REALTY INCOME CORP
Form 424B5
September 20, 2011

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-158169

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

Subject to Completion
Preliminary Prospectus Supplement dated September 20, 2011

PROSPECTUS SUPPLEMENT
(to prospectus dated March 24, 2009)

6,000,000 Shares

Common Stock

All of the 6,000,000 shares are being sold by us. We currently pay regular monthly distributions to holders of our common stock, which is listed on the New York Stock Exchange, or NYSE, under the symbol "O." On September 19, 2011, the last reported sale price of our common stock on the NYSE was $34.50 per share.

Realty Income Corporation, The Monthly Dividend Company®, is a Maryland corporation organized to operate as an equity real estate investment trust, or REIT. We are a fully integrated, self-administered real estate company with in-house acquisition, leasing, legal, credit research, real estate research, portfolio management and capital markets expertise. As of June 30, 2011, we owned a diversified portfolio of 2,523 properties located in 49 states with over 24.6 million square feet of leasable space leased to 131 different retail and other commercial enterprises doing business in 37 separate industries.

Investing in our common stock involves risks. See "Risk Factors" beginning on page S-6 of this prospectus supplement.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Realty Income Corporation	$	$

The underwriters may also purchase up to an additional 900,000 shares of common stock from us to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The shares of common stock will be ready for delivery on or about September , 2011.

Joint Book-Running Managers

BofA Merrill Lynch **Morgan Stanley** **Wells Fargo Securities**

Credit Suisse **RBC Capital Markets** **Raymond James** **UBS Investment Bank**

Baird **BB&T Capital Markets** **Citigroup** **J.P. Morgan**

Janney Montgomery Scott **Jefferies** **Morgan Keegan** **Stifel Nicolaus Weisel**

BNY Mellon Capital Markets, LLC **Piper Jaffray**

The date of this prospectus supplement is September , 2011.

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Prospectus Supplement

Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus and, if applicable, any free writing prospectus we may provide you in connection with this offering. We have not, and the underwriters have not, authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities or soliciting an offer to buy these securities in any jurisdiction where the offer or sale of these securities is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference herein or therein and, if applicable, any free writing prospectus we may provide you in connection with this offering is accurate only as of those documents' respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

This document is in two parts. The first part is this prospectus supplement, which adds to and updates information contained in the accompanying prospectus. The second part, the prospectus, provides more general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement and the information contained in the accompanying prospectus, you should rely on the information in this prospectus supplement.

Before purchasing any securities, you should carefully read both this prospectus supplement and the accompanying prospectus, together with the incorporated documents described under the heading "Incorporation by Reference" in this prospectus supplement and the accompanying prospectus, and any free writing prospectus we may provide to you in connection with this offering.

No action has been or will be taken in any jurisdiction by us or by any underwriter that would permit a public offering of these securities or possession or distribution of this prospectus supplement, the accompanying prospectus or any related free writing prospectus where action for that purpose is required, other than in the United States. Unless otherwise expressly stated or the context otherwise requires, references to "dollars" and "$" in this prospectus supplement, the accompanying prospectus and any related free writing prospectus are to United States dollars.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary does not contain all the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference herein and therein, including the financial statements and related notes, and, if applicable, any free writing prospectus we may provide you in connection with this offering before making an investment decision. Unless this prospectus supplement otherwise indicates or the context otherwise requires, the terms "Realty Income," "our," "us" and "we" as used in this prospectus supplement refer to Realty Income Corporation and its subsidiaries on a consolidated basis. Unless otherwise expressly stated or the context otherwise requires, all information in this prospectus supplement relating to our properties excludes properties owned by our wholly-owned subsidiary Crest Net Lease, Inc., which we refer to as Crest.

In this prospectus supplement, we sometimes refer to our 7.375% Monthly Income Class D Cumulative Redeemable Preferred Stock and our 6.75% Monthly Income Class E Cumulative Redeemable Preferred Stock as the Class D preferred stock and the Class E preferred stock, respectively.

Realty Income

We are The Monthly Dividend Company®. We are organized to operate as an equity real estate investment trust, commonly referred to as a REIT. Our primary business objective is to generate dependable monthly cash distributions from a consistent and predictable level of funds from operations, or FFO, per share. Additionally, we seek to increase distributions to common stockholders and FFO per share through both active portfolio management and the acquisition of additional properties.

We are a fully integrated, self-administered real estate company with in-house acquisition, leasing, legal, credit research, real estate research, portfolio management and capital markets expertise. As of June 30, 2011, we owned a diversified portfolio of 2,523 properties located in 49 states, with over 24.6 million square feet of leasable space leased to 131 different retail and other commercial enterprises doing business in 37 separate industries. Of the 2,523 properties in the portfolio at that date, 2,507, or 99.4%, were single-tenant properties, and the remaining 16 were multi-tenant properties. At June 30, 2011, of the 2,507 single-tenant properties, 2,440 were leased with a weighted average remaining lease term (excluding rights to extend a lease at the option of the tenant) of approximately 11.1 years.

Our principal executive offices are located at 600 La Terraza Boulevard, Escondido, California 92025-3873 and our telephone number is (760) 741-2111.

Recent Developments

Increases in Monthly Cash Distributions to Common Stockholders

We have continued our 42-year policy of paying distributions monthly. Monthly distributions per share were increased in April 2011 by $0.0003125 to $0.1445625, in July 2011 by $0.0003125 to $0.144875 and will increase in October 2011 by $0.0003125 to $0.1451875. The increase in October 2011 will be our 56th consecutive quarterly increase and the 63rd increase in the amount of our dividend since our listing on the New York Stock Exchange, or NYSE, in 1994. In the first nine months of 2011, we paid three monthly cash distributions per share in the amount of $0.14425, three monthly cash distributions per share in the amount of $0.1445625 and three monthly cash distributions per share in the amount of $0.144875, totaling $1.3010625. In September 2011, we declared a distribution of $0.1451875 per share, which is payable on October 17, 2011.

The distribution payable on our common stock on October 17, 2011 will be paid to stockholders of record of our common stock as of the close of business on October 3, 2011. Purchasers of shares of common stock in this offering will be entitled to receive the October 17, 2011 distribution

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on those shares, provided they are holders of record of those shares as of the close of business on October 3, 2011.

The monthly distribution payable in October 2011 of $0.1451875 per share represents an annualized distribution of $1.74225 per share, and an annualized distribution yield of approximately 5.1% based on the last reported sale price of our common stock on the NYSE of $34.50 on September 19, 2011. Although we expect to continue our policy of paying monthly distributions in cash, we cannot guarantee that we will maintain our current level of cash distributions, that we will continue our pattern of increasing cash distributions per share, or what our actual cash distribution yield will be in any future period.

Acquisitions During the First Six Months of 2011

During the first six months of 2011, we invested $364.2 million in 36 new properties and properties under development, with an initial weighted average contractual lease rate of 7.6%. These 36 new properties and properties under development are located in 19 states, contain over 3.4 million leasable square feet, and are 100% leased with an average lease term of 15.5 years. There were no acquisitions by Crest in the first six months of 2011.

The initial weighted average contractual lease rate is computed as estimated contractual net operating income (which, in a net-leased property, is equal to the aggregate base rent or, in the case of a property under development, the estimated aggregate base rent) for the first year of each lease, divided by the estimated total cost of the properties. Since it is possible that a tenant could default on the payment of contractual rent, or, in the case of properties under development, that the cost of the property may exceed our estimate, we cannot assure you that the actual lease rate on these properties will equal the percentage listed above.

Acquisitions During the Third Quarter of 2011 (through September 15)

During the third quarter of 2011 (through September 15), we invested approximately $242 million in 73 new properties and properties under development. These 73 new properties and properties under development are located in 12 states, contain over 1.1 million leasable square feet, and are 100% leased with an average lease term of 7.8 years.

Proposed Acquisitions

We have entered into agreements to acquire properties with an aggregate value of approximately $238 million during the remainder of 2011. These proposed acquisitions consist of 17 properties leased to 4 different tenants in 8 different states, and all are in industries which we already have in our portfolio. These acquisitions are subject to various customary conditions to closing, the failure of which could delay the closing of one or more of these proposed acquisitions or result in one or more of these proposed transactions not closing. We expect to fund these acquisitions with borrowings under our acquisition credit facility.

Re-opening of Unsecured Bonds due 2035

In June 2011, we re-opened our 5.875% senior unsecured bonds due 2035, or the 2035 Bonds, and issued $150.0 million in aggregate principal amount of additional 2035 Bonds. The public offering price for the additional 2035 Bonds was 94.578% of the principal amount for an effective yield of 6.318%. Those 2035 Bonds constituted an additional issuance of, and a single series with, the $100 million in aggregate principal amount of 2035 Bonds that we issued in March 2005. The net proceeds of approximately $140.1 million were used to fund a portion of our previously announced property acquisitions aggregating approximately $544 million.

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Net Income Available to Common Stockholders

Net income available to common stockholders was $63.1 million in the first six months of 2011, versus $49.1 million in the same period of 2010, an increase of $14.0 million. On a diluted per common share basis, net income was $0.51 in the first six months of 2011, compared to $0.47 in the first six months of 2010.

The calculation to determine net income available to common stockholders includes gains from the sale of properties and excess land. The amount of gains varies from period to period based on the timing of property sales and can significantly impact net income available to common stockholders.

The gain from the sale of properties and excess land during the first six months of 2011 was $1.4 million, as compared to $2.4 million during the first six months of 2010.

Funds from Operations Available to Common Stockholders (FFO)

In the first six months of 2011, our FFO increased by $24.1 million, or 25.8%, to $117.5 million, versus $93.4 million in the first six months of 2010. On a diluted per common share basis, FFO was $0.96 in the first six months of 2011, compared to $0.90 in the first six months of 2010, an increase of $0.06, or 6.7%.

For information on how we define FFO (which is not a financial measure under generally accepted accounting principles, or GAAP), as well as a reconciliation of net income available to common stockholders to FFO, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Funds From Operations Available to Common Stockholders (FFO)" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, which is incorporated by reference in the accompanying prospectus.

Adjusted Funds from Operations Available to Common Stockholders (AFFO)

In the first six months of 2011, our AFFO increased by $25.3 million, or 26.5%, to $120.6 million, versus $95.3 million in the first six months of 2010. On a diluted per common share basis, AFFO was $0.98 in the first six months of 2011, compared to $0.92 in the first six months of 2010, an increase of $0.06, or 6.5%.

For information on how we define AFFO (which is not a financial measure under GAAP), as well as a reconciliation of net income available to common stockholders to AFFO, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Adjusted Funds From Operations Available to Common Stockholders (AFFO)" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, which is incorporated by reference in the accompanying prospectus.

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The Offering

We are selling all of the shares of common stock offered by this prospectus supplement and no shares are being sold by our stockholders. For a description of our common stock, see "Description of Common Stock" and "Restrictions on Ownership and Transfers of Stock" in the accompanying prospectus.

Issuer	Realty Income Corporation
Common stock we are offering	6,000,000 shares of common stock, plus up to an additional 900,000 shares if the underwriters exercise their overallotment option in full.
Shares to be outstanding after this offering(1)	132,901,307
Use of Proceeds	We intend to use the net proceeds from this sale of common stock to repay borrowings under our $425 million acquisition credit facility, which were used to fund a portion of the real estate acquisitions described above under "Recent Developments Acquisitions During the Third Quarter of 2011 (through September 15)" and will be used to fund proposed acquisitions described under "Recent Developments Proposed Acquisitions." The proposed acquisitions are subject to various customary conditions to closing, the failure of which could delay the closing of one or more of these transactions or result in one or more of these transactions not closing. To the extent required, the balance of the purchase price of these proposed acquisitions will be funded with borrowings under our acquisition credit facility. On September 21, 2011, we expect to have approximately $315.1 million of outstanding borrowings under our acquisition credit facility. To the extent not used for the foregoing purposes, any remaining net proceeds will be used for general corporate purposes and working capital, which may include additional acquisitions. For information concerning certain potential conflicts of interest that may arise from the use of proceeds to repay borrowings under our acquisition credit facility, see "Use of Proceeds" and "Underwriting (Conflicts of Interest) Other Relationships" in this prospectus supplement.
Restrictions on Ownership and Transfer	Our charter contains restrictions on the ownership and transfer of our common stock intended to assist us in maintaining our status as a REIT for United States federal and/or state income tax purposes. For example, our charter restricts any person from acquiring actual or constructive ownership of more than 9.8% (in value or number of shares, whichever is more restrictive) of our outstanding shares of common stock, as more fully described in the section entitled "Restrictions on Ownership and Transfers of Stock" in the accompanying prospectus.

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NYSE Symbol	"O"
Risk Factors	An investment in our common stock involves various risks and prospective investors should carefully consider the matters discussed under "Risk Factors" in this prospectus supplement, as well as the other risks described in this prospectus supplement, the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference herein and therein, before making a decision to invest in the common stock.

(1) Based on shares outstanding as of September 19, 2011. Does not include, as of September 19, 2011:

(a) 2,304,469 additional shares of common stock reserved for issuance under our stock incentive plans; or

(b) Up to 900,000 shares of common stock issuable upon exercise of the underwriters' overallotment option.

Our board of directors has authorized and we have declared a monthly distribution of $0.1451875 per share of common stock payable on October 17, 2011 to stockholders of record of our common stock as of the close of business on October 3, 2011. Purchasers of shares of common stock in this offering will be entitled to receive the October 17, 2011 distribution on those shares, provided they are holders of record of those shares as of the close of business on October 3, 2011.

As of September 19, 2011, we had 5,100,000 shares of Class D preferred stock and 8,800,000 shares of Class E preferred stock outstanding. In the event that we liquidate, dissolve or wind up Realty Income, the holders of this preferred stock will have the right to receive $25.00 per share, plus accrued and unpaid dividends, before any payment is made to the holders of our common stock. In addition, this preferred stock ranks senior to our common stock with respect to the payment of dividends and distributions. See the descriptions of the Class D preferred stock and Class E preferred stock contained in their respective Registration Statements on Form 8-A (File No. 001-13374), including any subsequently filed amendments and reports filed for the purpose of updating the descriptions, which are incorporated by reference into the accompanying prospectus.

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RISK FACTORS

In evaluating an investment in our common stock, you should carefully consider the following risk factors and the risk factors described under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated by reference in the accompanying prospectus, in addition to the other risks and uncertainties described in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference therein and, if applicable, any free writing prospectus we may provide you in connection with this offering. As used under the captions "Risk Factors" in this prospectus supplement and in our Annual Report on Form 10-K for the year ended December 31, 2010, references to our capital stock include both our common stock, including the common stock offered by this prospectus supplement, and any class or series of our preferred stock, and references to our stockholders include holders of our common stock and any class or series of our preferred stock, in each case unless otherwise expressly stated or the context otherwise requires.

Our business operations may not generate the cash needed to make distributions on our capital stock or to service our indebtedness.

Our ability to make distributions on our common stock and preferred stock and payments on our indebtedness and to fund planned acquisitions and capital expenditures will depend on our ability to generate cash in the future. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our common stock and preferred stock, to pay our indebtedness, or to fund our other liquidity needs.

We are subject to risks associated with debt and capital stock financing.

We intend to incur additional indebtedness in the future, including borrowings under our $425 million acquisition credit facility. On September 21, 2011, we expect to have approximately $315.1 million of outstanding borrowings under our acquisition credit facility, a total of $1.75 billion of outstanding unsecured senior debt securities and $67.3 million of outstanding mortgage debt. To the extent that new indebtedness is added to our current debt levels, the related risks that we now face would increase. As a result, we are and will be subject to risks associated with debt financing, including the risk that our cash flow could be insufficient to meet required payments on our debt. We also face variable interest rate risk as the interest rate on our acquisition credit facility is variable and could therefore increase over time. We also face the risk that we may be unable to refinance or repay our debt as it comes due. Given the recent disruptions in the financial markets and the ongoing financial crisis in Europe (which relates primarily to concerns that certain European countries may be unable to repay their national debt), we also face the risk that one or more of the participants in our acquisition credit facility may not be able to lend us money.

In addition, our acquisition credit facility contains provisions that could limit or, in certain cases, prohibit the payment of distributions on our common stock and preferred stock. In particular, our acquisition credit facility provides that, if an event of default (as defined in the credit facility) exists, neither we nor any of our subsidiaries may make any distributions on (except distributions payable in shares of a given class of our stock to the shareholders of that class), or repurchase or redeem, among other things, any shares of our common stock or preferred stock, during any period of four consecutive fiscal quarters in an aggregate amount in excess of the greater of:

- the sum of (a) 95% of our adjusted funds from operations (as defined in the credit facility) for that period plus (b) the aggregate amount of cash distributions on our preferred stock for that period, and

- the minimum amount of cash distributions required to be made to our shareholders in order to maintain our status as a REIT for federal income tax purposes,

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except that we may repurchase or redeem our preferred stock with the net proceeds from the issuance of our common stock or preferred stock. The acquisition credit facility further provides that, in the event of a failure to pay principal, interest or any other amount payable thereunder when due or upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us or with respect to any of our subsidiaries that has guaranteed amounts payable under the credit facility or that meets a significance test set forth in the credit facility, we and our subsidiaries may not pay any distributions on (except distributions payable in shares of a given class of our stock to the shareholders of that class), or repurchase or redeem, among other things, any shares of our common stock or preferred stock. If any event of default under our acquisition credit facility were to occur, it would likely have a material adverse effect on the market price of our outstanding common and preferred stock and on the market value of our debt securities, could limit the amount of distributions payable on our common stock and preferred stock or prevent us from paying those distributions altogether, and may adversely affect our ability to qualify, or prevent us from qualifying, as a REIT.

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

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

The market price of our common stock could be substantially affected by various factors.

The market price of our common stock will depend on many factors, which may change from time to time, including:

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

In addition, over the last several years, prices of common stock in the U.S. trading markets have been experiencing extreme price fluctuations, and the market price of our common stock has also fluctuated significantly during this period. As a result of these and other factors, investors who purchase our common stock in this offering may experience a decrease, which could be substantial and

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rapid, in the market price of our common stock, including decreases unrelated to our operating performance or prospects.

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

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

- Lack of demand in areas where our properties are located;
- Inability to retain existing tenants and attract new tenants;
- Oversupply of space and changes in market rental rates;
- Declines in our tenants' creditworthiness and ability to pay rent, which may be affected by their operations, the current economic situation and competition within their industries from other operators;
- Defaults by and bankruptcies of tenants, failure of tenants to pay rent on a timely basis, or failure of tenants to comply with their contractual obligations; and
- Economic or physical decline of the areas where the properties are located.

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

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

Further, the occurrence of a tenant bankruptcy or insolvency could diminish the income we receive from the tenant's lease or leases. In addition, a bankruptcy court might authorize the tenant to terminate its leases with us. If that happens, our claim against the bankrupt tenant for unpaid future rent would be subject to statutory limitations that most likely would be substantially less than the remaining rent we are owed under the leases. In addition, any claim we have for unpaid past rent, if any, may not be paid in full. As a result, tenant bankruptcies may have a material adverse effect on our results of operations. Any of these events could adversely affect cash flow from operations and our ability to make distributions to stockholders and service indebtedness.

Sixty-eight of our properties were available for lease or sale at June 30, 2011, all but one of which were single-tenant properties. At June 30, 2011, 51 of our properties under lease were unoccupied and available for sublease by the tenants, all of which were current with their rent and

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other obligations. During the first six months of 2011, each of our tenants accounted for less than 10% of our rental revenue.

For the second quarter of 2011, our tenants in the "convenience stores" and "restaurants casual dining" industries accounted for approximately 19.0% and 11.2%, respectively, of our rental revenue. A downturn in either of these industries, whether nationwide or limited to specific sectors of the United States, could adversely affect tenants in these industries, which in turn could have a material adverse effect on our financial position, results of operations and our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions on our common stock and preferred stock. Individually, each of the other industries in our property portfolio accounted for less than 10% of our rental revenue for the second quarter of 2011. Nevertheless, downturns in these other industries could also adversely affect our tenants, which in turn could also have a material adverse affect on our financial position, results of operations and our ability to pay the principal of and interest on our debt securities and other indebtedness and to make distributions on our common and preferred stock. In addition, we may in the future make additional investments in the "convenience stores" industry and "restaurant casual dining" industry, which would increase these industries' percentages of our rental revenues, thereby increasing the effect that such a downturn in these industries would have on us.

In addition, a substantial number of our properties are leased to middle- market retail and other commercial enterprises that generally have more limited financial and other resources than certain upper-market retail and other commercial enterprises, and therefore, they are more likely to be adversely affected by a downturn in their respective businesses or in the regional or national economy.

Furthermore, we have made and may continue to make selected acquisitions of properties that fall outside our historical focus on freestanding, single-tenant, net-lease retail locations in the United States. We may be exposed to a variety of new risks by expanding into new property types and/or new jurisdictions outside the United States and properties leased to tenants engaged in non-retail businesses. For example, our acquisitions in 2011 have included distribution properties, office properties, and manufacturing properties leased to tenants in a range of non-retail businesses. These risks may include a limited knowledge and understanding of the industry in which the tenant operates, limited experience in managing certain types of new properties, new types of real estate locations and lease structures, and new laws and culture of any non-U.S. jurisdiction.

Increases in market interest rates may adversely affect the price of our common stock.

One of the factors that influence the price of our common stock in public trading markets is the annual yield from distributions on our common stock as compared to yields on other financial instruments. Thus, an increase in market interest rates will result in higher yields on other financial instruments, which could adversely affect the market price of our common stock.

Our charter contains restrictions upon ownership of our common stock.

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

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We could issue preferred stock without stockholder approval.

Our charter authorizes our board of directors to issue up to 20,000,000 shares of preferred stock, including convertible preferred stock, without stockholder approval. The board of directors may establish the preferences, rights and other terms of any preferred stock we may issue, including the right to vote and the right to convert into common stock any shares issued. The issuance of preferred stock could delay or prevent a tender offer or a change of control even if a tender offer or a change of control were in our stockholders' interests, which could adversely affect the market price of our common stock. As of September 19, 2011, we had 5,100,000 shares of Class D preferred stock and 8,800,000 shares of Class E preferred stock outstanding. See "General Description of Preferred Stock" in the accompanying prospectus and the descriptions of the Class D preferred stock and Class E preferred stock contained in their respective Registration Statements on Form 8-A (File No. 001-13374), including any subsequently filed amendments and reports filed for the purpose of updating the descriptions, which are incorporated by reference into the accompanying prospectus.

Disruptions in the financial markets could affect our ability to obtain financing on reasonable terms and have other adverse effects on us and the market price of our common stock.

Over the last several years, the United States stock and credit markets have experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks and debt securities to fluctuate substantially and the spreads on prospective debt financings to widen considerably. In addition, the ongoing financial crisis in Europe (which relates primarily to concerns that certain European countries may be unable to pay their national debt) has had a similar effect. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in certain cases have resulted in the unavailability of certain types of financing. In addition, unrest in certain Middle Eastern countries and the resultant fluctuation in petroleum prices has added to the uncertainty in the capital markets. Continued uncertainty in the stock and credit markets may negatively impact our ability to access additional financing at reasonable terms, which may negatively affect our ability to make acquisitions. A prolonged downturn in the stock or credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of financing or difficulties in obtaining financing. These events in the stock and credit markets may make it more difficult or costly for us to raise capital through the issuance of our common stock or preferred stock or debt securities. These disruptions in the financial markets may have a material adverse effect on the market value of our common stock, preferred stock and debt securities, the income we receive from our properties and the lease rates we charge for our properties, as well as other unknown adverse effects on us or the economy in general.

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USE OF PROCEEDS

We intend to use the net proceeds from this sale of common stock to repay borrowings under our $425 million acquisition credit facility, which were used to fund a portion of our real estate acquisitions described above under "Prospectus Supplement Summary Recent Developments Acquisitions During the Third Quarter of 2011 (through September 15)" and will be used to fund proposed acquisitions described under "Prospectus Supplement Summary Recent Developments Proposed Acquisitions." These proposed acquisitions are subject to various customary conditions to closing, the failure of which could delay the closing of one or more of these transactions or result in one or more of these transactions not closing. To the extent required, the balance of the purchase price of these proposed acquisitions will be funded with borrowings under our acquisition credit facility. On September 21, 2011, we expect to have approximately $315.1 million of outstanding borrowings under our acquisition credit facility. To the extent not used for the foregoing purposes, any remaining net proceeds will be used for general corporate purposes and working capital, which may include additional acquisitions.

We estimate the net proceeds from the sale of common stock offered by this prospectus supplement will be approximately $196.9 million, or approximately $226.4 million if the underwriters' overallotment option is exercised in full, in each case based upon an assumed public offering price of $34.50 per share (which was the last reported sale price of our common stock on the NYSE on September 19, 2011) and after deducting the estimated underwriting discount and estimated expenses payable by us. A $1.00 increase or decrease in the assumed public offering price of $34.50 per share would increase or decrease, respectively, the estimated net proceeds from the sale of the common stock offering by this prospectus supplement by approximately $5.7 million, or approximately $6.6 million if the underwriters' overallotment option is exercised in full, in each case assuming that the number of shares offered by us and the number of shares subject to the underwriters' overallotment option, as set forth on the cover page of this prospectus supplement, remain the same, and after deducting the estimated underwriting discount and estimated expenses payable by us.

Our acquisition credit facility currently provides for financing at the London Interbank Offer Rate, or LIBOR, plus 185 basis points with a facility commitment fee of 35 basis points, for all-in drawn pricing of 220 basis points over LIBOR. The borrowing rate is not subject to an interest rate floor or ceiling. We also have other interest rate options available to us. The average borrowing rate on our acquisition credit facility during the first six months of 2011 was 2.1% and our borrowing rate at June 30, 2011 was 2.0%. The initial term of our acquisition credit facility expires in March 2014 and includes two, one-year extension options. Borrowings under the acquisition credit facility that we repay with net proceeds from this offering may be reborrowed, subject to customary conditions.

Pending application of the net proceeds for the purposes described above, we may temporarily invest the net proceeds in short-term government securities, short-term money market funds or bank certificates of deposit.

Some or all of the underwriters and/or their affiliates have provided and in the future may provide investment banking, commercial banking and/or other financial services, including the provision of credit facilities, to us in the ordinary course of business for which they have received and may in the future receive compensation. In particular, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC are joint book-running managers of this offering, and Wells Fargo Securities, LLC is also the sole lead arranger and sole lead bookrunner under our acquisition credit facility, Wells Fargo Bank, N.A., an affiliate of Wells Fargo Securities, LLC, is administrative agent and a lender under our acquisition credit facility, Bank of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, is a co-syndication agent and a lender under our acquisition credit facility and the Bank of New York Mellon, an affiliate of BNY Mellon Capital Markets, LLC (which is one of the underwriters), is documentation agent and a lender under our acquisition credit

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facility. In addition, affiliates of some of the other underwriters participating in this offering are lenders under our acquisition credit facility. Since we will use net proceeds from this offering to repay borrowings outstanding under our acquisition credit facility, lenders affiliated with some of the underwriters of this offering will receive a portion of the net proceeds from this offering through the repayment of borrowings under that facility. An affiliate of Wells Fargo Securities has acted, and may in the future act, as broker in connection with purchases of certain real estate assets by us, including assets which have been or are expected to be purchased with borrowings under our acquisition credit facility, which borrowings may be repaid with proceeds from this offering. Upon consummation of these purchases, such affiliate expects to receive customary brokerage fees paid by the seller.

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PRICE RANGE OF COMMON STOCK AND DISTRIBUTION HISTORY

On September 19, 2011, the last reported sales price per share of our common stock on the NYSE was $34.50. The table below sets forth for the periods indicated the high and low sales prices per share of our common stock, as reported by the NYSE, and distributions declared per share of our common stock.

	Price Per Share of Common Stock		Distributions Declared Per Share(1)
	High	Low	
2009			
First Quarter	$ 23.41	$ 14.26	$ 0.425563
Second Quarter	23.23	17.90	0.426500
Third Quarter	28.20	19.83	0.427438
Fourth Quarter	27.53	22.17	0.428375
2010			
First Quarter	31.18	25.30	0.429313
Second Quarter	34.53	28.42	0.430250
Third Quarter	34.79	29.12	0.431188
Fourth Quarter	35.97	32.92	0.432125
2011			
First Quarter	36.12	33.40	0.433063
Second Quarter	36.35	32.19	0.434000
Third Quarter, through September 19	35.03	27.95	0.4349375(2)

(1) Common stock cash distributions currently are declared monthly by us, based on financial results for the prior months.

(2) Our board of directors has authorized and we have declared a monthly distribution of $0.1451875 per share of common stock payable on October 17, 2011 to stockholders of record of our common stock as of the close of business on October 3, 2011. Purchasers of shares of common stock in this offering will be entitled to receive the October 17, 2011 distribution on those shares, provided they are holders of record of those shares as of the close of business on October 3, 2011. The October 17, 2011, common stock dividend is reflected in the forgoing table in distributions declared per share for the third quarter of 2011.

Future distributions will be at the discretion of our board of directors and will depend on, among other things, our results of operations, funds from operations, cash flow from operations, financial condition and 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 our board of directors deems relevant. In addition, our acquisition credit facility contains provisions that could limit or, in certain cases, prohibit the payment of distributions on our common stock and preferred stock. In particular, our acquisition credit facility provides that, if an event of default (as defined in the credit facility) exists, neither we nor any of our subsidiaries may make any distributions on (except distributions payable in shares of a given class of our stock to the shareholders of that class), or repurchase or redeem, among other things, any shares of our common stock or preferred stock, during any period of four consecutive fiscal quarters in an aggregate amount in excess of the greater of:

- the sum of (a) 95% of our adjusted funds from operations (as defined in the credit facility) for that period plus (b) the aggregate amount of cash distributions on our preferred stock for that period, and

- the minimum amount of cash distributions required to be made to our shareholders in order to maintain our status as a REIT for federal income tax purposes,

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except that we may repurchase or redeem our preferred stock with the net proceeds from the issuance of our common stock or preferred stock. The acquisition credit facility further provides that, in the event of a failure to pay principal, interest or any other amount payable thereunder when due or upon the occurrence of certain events of bankruptcy, insolvency or reorganization with respect to us or with respect to any of our subsidiaries that has guaranteed amounts payable under the credit facility or that meets a significance test set forth in the credit facility, we and our subsidiaries may not pay any distributions on (except distributions payable in shares of a given class of our stock to the shareholders of that class), or repurchase or redeem, among other things, any shares of our common stock or preferred stock.

Accordingly, although we expect to continue our policy of paying monthly distributions in cash on our common stock, we cannot guarantee that we will maintain the current level of cash distributions, that we will continue our pattern of increasing cash distributions per share, or what our actual cash distribution yield will be for any future period.

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PROPERTY PORTFOLIO INFORMATION

At June 30, 2011, we owned a diversified portfolio: