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All data as of December 31, 2017 unless otherwise specified
Statements in this investor presentation that are not strictly historical are "forward-looking" statements. Forward-looking statements involve known and unknown risks, which may cause the company’s actual future results to differ materially from expected results. These risks include, among others, general economic conditions, local real estate conditions, tenant financial health, the availability of capital to finance planned growth, continued volatility and uncertainty in the credit markets and broader financial markets, property acquisitions and the timing of these acquisitions, charges for property impairments, and the outcome of any legal proceedings to which the company is a party, as described in the company's filings with the Securities and Exchange Commission. Consequently, forward-looking statements should be regarded solely as reflections of the company's current operating plans and estimates. Actual operating results may differ materially from what is expressed or forecast in this investor presentation. The company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date these statements were made.
Company Overview

*S&P 500 Real Estate Investment Trust with Proven Track Record of Strong Total Returns*

**Leading real estate company:**
- Equity market cap of $16 billion and EV of $22 billion
- 50% of rent generated from investment grade tenants (1)
- Member of S&P 500 index
- Member of S&P High-Yield Dividend Aristocrats® index (2)
- One of only 9 U.S. REITs with at least one “A” credit rating (3)

**Strong risk-adjusted returns with low volatility:**
- 16.3% compound average annual return and 0.4 beta since NYSE listing in 1994
- 81 consecutive quarters of dividend increases

**Conservative capital structure:**
- Investment grade credit ratings
  - Moody’s: A3 / Stable
  - S&P: BBB+ / Positive
  - Fitch: BBB+ / Stable

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(1) Including March 2018 ratings upgrade of Dollar Tree
(2) The S&P High Yield Dividend Aristocrats® index is designed to measure the performance of companies within the S&P Composite 1500® that have followed a managed-dividends policy of consistently increasing dividends every year for at least 20 years.
(3) Excludes REITs without rated debt
Our Approach as “The Monthly Dividend Company®”

Generate lease revenue to support the payment of growing monthly dividends

1. **Target well-located, Freestanding, single-tenant, commercial properties**
   
2. **Remain disciplined in our acquisition underwriting**

3. **Execute long-term net lease agreements**

4. **Support and grow monthly dividends for shareholders**

5. **Actively manage the portfolio to maintain high occupancy**

6. **Maintain a conservative balance sheet**
Attractive Risk/Reward vs. S&P 500 Companies

Higher returns and lower volatility than majority of S&P 500 companies since 1994 NYSE listing

Lower volatility correlated with higher returns over the long-term

Realty Income return per unit of market risk in the 97th percentile of all S&P 500 companies\(^{(1)}\): Beta: 0.39 Return: 16.3%

\(^{(1)}\) n=341 / Excludes companies without trading histories dating to 1994

Beta measured using monthly frequency

Source: FactSet
Attractive Risk/Reward vs. Blue Chip S&P 500 Equities

Proven long-term investment provides an attractive risk/reward

Greater return per unit of market risk than each of top 10 largest S&P constituents(1) since 1994 NYSE listing

Average Annual Compound TSR per Unit of Market Risk

(1) Excludes companies without trading histories since 10/18/1994 / Constituents plotted include S&P 500 and FTSE NAREIT US Equity REIT Index

Source: FactSet
Attractive Risk/Reward vs. Blue Chip REITs

Proven long-term investment vs. Blue Chip S&P 500 REITs

Greater return per unit of market risk than each of the other 19 REITs in S&P 500 with comparable trading histories (1)

Average Annual Compound TSR per Unit of Market Risk

<table>
<thead>
<tr>
<th>REIT</th>
<th>TSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>O</td>
<td>42%</td>
</tr>
<tr>
<td>PSA</td>
<td>36%</td>
</tr>
<tr>
<td>ESS</td>
<td>31%</td>
</tr>
<tr>
<td>HCN</td>
<td>29%</td>
</tr>
<tr>
<td>FRT</td>
<td>25%</td>
</tr>
<tr>
<td>MAA</td>
<td>24%</td>
</tr>
<tr>
<td>SPG</td>
<td>22%</td>
</tr>
<tr>
<td>AVB</td>
<td>21%</td>
</tr>
<tr>
<td>UDR</td>
<td>20%</td>
</tr>
<tr>
<td>VTR</td>
<td>18%</td>
</tr>
<tr>
<td>EQR</td>
<td>18%</td>
</tr>
<tr>
<td>HCP</td>
<td>18%</td>
</tr>
<tr>
<td>REG</td>
<td>18%</td>
</tr>
<tr>
<td>VNO</td>
<td>16%</td>
</tr>
<tr>
<td>AIV</td>
<td>12%</td>
</tr>
<tr>
<td>MAC</td>
<td>11%</td>
</tr>
<tr>
<td>KIM</td>
<td>10%</td>
</tr>
<tr>
<td>GGP</td>
<td>8%</td>
</tr>
<tr>
<td>WY</td>
<td>6%</td>
</tr>
<tr>
<td>HST</td>
<td>5%</td>
</tr>
</tbody>
</table>

(1) Excludes REITs without trading history since 10/18/1994

Beta measured using monthly frequency

Source: FactSet

Attractive Risk/Reward vs. Blue Chip REITs
INVESTMENT THESIS:
Earnings Growth
Outperformance
Consistency
Stable Annual Earnings Growth Since NYSE Listing

Consistent AFFO/sh earnings growth, limited downside throughout cycles

Annual AFFO/sh\(^{(1)}\) growth since 1996

Consistency and stability of business model is reflected in earnings growth rates

- Positive AFFO/sh growth rates in 21 of 22 years
- 5.2\% median AFFO/sh growth

Earnings growth largely driven by $3.2B ARCT transaction

Lone year of negative earnings growth

\(^{(1)}\) Excludes earnings from Crest Net Lease, a subsidiary of Realty Income, as earnings do not reflect recurring business operations
Investment Spreads Maintain Even with Rising Interest Rates

Rising interest rates do not pose a significant earnings headwind to the net lease business model.

Acquisition cap rates highly correlated to changing interest rates...

\[ R^2 = 0.89 \]

... which contributes to strong earnings growth even during periods of rising rates

Annual AFFO/sh Growth Rate\(^{(1)}\):

- 5.1% 6.8% 6.4% 6.0%
- 1.6% 3.2% 5.4%
- 5.1% 4.9% 6.0%
- 3.4% 4.4%
- 9.4%
- -2.1%
- 0.5%
- 8.1%
- 2.5%
- 17.0%
- 6.6% 6.6% 5.1% 6.3%


\(^{(1)}\) Excludes earnings from Crest Net Lease, a subsidiary of Realty Income, as earnings do not reflect recurring business operations
Consistency: Steady Portfolio, Solid Fundamentals

Consistent occupancy, same-store rent growth reflect limited operational volatility

Consistent Occupancy Levels, Never Below 96%

- Careful underwriting at acquisition
- Solid retail store performance
- Strong underlying real estate quality
- Favorable tenant industries
- Prudent disposition activity
- Proactive management of rollovers

Steady Same-Store Rent Growth

- Annual same-store rent growth run rate of ~1.0%
- Long lease terms limit annual volatility
Safety: Lowest Volatility, Highest Return Relative to Market Indices

Since 1994 NYSE listing, Realty Income shares have outperformed benchmark indices while exhibiting lower volatility.

Compound Average Annual Total Shareholder Return Since 1994:
- Equity REIT Index: 16.3%
- DJIA: 10.8%
- Nasdaq: 10.4%
- S&P 500: 9.8%

Standard Deviation of Annual Returns Since 1994:
- Equity REIT Index: 15.5%
- DJIA: 16.4%
- S&P 500: 18.5%
- Nasdaq: 18.9%
- Standard Deviation: 29.6%

Standard deviation of total returns measures deviation from average annual total returns since 1994 and uses annualized total returns for YTD period.
Portfolio Diversification: Tenant

Diverse tenant roster, investment grade concentration reduces overall portfolio risk

Top 20 Tenants represent:

- **54%** of annualized rental revenue
- **11** different industries
- **11** Investment grade rated tenants

### Top 20 Tenants

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Rental Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walgreens</td>
<td>6.5%</td>
</tr>
<tr>
<td>FedEx</td>
<td>5.1%</td>
</tr>
<tr>
<td>LA Fitness</td>
<td>4.0%</td>
</tr>
<tr>
<td>Dollar General</td>
<td>3.9%</td>
</tr>
<tr>
<td>Dollar Tree</td>
<td>3.6%</td>
</tr>
<tr>
<td>AMC Theatres</td>
<td>3.6%</td>
</tr>
<tr>
<td>Walmart Sams Club</td>
<td>3.0%</td>
</tr>
<tr>
<td>Circle K</td>
<td>2.5%</td>
</tr>
<tr>
<td>BJ's</td>
<td>2.2%</td>
</tr>
<tr>
<td>Treasury Wine Estates</td>
<td>2.1%</td>
</tr>
<tr>
<td>Lifetime Fitness</td>
<td>2.0%</td>
</tr>
<tr>
<td>Regal</td>
<td>1.9%</td>
</tr>
<tr>
<td>CVS Pharmacy</td>
<td>1.9%</td>
</tr>
<tr>
<td>SuperAmerica</td>
<td>1.8%</td>
</tr>
<tr>
<td>Fas Mart</td>
<td>1.8%</td>
</tr>
<tr>
<td>Rite Aid</td>
<td>1.7%</td>
</tr>
<tr>
<td>7-Eleven</td>
<td>1.7%</td>
</tr>
<tr>
<td>TBC</td>
<td>1.5%</td>
</tr>
<tr>
<td>Kroger</td>
<td>1.5%</td>
</tr>
<tr>
<td>Camping World</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

**Investment grade rated (1)**

**Note:** Investment grade tenants are defined as tenants with a credit rating of Baa3/BBB- or higher from one of the three major rating agencies (Moody's/S&P/Fitch). 50% of our annualized rental revenue is generated from properties leased to investment grade tenants, including approximately 9% from properties leased to subsidiaries of investment grade companies.
## Portfolio Diversification: Industry

No industry represents more than 10.6% of rent

### Exposure to defensive industries:
Top 10 industries represent strong diversification, significant exposure to non-discretionary, low price-point, service-oriented industries.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Retail Characteristics</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drug Stores</td>
<td>Non-Discretionary</td>
<td>10.6%</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>Service-Oriented</td>
<td>9.4%</td>
</tr>
<tr>
<td>Dollar Stores</td>
<td>Non-Discretionary, Low Price Point</td>
<td>7.7%</td>
</tr>
<tr>
<td>Health and Fitness</td>
<td>Non-Discretionary, Service-Oriented</td>
<td>7.5%</td>
</tr>
<tr>
<td>Theaters</td>
<td>Low Price Point, Service-Oriented</td>
<td>5.7%</td>
</tr>
<tr>
<td>Quick-Service Restaurants</td>
<td>Low Price Point, Service-Oriented</td>
<td>5.5%</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>N/A (Non-Retail Exposure)</td>
<td>5.3%</td>
</tr>
<tr>
<td>Grocery</td>
<td>Non-Discretionary</td>
<td>4.5%</td>
</tr>
<tr>
<td>Casual Dining Restaurants</td>
<td>Service-Oriented</td>
<td>3.7%</td>
</tr>
<tr>
<td>Wholesale Clubs</td>
<td>Low Price Point</td>
<td>3.2%</td>
</tr>
</tbody>
</table>
Portfolio Diversification: Geography

Balanced presence in 49 states and Puerto Rico

% of Rental Revenue

- Texas: 9.4%
- California: 9.3%
- Illinois: 6.2%
- Florida: 5.8%
- Ohio: 5.2%
- New York: 5.0%

Represents percentage of rental revenue %
Portfolio Diversification: Property Type

Roots in retail with growing exposure to mission-critical industrial properties

<table>
<thead>
<tr>
<th></th>
<th>Retail</th>
<th>Industrial</th>
<th>Office</th>
<th>Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Properties</td>
<td>4,999</td>
<td>116</td>
<td>42</td>
<td>15</td>
</tr>
<tr>
<td>Average Leasable Square Feet</td>
<td>12,060</td>
<td>224,340</td>
<td>73,921</td>
<td>12,300</td>
</tr>
<tr>
<td>Percentage of Rental Revenue</td>
<td>80.7%</td>
<td>12.5%</td>
<td>4.6%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Percentage of Rental Revenue from Investment Grade Tenants</td>
<td>39.3%</td>
<td>81.6%</td>
<td>85.3%</td>
<td>-</td>
</tr>
</tbody>
</table>
DEFENSIVE RETAIL PORTFOLIO
Portfolio Highly Insulated From Retail E-Commerce and Economic Disruptors

96% of total portfolio rent is protected against retail e-commerce threats and economic downturns

19%
Of Total Portfolio Rent = Non-Retail

Insulated from E-commerce pressures
Fortune 1000 tenants
72% of rent from investment grade tenants
Primarily industrial distribution exposure

77%
Of Total Portfolio Rent = Retail tenants with at least one of the following components to their business:

Service / Experiential
Difficult or impossible for E-commerce to replicate

Non-Discretionary
Lower volatility during periods of economic distress
Less incentive to price shop / immediacy a priority

Low Price Point

Service
Non-Discretionary
Low Price-Point IG Rating

Investment Grade-Rated
Protects against one of the top drivers of retailer bankruptcies (high leverage)
Average annual default rates for speculative grade credits are ~40x higher than IG credits
Retail Tenants in Top 20 are Highly Insulated from Changing Consumer Behavior

19 of top 20 tenants fall in at least one category (Service, Non-Discretionary, Low Price Point Retail or Non-Retail)

Service / Experiential

Non-Discretionary

Low Price Point

Non-Retail

TBC represented by National Tire & Battery / Walmart represented by Neighborhood Markets and Sam’s Club
Top Tenant Exposure: 2009 vs. Today

Top 15 tenants represent higher quality credit, less cyclical industries and greater diversification vs. 2009

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Industry</th>
<th>% of Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hometown Buffet</td>
<td>Casual Dining</td>
<td>6.0%</td>
</tr>
<tr>
<td>Kerasotes Showplace Theatres</td>
<td>Theatres</td>
<td>5.3%</td>
</tr>
<tr>
<td>L.A. Fitness</td>
<td>Health &amp; Fitness</td>
<td>5.3%</td>
</tr>
<tr>
<td>The Pantry</td>
<td>Convenience Stores</td>
<td>4.3%</td>
</tr>
<tr>
<td>Friendly’s</td>
<td>Casual Dining</td>
<td>4.1%</td>
</tr>
<tr>
<td>Rite Aid</td>
<td>Drug Stores</td>
<td>3.4%</td>
</tr>
<tr>
<td>La Petite Academy</td>
<td>Child Care</td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>TBC Corporation</strong></td>
<td><strong>Auto Tire Services</strong></td>
<td><strong>3.2%</strong></td>
</tr>
<tr>
<td>Boston Market</td>
<td>QSR</td>
<td>3.1%</td>
</tr>
<tr>
<td>Couche-Tard / Circle K</td>
<td>Convenience Stores</td>
<td>3.0%</td>
</tr>
<tr>
<td>NPC / Pizza Hut</td>
<td>QSR</td>
<td>2.6%</td>
</tr>
<tr>
<td>FreedomRoads / Camping World</td>
<td>Sporting Goods</td>
<td>2.6%</td>
</tr>
<tr>
<td>KinderCare</td>
<td>Child Care</td>
<td>2.5%</td>
</tr>
<tr>
<td>Regal Cinemas</td>
<td>Theatres</td>
<td>2.3%</td>
</tr>
<tr>
<td>Sports Authority</td>
<td>Sporting Goods</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

**Total % of Rent - Top 15 Tenants** 53.0%

**Investment Grade % of Rent - Top 15 Tenants** 3.2%

**#1 Industry % of Rent – Restaurants** 21.3%

**#2 Industry % of Rent – Convenience Stores** 17.0%

---

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Industry</th>
<th>% of Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walgreens</td>
<td>Drug Stores</td>
<td>6.5%</td>
</tr>
<tr>
<td><strong>FedEx (Non-Retail)</strong></td>
<td><strong>Transportation</strong></td>
<td><strong>5.1%</strong></td>
</tr>
<tr>
<td>L.A. Fitness</td>
<td>Health &amp; Fitness</td>
<td>4.0%</td>
</tr>
<tr>
<td><strong>Dollar General</strong></td>
<td><strong>Dollar Stores</strong></td>
<td><strong>3.9%</strong></td>
</tr>
<tr>
<td>Dollar Tree / Family Dollar</td>
<td>Dollar Stores</td>
<td>3.6%</td>
</tr>
<tr>
<td>AMC Theatres</td>
<td>Theatres</td>
<td>3.6%</td>
</tr>
<tr>
<td>Walmart / Sam’s Club</td>
<td>Grocery / Wholesale</td>
<td>3.0%</td>
</tr>
<tr>
<td>Circle K / The Pantry</td>
<td>Convenience Stores</td>
<td>2.5%</td>
</tr>
<tr>
<td>BJ’s Wholesale Clubs</td>
<td>Wholesale Clubs</td>
<td>2.2%</td>
</tr>
<tr>
<td>Treasury Wine Estates (Non-Retail)</td>
<td>Beverages</td>
<td>2.1%</td>
</tr>
<tr>
<td>Life Time Fitness</td>
<td>Health &amp; Fitness</td>
<td>2.0%</td>
</tr>
<tr>
<td>Regal Cinemas</td>
<td>Theatres</td>
<td>1.9%</td>
</tr>
<tr>
<td>CVS Pharmacy</td>
<td>Drug Stores</td>
<td>1.9%</td>
</tr>
<tr>
<td>Super America (Andeavor)</td>
<td>Convenience Stores</td>
<td>1.8%</td>
</tr>
<tr>
<td>GPM Investments / Fas Mart</td>
<td>Convenience Stores</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

**Total % of Rent - Top 15 Tenants** 45.9%

**Investment Grade % of Rent - Top 15 Tenants** 24.7%

**#1 Industry % of Rent – Drug Stores** 10.6%

**#2 Industry % of Rent – Convenience Stores** 9.4%

**Bold** tenants represent investment-grade rated credit.
Differentiated Business Model from “Traditional” Retail REITs

Lease structure and growth drivers support predictable revenue stream relative to other forms of retail real estate.

**Realty Income leases freestanding properties on a “triple-net” basis** (tenant pays for taxes, insurance and maintenance)

<table>
<thead>
<tr>
<th></th>
<th>Initial Length of Lease</th>
<th>Remaining Avg Term</th>
<th>Responsibility for Property Expenses</th>
<th>Gross Margin</th>
<th>Volatility of Rental Revenue</th>
<th>Maintenance Capital Expenditures</th>
<th>Reliance on Anchor Tenant(s)</th>
<th>Average Retail Property Size / Fungibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15+ Years</td>
<td>~ 10 Years</td>
<td>Tenant</td>
<td>&gt; 98%</td>
<td>Low</td>
<td>Low</td>
<td>None</td>
<td>12k sf / High</td>
</tr>
<tr>
<td></td>
<td>&lt; 10 Years</td>
<td>~ 5-7 Years</td>
<td>Landlord</td>
<td>~ 75%</td>
<td>Modest / High</td>
<td>Modest / High</td>
<td>High</td>
<td>150k–850k sf / Low</td>
</tr>
</tbody>
</table>

**Realty Income growth opportunities through acquisitions**

<table>
<thead>
<tr>
<th></th>
<th>Target Markets</th>
<th>External Acquisition Opportunities</th>
<th>Institutional Buyer Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Many</td>
<td>High</td>
<td>Modest</td>
</tr>
<tr>
<td></td>
<td>Few</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>

Shopping Centers and Malls
Realty Income Not Materially Impacted by Recent Retailer Bankruptcies

Realty Income’s portfolio is designed to perform in virtually any economic environment.

### Retailer Bankruptcies Since 2017 and Realty Income’s Industry Exposure

22 of 26 retailer bankruptcies since 2017 associated with companies **lacking** a non-discretionary, low price point, and/or service-oriented component to their business.

<table>
<thead>
<tr>
<th>Retailer Bankruptcy</th>
<th>Retail Industry</th>
<th>Retailer Bankruptcy</th>
<th>Retail Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>True Religion</td>
<td>Apparel</td>
<td>MC Sports</td>
<td>Sporting goods</td>
</tr>
<tr>
<td>Wet Seal</td>
<td>Apparel</td>
<td>RadioShack</td>
<td>Consumer electronics</td>
</tr>
<tr>
<td>BCBG Max Azria</td>
<td>Apparel</td>
<td>hhgregg</td>
<td>Consumer electronics</td>
</tr>
<tr>
<td>Limited Stores</td>
<td>Apparel</td>
<td>Gordmans</td>
<td>General merchandise</td>
</tr>
<tr>
<td>Rue21</td>
<td>Apparel</td>
<td>Toys ‘R’ Us</td>
<td>Toy stores</td>
</tr>
<tr>
<td>Gymboree</td>
<td>Apparel</td>
<td>Aerosoles</td>
<td>Shoe stores</td>
</tr>
<tr>
<td>Vanity Shop</td>
<td>Apparel</td>
<td>The Walking Company</td>
<td>Shoe stores</td>
</tr>
<tr>
<td>Papaya Clothing</td>
<td>Apparel</td>
<td>Payless ShoeSource</td>
<td>Shoe stores</td>
</tr>
<tr>
<td>Alfredo Angelo</td>
<td>Apparel</td>
<td>Macaroni Grill</td>
<td>Casual dining</td>
</tr>
<tr>
<td>Styles for Less</td>
<td>Apparel</td>
<td>Tops Market</td>
<td>Grocery</td>
</tr>
<tr>
<td>Charming Charlie</td>
<td>Jewelry / Accessories</td>
<td>Marsh Supermarkets</td>
<td>Grocery</td>
</tr>
<tr>
<td>Perfumania</td>
<td>Specialty</td>
<td></td>
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<tr>
<td>Vitamin World</td>
<td>Specialty</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern Outfitters / Bob’s Stores</td>
<td>Sporting goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gander Mountain</td>
<td>Sporting goods</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Bold** retailers represent businesses with either a non-discretionary, low price point and/or service-oriented component.

**Combined Realty Income exposure to retailers** with bankruptcies since 2017:  

< 1.0% of annualized rent

---

(1) Represents industries that generally lack non-discretionary, low price point and/or service-oriented component.
### Historical Bankruptcy Experience Shapes Current Exposure

Historical tenant bankruptcies have been in industries that Realty Income has minimal exposure to today.

<table>
<thead>
<tr>
<th>Industry</th>
<th>% of All Realty Income Tenant Bankruptcies Since YE 2007</th>
<th>Drivers of Credit Issues</th>
<th>Current Exposure (% of Rent)</th>
<th>Current Exposure Commentary</th>
</tr>
</thead>
</table>
| Casual Dining Restaurants | 40%                                                      | • *Lacks* non-discretionary, low price point component  
• Changing consumer tastes  
• Thin rent coverage  
• Above market rent                                                      | 3.7%                                                       | • Lowest among net lease peers  
• Proven national operators with stable operating trends  
• High rent coverage (>3.5x on recent transactions)  
• Smaller, more fungible box size (6k SF on recent transactions) |
| Sporting Goods         | 20%                                                      | • *Lacks* non-discretionary, low price point component  
• Increased competition from E-commerce                                                      | 1.1%                                                       | • Majority of exposure leased to the top two operators in the industry by market share |
| Grocery                | 10%                                                      | • Low margins  
• Competitive pressures  
• Differentiation is elusive                                                          | 4.5%                                                       | • Top two tenants (Walmart Neighborhood Markets and Kroger) are top two U.S. food retail operators by market share  
• Average rent coverage is ~4x                                                    |

- **70%** of Realty Income bankruptcies since YE 2007 have been in casual dining, sporting goods and grocery industries
- Average exposure of **3.1%** to these three industries is lowest among peers
Five Key Considerations: Retail Portfolio Health

1) Retail tenant exposure differs from mall and shopping center tenant exposure

- >90% of retail rent is leased to tenants with low price point, non-discretionary and/or service-oriented component to their business

2) EBITDAR/Rent coverage has increased versus three years ago

- Illustrates retail tenant stability and health
- ~65% of retail tenants provide unit-level financials; majority of non-reporting tenants are investment-grade rated

3) Minimal exposure to “big box” retail stores

- < 5% of total properties leased to retail tenants using > 50k SF (“big box”)
- ~75% of “big box” stores leased to tenants with low price point, non-discretionary and/or service-oriented component to their business
- “Big box” stores outside of these categories largely comprised of investment-grade rated tenants (i.e. Home Depot)

4) Top industry is Drug stores (10.6% of rent)

- Brick and mortar drug stores continue to take market share from online pharmacies
- Online prescriptions peaked in 2010; volume down 20% since
- Top tenant is Walgreens (6.5% of rent): 20 consecutive quarters of positive same-store sales growth in its U.S. pharmacy division

5) Tenant watch list < 1.5% of rental revenue

- Consists of non-strategic assets targeted for disposition
- Low level is stable with trend from last three years
ASSET AND PORTFOLIO MANAGEMENT
Active Real Estate Management: Re-leasing Experience

Since 1996, Realty Income has achieved 99.5% recapture of prior rent on re-leasing activity

<table>
<thead>
<tr>
<th>Period</th>
<th>Recapture vs. Prior Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996 - 2005</td>
<td>95.9%</td>
</tr>
<tr>
<td>2006 - 2012</td>
<td>95.6%</td>
</tr>
<tr>
<td>2013 - Present</td>
<td>102.0%</td>
</tr>
</tbody>
</table>

Recapture vs. Prior Rent: (All Re-Leasing Activity)

- 2,621 Lease Expirations since 1996
- 2,287 Re-Leased at 99.5% rent recapture
- 334 Sold and proceeds reinvested into higher quality assets

(1) Reflects cash rent recapture inclusive of tenant improvement spend (immaterial)
Active Management: Leasing and Dispositions

Proven track record of value creation, cash flow preservation and risk mitigation

**Portfolio Management**
- Largest department in the company
- Distinct management verticals
  - Retail
  - Non-Retail
- Leasing & dispositions

**Healthy Leasing Results**
100% recapture of expiring rents since 1996
- Over 2,600 rollovers
- Includes renewals and re-leases to new tenants

**2017 lease rollover activity**
- Re-leased 259 properties with expiring leases
  - 235 re-leased to same tenant (91%)
  - 24 re-leased to new tenant (9%)
  - Recaptured 106% of expiring rent

**Asset Management**
- Maximizing value of real estate
- Strategic and opportunistic dispositions
- Value-creating development
- Risk mitigation

**Favorable Returns, Lower Portfolio Risk**
$666 million of dispositions since 2010
- **2014**: 6.9% cap rate / 11.6% unlevered IRR
- **2015**: 7.6% cap rate / 12.1% unlevered IRR
- **2016**: 7.3% cap rate / 8.5% unlevered IRR
- **2017**: 7.1% cap rate / 9.9% unlevered IRR
INVESTMENT STRATEGY
Investment Strategy: Underwriting Approach

Real estate focused / Motivated to exceed long-term cost of capital

- **Property attributes** – Quality of real estate, age, size, fungibility
- **Market review** – Strategic locations critical to generating revenue
- **Demographic analysis** – Five-mile population density, household income, unemployment trends
- **Valuation** – Replacement cost, market rents, initial cash yield, IRR over initial lease term
- **Property due diligence** – Site visits, vehicle traffic, industry, property type, title, environmental, etc.

**Retail**
- Strong unit-level cash flow coverage (specific to each industry)
- Tenants with service, non-discretionary, and/or low price point component to their business
- Favorable sales and demographic trends

**Non-Retail**
- Principally Industrial
  - Significant markets (generally MSAs of ≥350,000 people) and/or mission critical locations
  - Primarily industrial and distribution properties leased to Fortune 1000, investment grade rated tenants
  - Long lease duration

**CREDIT ANALYSIS**
- Financial review and analysis
- Tenant research – Reliable, sustainable cash flow
- Industry research – Defensive, resilient to macroeconomic volatility
- Discussion with key management representatives

**REAL ESTATE ANALYSIS**
Investment Strategy: Key Considerations

Cost of capital advantage, size, track record: Supports investment selectivity, strong risk-adjusted spreads

Competitive Advantages vs. Net Lease Peers

**Lowest cost of capital**
- Supports investment **selectivity**
- Drives faster **earnings growth** (wider margins)
- Realty Income has traded at median **NAV premium of 25%+** since 2009

**Size and track record**
- **Ability to buy in “bulk”** without creating tenant concentration issues
- **Portfolios currently trade at discount** to single-asset transactions
- **Access to liquidity** ($2 billion revolver)
Investment Strategy: Aim to Exceed Long-Term WACC

Cost of capital viewpoint balances near-term earnings per share growth with long-term value accretion

Long-Term Weighted Average Cost of Capital

- **Drives investment decision-making at the property level**
- Considers required “growth” component of equity returns
- Long-term unlevered IRR must exceed long-term WACC
- Focus on higher long-term IRR *discourages* risk-taking

<table>
<thead>
<tr>
<th>Key Assumptions &amp; Calculation – Long-Term Cost of Equity (Using illustrative assumptions only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical Beta (vs. S&amp;P 500)</td>
</tr>
<tr>
<td>Assumed long-term 10-year U.S. yield</td>
</tr>
<tr>
<td>Equity market risk premium</td>
</tr>
<tr>
<td><strong>Long-Term Cost of Equity (CAPM methodology)</strong></td>
</tr>
<tr>
<td>Dividend yield (as of 12/31/17)</td>
</tr>
<tr>
<td>Compound average annual dividend growth since 1994 listing</td>
</tr>
<tr>
<td><strong>Long-Term Cost of Equity (Yield + Growth methodology)</strong></td>
</tr>
<tr>
<td><strong>Long-Term Cost of Equity (Average of two methodologies)</strong></td>
</tr>
</tbody>
</table>

Nominal 1st-Year Weighted Average Cost of Capital

- Used to measure initial (year one) earnings accretion
- Higher stock price (lower cost) supports faster growth
- Lower WACC allows greater investment options
- Unwilling to sacrifice quality to generate wider spreads

<table>
<thead>
<tr>
<th>Key Assumptions &amp; Calculation – Nominal 1st-Year WACC (Using illustrative assumptions only)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>58% Equity:</strong> AFFO Yield (Midpoint of 2018 guidance)</td>
</tr>
<tr>
<td><strong>9% Free Cash Flow</strong>(1): Free cash flow reinvested</td>
</tr>
<tr>
<td><strong>33% Debt:</strong> 10-year, fixed-rated unsecured</td>
</tr>
<tr>
<td><strong>Nominal 1st-Year WACC</strong> (2)</td>
</tr>
</tbody>
</table>

Relative to peers, low nominal WACC supports ability to grow short-term earnings with less volume but does *not* govern long-term investment decisions

(1) Assuming $1.5 billion in acquisitions and after paying dividends and capex
(2) Reflects illustrative WACC only; not intended to reconcile exactly to current WACC

Long-Term WACC considers growth requirements of equity and supports disciplined underwriting criteria with a focus on residual value

Cost of capital information uses illustrative assumptions only (as of 12/31/2017)
Low cost of capital (high equity multiple) is the most important competitive advantage in the net lease industry.

Benefits of Low Cost of Capital

- More growth per dollar invested
- Low cost of capital limits amount of investment volume needed to generate targeted growth
- Reduces need to pursue lower-quality, higher-yielding investments to generate growth

Assumptions and Footnotes:

1) Assumes $1.5 billion in acquisition volume
2) Growth based on 2017 AFFO ($3.06/sh)
3) Nominal 1st-year WACC calculated using annualized AFFO yield (cost of equity), 10-year unsecured bond pricing (cost of debt), and retained free cash flow assuming target capital structure of 1/3 debt, 2/3 equity
4) Growth rates do not include organic same-store rent growth of ~1.0% (unlevered)
Investment Strategy: Utilizing Low Cost of Capital Advantage

Low cost of capital allows Realty Income to acquire the highest quality assets and leases in the net lease industry.

**“High Yield” Investment Characteristics (higher cap rates):**
- Above-market rents / financially-engineered cap rates
- Poor credit or limited credit availability and track record
- Thin industry-specific rent coverage
- Poor real estate (low residual value)
- Short lease terms
- Volatile industries

As nominal cost of capital rises...

**“High Quality” Investment Characteristics (Lower cap rates):**
- At or below-market rents
- Strong credit / proven sponsors & tenants
- Above-average rent coverage
- Flexible alternative use
- Strategic locations
- Long lease terms
- Stable industries

Higher cost of capital forces companies to invest in riskier investment opportunities to derive 200 bps of spread.

Cost of capital information uses illustrative assumptions only / May not represent current nominal 1st-year WACC.
Investment Strategy: Focused on Market Rents

Realty Income avoids lease structures with above-market rents, which can often inflate initial cap rates

<table>
<thead>
<tr>
<th>Illustrative Sale-Leaseback Example</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual EBITDAR (000s)</td>
<td>$8,500</td>
</tr>
<tr>
<td>Total square footage (000s)</td>
<td>175</td>
</tr>
</tbody>
</table>

Assuming identical real estate portfolio, consider two different lease structure scenarios…..

**Scenario 1: Higher Risk Strategy**

Objectives promote risk taking:

1) Maximize proceeds for seller
2) Maximize cap rate for buyer

- Target sale price (000s) $42,000
- Target cap rate 7.5%
- Implied rent (000s) $3,150
- Implied rent (psf) $18.00
- Premium/(Discount) to Market Rent 20%
- Implied EBITDAR rent coverage 2.7x
- Implied premium to replacement cost 20%

Focus on maximizing sale price and initial rent (higher cap rate) increases operational risks.

**Scenario 2: Realty Income Strategy**

Objectives promote risk mitigation:

1) Maximize EBITDAR rent coverage
2) Match purchase price with replacement cost

- Target rent coverage 3.75x
- Target premium to replacement cost 0%
- Implied rent (000s) $2,267
- Implied rent (psf) $12.95
- Premium/(Discount) to Market Rent -14%
- Implied sale price (000s) $35,000
- Implied cap rate 6.5%

Focus on “right-sizing” rent (lower cap rate) and purchase price limits risk to landlord and tenant.

Scenario 1 provides more proceeds to seller but at higher rents and lower rent coverage. Higher initial cap rate also carries elevated future default risk and lower residual value for buyer.

Scenario 2 carries lower risk to Realty Income and tenant given higher rent coverage and reasonable valuation (more likely to recapture residual value at lease expiration).

Scenario 2 prioritizing conservative valuation metrics lowers future vacancy risk and preserves residual value.
Investment Strategy: Focused on Maximizing Long-Term IRR

Realty Income IRR analysis favors long-term cash flow consistency; higher initial cap rates ≠ higher IRR

- Underwriting criteria geared towards long-term unlevered IRR exceeding long-term WACC
- Net lease acquisition market is very efficient ➔ higher initial yield generally correlates to higher risk
- Higher cap rates often reflect riskier real estate, above-market rents (to maximize proceeds and cap rate), and inferior credit
- Higher yields can lead to default risk during the lease term and/or a lower residual
- Example below illustrates higher unlevered IRR despite lower initial yield

**Illustrative IRR Analysis:**

“Low” Cap Rate vs. “High” Cap Rate

**Scenario 1** (lower yield acquisition) vs. **Scenario 2** (higher yield acquisition)

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease Term (yrs)</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Purchase Price</td>
<td>100</td>
<td>125</td>
</tr>
<tr>
<td>Initial Cap Rate</td>
<td>6.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Premium to Market Rent</td>
<td>0%</td>
<td>30%</td>
</tr>
<tr>
<td>Rent increases/year</td>
<td>1.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Residual Value (% of Purchase Price)</td>
<td>100%</td>
<td>70%</td>
</tr>
<tr>
<td>Disruption to CF from store closures</td>
<td>0%</td>
<td>25%</td>
</tr>
<tr>
<td>Year of closures</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Downtime to Re-Lease (yrs)</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Rent recapture as % of prior rent (incl. TI's)</td>
<td>100%</td>
<td>75%</td>
</tr>
</tbody>
</table>

**Scenario 1** (lower initial yield acquisition) results in better returns over duration of the lease for the landlord and creates excess retained cash flow for tenant

- Higher initial cap rates ≠ higher long-term IRR
- Residual risk and sustainability of cash flow are key considerations in Realty Income underwriting methodology
- Above-market rents, poor real estate, high-risk credit, lack of property fungibility can all drive lower residual values
### Investment Strategy: Disciplined Execution

Consistent, selective underwriting philosophy on strong sourced volume

#### Key Metrics Since 2010 (Excluding $3.2 billion ARCT transaction):

- **$10.5 billion** in property-level acquisition volume
- **$4.2 billion** in non-investment grade retail acquisitions
- **82%** of volume associated with retail properties
- **58%** of volume leased to Investment grade tenants

#### Broad blend
- of one-off, portfolio and entity-level deals

#### Relationship-driven
- >80% of closed volume since 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment Volume</th>
<th># of Properties</th>
<th>Initial Avg. Cap Rate</th>
<th>Initial Avg. Lease Term (yrs)</th>
<th>% Investment Grade</th>
<th>% Retail</th>
<th>Sourced Volume</th>
<th>Selectivity</th>
<th>Relationship Driven</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$714 mil</td>
<td>186</td>
<td>7.9%</td>
<td>15.7</td>
<td>46%</td>
<td>57%</td>
<td>$6 bil</td>
<td>12%</td>
<td>76%</td>
</tr>
<tr>
<td>2011</td>
<td>$1.02 bil</td>
<td>164</td>
<td>7.8%</td>
<td>13.4</td>
<td>40%</td>
<td>60%</td>
<td>$13 bil</td>
<td>8%</td>
<td>96%</td>
</tr>
<tr>
<td>2012</td>
<td>$1.16 bil</td>
<td>423</td>
<td>7.2%</td>
<td>14.6</td>
<td>64%</td>
<td>78%</td>
<td>$17 bil</td>
<td>7%</td>
<td>78%</td>
</tr>
<tr>
<td>2013 (Ex-ARCT)</td>
<td>$1.51 bil</td>
<td>459</td>
<td>7.1%</td>
<td>14.0</td>
<td>65%</td>
<td>84%</td>
<td>$39 bil</td>
<td>4%</td>
<td>66%</td>
</tr>
<tr>
<td>2014</td>
<td>$1.40 bil</td>
<td>507</td>
<td>7.1%</td>
<td>12.8</td>
<td>66%</td>
<td>86%</td>
<td>$24 bil</td>
<td>6%</td>
<td>86%</td>
</tr>
<tr>
<td>2015</td>
<td>$1.26 bil</td>
<td>286</td>
<td>6.6%</td>
<td>16.5</td>
<td>46%</td>
<td>87%</td>
<td>$32 bil</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>2016</td>
<td>$1.86 bil</td>
<td>505</td>
<td>6.3%</td>
<td>14.7</td>
<td>64%</td>
<td>86%</td>
<td>$28 bil</td>
<td>7%</td>
<td>81%</td>
</tr>
<tr>
<td>2017</td>
<td>$1.52 bil</td>
<td>303</td>
<td>6.4%</td>
<td>14.4</td>
<td>48%</td>
<td>95%</td>
<td>$30 bil</td>
<td>5%</td>
<td>88%</td>
</tr>
</tbody>
</table>

**Selectivity**: 12% → 8% → 4% → 6% → 4% → 7% → 5%

**Relationship Driven**: 76% → 96% → 78% → 66% → 86% → 94% → 81% → 88%

*Totals may not foot due to rounding*
CONSERVATIVE CAPITAL STRUCTURE
SCALABLE BUSINESS MODEL
DEPENDABLE DIVIDENDS
Conservative Capital Structure

Modest leverage, low cost of capital, ample liquidity provides financial flexibility

**Common Stock: $16.2 billion – 72.6%**

- Shares/Units outstanding – 285 million

**Debt: $6.1 billion – 27.4%**

- Unsecured Ratings – A3 / BBB+ / BBB+
- Unsecured Notes/Bonds - $5.3 billion
- Unsecured Term Loans - $446 million
- Mortgages - $320 million
- Revolving Credit Facility - $110 million

**Total Capitalization: $22.4 billion**
Well-Laddered Debt Maturity Schedule

Limited re-financing and variable interest rate risk throughout debt maturity schedule

Key Metrics

- **98% fixed rate** debt

- Weighted average rate of **3.8%(1)** on debt

- **Staggered, 9.3-year** weighted average term for notes/bonds

- **Ample liquidity** with $1.89 bil available on revolver (L+85bps)

- **Free cash flow** of ~$140mm/yr

---

(1) Weighted average interest rates reflect variable-to-fixed interest rate swaps on term loans and revolver interest rate as of 12/31/2017

Assumes borrowing rate for revolver of 2.4% at 1-3-18 (when converted from Swingline loan). The Swingline loan was outstanding for five calendar days.
Scalability of Costs Contributes to Higher Relative Valuation

Relative NAV valuation comparisons should consider G&A efficiencies

93% EBITDA margins, never below 90% since 1998

- Efficiency and scalability of business model leads net lease industry
- G&A expense should be treated the same as dollar of property-level cash flow
- Consensus NAV estimates generally exclude impact of G&A expenses, thus no explicit “credit” for G&A efficiencies is recognized
- Capping G&A with real estate multiple degrades NAV/sh more for smaller portfolios with less scalability

G&A as % of Rental Revenue (1)

- 5.8% in 2000
- 5.0% in 2017

Adjusted EBITDA per Employee ($000s)

- $2,211 in 2000
- $7,301 in 2017

G&A as % of Gross RE Book Value (bps)

- 64 bps in 2000
- 39 bps in 2017

G&A as % of Equity Mkt Cap

- 103 bps in 2000
- 36 bps in 2017

G&A as % of EV (bps)

- 59 bps in 2000
- 26 bps in 2017

1 G&A includes acquisition transaction costs; percentage of rental revenue calculation excludes tenant reimbursements from denominator
YTD figures represent MRQ annualized, where applicable
Dependable Dividends That Grow Over Time

Steady dividend track record supported by inherently stable business model, disciplined execution

Strong Dividend Track Record

- 81 consecutive quarterly increases
- 95 total increases since 1994 NYSE listing
- 83% AFFO payout (based on midpoint of 2018 AFFO guidance)
- 4.7% compound average annualized growth rate since NYSE listing

One of only five REITs included in S&P High Yield Dividend Aristocrats® index

Data is as of January 2018 dividend declaration
2018 YTD dividend reflects January 2018 dividend annualized
Summary

- **Long term-focused business strategy**
- **Diversified and actively managed portfolio**
- **Proven and disciplined relationship-driven acquisition strategy**
- **Conservative (A-rated) credit profile**
- **Precedent of outperforming S&P 500 and REITs since 1994 listing**
- **Attractive risk/reward vs. other REITs and blue chip equities**
- **Dependable monthly dividends with long track record of growth**