed on July 6, 2023 \(File No. 001-13374\) and incorporated herein by reference\).](#)

Certifications

- 31.1* [Certification of the Chief Executive Officer pursuant to Rule 13a-14\(a\) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2* [Certification of the Chief Financial Officer pursuant to Rule 13a-14\(a\) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32** [Section 1350 Certifications as furnished by the Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

Interactive Data Files

- 101.INS* Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH* Inline XBRL Taxonomy Extension Schema Document.
- 101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.LAB* Inline XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase Document.
- 101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase Document.
- 104* Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Filed herewith.

*Furnished herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REALTY INCOME CORPORATION

Date: August 3, 2023

/s/ SEAN P. NUGENT

Sean P. Nugent

Senior Vice President, Controller and Principal Accounting Officer
(Principal Accounting Officer)

Certification of Chief Executive Officer

I, Sumit Roy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Realty Income Corporation for the quarter ended June 30, 2023;
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: August 3, 2023

/s/ SUMIT ROY

Sumit Roy

President, Chief Executive Officer

Certification of Chief Financial Officer

I, Christie B. Kelly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Realty Income Corporation for the quarter ended June 30, 2023;
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: August 3, 2023

/s/ CHRISTIE B. KELLY

Christie B. Kelly

Executive Vice President, Chief Financial Officer and Treasurer

**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 quarterly report on Form 10-Q of the Company for the quarter ended June 30, 2023 (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.