



Equity Research – Realty Income Corp.

Robert Leonard Niebuhr

Dissertation written under the supervision of Professor Fani Kalogirou.

Dissertation submitted in partial fulfilment of requirements for the MSc in Finance, at the
Universidade Católica Portuguesa, March 20th, 2026

Abstract

The objective of this thesis is to conduct a fundamental equity valuation of Realty Income Corporation using an integrated framework combining intrinsic and market-based valuation methods. Realty Income is one of the largest net lease REITs in the United States, with over 15,500 single-tenant properties leased under long-term triple-net agreements. Its business model generates highly predictable, cycle-resistant cash flows, supported by investment-grade tenant quality, broad diversification, and contractual rent escalations. The valuation applies three complementary approaches. A Net Asset Value (NAV) analysis, a two-stage Dividend Discount Model (DDM), and a relative valuation using REIT-specific multiples. Averaging the base cases yields an implied fair value of USD 70.09 per share. Relative to the market price of USD 56.37 at year-end 2025, this implies approximately 24% upside and would correspond to a buy recommendation from a purely fundamental perspective. All valuation approaches indicate undervaluation. The market-based valuation yields the highest base-case share price, suggesting an optimistic view on near-term earnings, while the NAV approach produces the lowest, reflecting a more conservative assessment of the underlying portfolio value. The interest rate tightening cycle initiated in 2022 has compressed REIT valuations across the sector, widening the discount at which Realty Income trades relative to its estimated private-market asset value. A comparison with equity research from UBS, Jefferies, and Deutsche Bank confirms broad alignment on operational assumptions, with differences in target prices primarily driven by varying methodological choices regarding discount rates, multiples, and growth assumptions.

Author: Robert Leonard Niebuhr

Title: Equity Research – Realty Income Corp.

Keyword: Realty Income Corporation, Real Estate Investment Trust, Net Lease, Triple-Net Lease, Equity Valuation, Dividend Discount Model, Net Asset Value, Relative Valuation, Fundamental Analysis, Investment Recommendation

Resumo

O objetivo desta tese é realizar uma avaliação fundamental de equity da Realty Income Corporation, utilizando um quadro integrado que combina métodos intrínsecos e baseados no mercado. A Realty Income é um dos maiores REITs de net lease nos Estados Unidos, com mais de 15.500 propriedades de inquilino único sob contratos triple-net de longo prazo, gerando fluxos de caixa previsíveis e resilientes, suportados por inquilinos com grau de investimento, diversificação e aumentos contratuais de renda.

A avaliação aplica três abordagens, nomeadamente Net Asset Value (NAV), um Dividend Discount Model (DDM) em duas fases e uma avaliação relativa com múltiplos de REITs. A média dos cenários base resulta num valor justo de USD 70,09 por ação. Comparado ao preço de USD 56,37 no final de 2025, implica um potencial de valorização de cerca de 23%, equivalente a uma recomendação de compra.

Todas as abordagens indicam subavaliação. A avaliação baseada no mercado apresenta o maior preço implícito, refletindo otimismo quanto aos resultados de curto prazo, enquanto o NAV gera o menor valor, indicando uma visão mais conservadora do portfólio. O ciclo de subida das taxas de juro iniciado em 2022 comprimiu as avaliações do setor, ampliando o desconto face ao valor de mercado privado.

A comparação com research de UBS, Jefferies e Deutsche Bank mostra alinhamento nas premissas operacionais, sendo as diferenças nos preços-alvo explicadas por variações em taxas de desconto, múltiplos e crescimento.

Autor: Robert Leonard Niebuhr

Título: Análise de Equity – Realty Income Corp.

Palavras-chave: Realty Income Corporation, Fundo de Investimento Imobiliário, Arrendamento Líquido, Arrendamento Triple-Net, Avaliação de Capital Próprio, Modelo de Desconto de Dividendos, Valor Líquido dos Ativos, Avaliação Relativa, Análise Fundamental, Recomendação de Investment

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List of Abbreviations

ADC	Agree Realty
AFFO	Adjusted Funds from Operations
CAGR	Compound Annual Growth Rate
CAPM	Capital Asset Pricing Model
Cap Rate	Capitalization Rate
CPI	Consumer Price Index
CoC	Cost of Capital
CoE	Cost of Equity
DDM	Dividend Discount Model
EBITDA	Earnings Before Interest, Depreciation and Amortization
EV	Enterprise Value
FFO	Funds from Operations
G&A	General and Administrative
GAAP	Generally Accepted Accounting Principles
GNL	Global Net Lease
JV	Joint Venture
NAREIT	National Association of Real Estate Investment Trusts
NAV	Net Asset Value
NNN	National Retail Properties
NNN	Triple Net Lease
NOI	Net Operating Income
NOI/EV	Net Operating Income to Enterprise Value
O	Realty Income
P/AFFO	Price to Adjusted Funds from Operations
P/E	Price to Earnings
P/FFO	Price to Funds from Operations
REIT	Real Estate Investment Trust
WACC	Weighted Average Cost of Capital
WALT	Weighted Average Remaining Lease Term
WPC	W. P. Carey

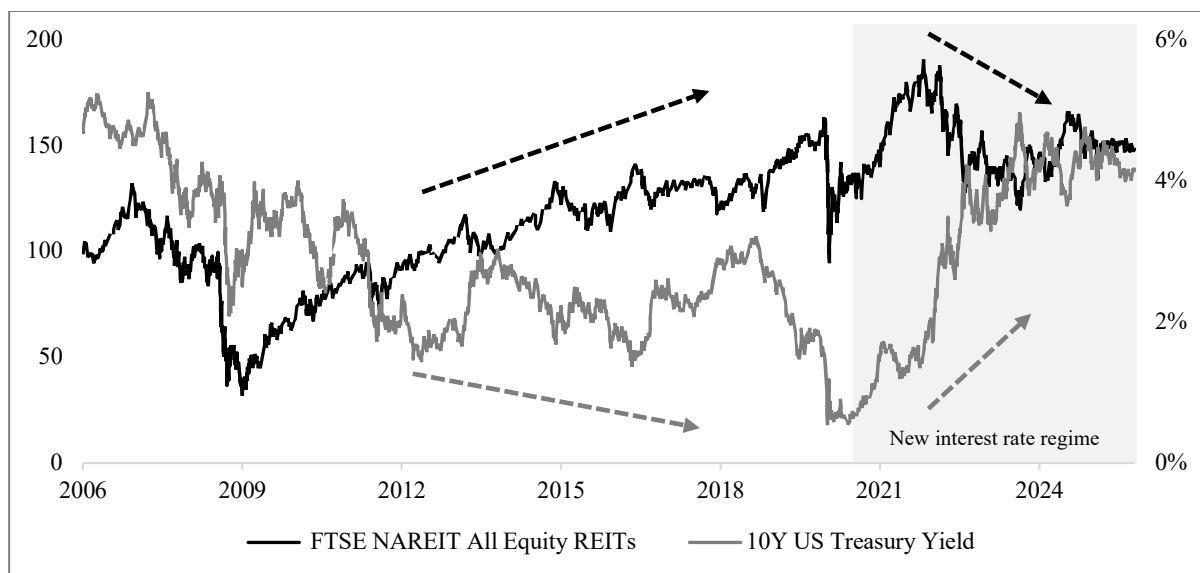
1 Introduction

1.1. Introduction

Over the past two decades, real estate markets have benefited from a prolonged period of declining interest rates, generous liquidity, and expanding credit availability, which supported rising asset values and sustained investment activity across most property sectors. This favorable environment changed markedly around 2021 – 2022, primarily due to surging inflation driven by pandemic supply chain disruptions, a shift in demand towards goods, fiscal stimulus packages and later energy shocks prompting the Federal Reserve to rapidly tighten monetary policy with aggressive rate hikes.

Since then, higher financing costs and wider credit spreads have led to a reassessment of real estate valuations and reduced the attractiveness of new acquisitions. As real estate values are closely linked to the interest rate environment (Figure 1), shifts in monetary conditions have had a pronounced impact on asset prices, transaction volumes and market volatility (Chen et al., 2022).

Figure 1: U.S. 10Y Treasury Bond vs REIT Market



Source: Refinitiv

Realty Income Corporation (ticker: O) is one of the largest Real Estate Investment Trusts (REITs) in the United States. Its business model is primarily based on long-term single-tenant leases, with a strong focus on retail assets. This structure has historically enabled the company

to generate predictable cash flows and deliver steadily growing monthly dividends to investors. Due to its scale, capital market prominence and defensive net lease strategy, Realty Income constitutes a particularly suitable valuation case, offering insights that extend beyond firm-specific analysis to broader market-level dynamics. However, the macroeconomic landscape has shifted significantly in recent years. The rapid interest rate tightening cycle initiated by central banks in 2022 has fundamentally altered the valuation environment for yield-sensitive asset classes such as REITs. Rising discount rates, widening capitalization rates (Cap Rates), and increased competition from fixed-income alternatives have put pressure on REIT valuations, raising the question of whether current market prices adequately reflect the underlying fundamentals of established net lease operators like Realty Income. This makes a robust equity valuation particularly timely and relevant. Against this backdrop, this thesis addresses the question of what constitutes the fair value of Realty Income's equity under current market and interest rate conditions and how robust this valuation is across different macroeconomic and operational scenarios. The objective of this master's thesis is to conduct a well-founded equity valuation of Realty Income that explicitly incorporates both the specific characteristics of the net lease REIT business model and the changed macroeconomic environment. An integrated valuation framework is applied, combining a multiples approach, a Dividend Discount Model (DDM), and a Net Asset Value (NAV) analysis. The resulting valuation outcomes are summarized in a football field analysis and tested for robustness.

In addition, particular attention is paid to REIT-specific accounting standards, which differ substantially from those of traditional operating companies. Rather than relying solely on GAAP-based (Generally Accepted Accounting Principles) earnings, the analysis focuses on industry-standard non-GAAP measures, which are widely used to evaluate the underlying operating performance and cash-generating capacity of REITs. The use of these metrics enhances comparability within the sector and provides a more meaningful basis for valuation. By explicitly linking valuation outcomes to assumptions regarding growth, capital costs, and operational performance, the analysis aims to provide a transparent assessment of Realty Income's strategic positioning and long-term valuation potential. The analysis is primarily based on publicly available company disclosures, capital market data, and market and sector reports, as documented in the reference list.

1.2 Introduction to Real Estate Investment Trusts

Real estate investment trusts are listed and unlisted real estate investment vehicles that provide investors with indirect exposure to income-generating real estate assets or real estate-related

debt instruments. They are established as special-purpose corporate or trust structures under U.S. tax law and benefit from preferential tax treatment if specific regulatory requirements are met. Most notably, REITs are largely exempt from U.S. federal corporate income tax at the entity level. This tax-transparent structure effectively eliminates economic double taxation by shifting the tax burden to the investor level (Rosemary Batt et al., 2022).

The legislative concept underlying the REIT regime was first introduced with the U.S. Real Estate Investment Trust Act of 1960 and aimed to democratize access to large-scale, professionally managed real estate portfolios. In particular, it sought to enable smaller investors, who typically lack the required capital and expertise, to participate in institutional-quality real estate investments (Baker et al., 2019).

The operating business model of equity REITs consists of acquiring, holding, managing properties, and developing or disposing diversified portfolios of commercial, residential, or special-purpose properties. Their primary sources of income include recurring rental revenues, capital gains from property dispositions and, in some cases, service and management fees (Feng & Liu, 2021). Mortgage REITs, by contrast, primarily invest in mortgage-backed securities or originate real estate loans, generating income mainly through interest margins rather than rental cash flows (Zhang et al., 2023).

Compared to direct real estate investments and traditional private real estate funds, REITs offer several advantages. Listed REITs provide high liquidity due to their stock exchange listing, enable diversification across property types, geographic regions and tenant bases, and typically offer above average dividend yields because of statutory distribution requirements (Nyachiro & Jagongo, 2017).

These advantages are accompanied by specific risks. The high payout ratio limits internal capital retention and increases dependence on external financing and capital market conditions. In addition, listed REITs are sensitive to interest rate movements, while real estate specific risks such as vacancy, tenant default and property value fluctuations remain inherent to the business model despite diversification (Hardin et al., 2008).

2 Theoretical Framework and Valuation Methodology

This chapter develops the theoretical framework underlying the equity valuation of real estate investment trusts. It introduces the REIT-specific fundamentals relevant for valuation and outlines the three applied valuation approaches, namely net asset value, the dividend discount model, and relative valuation.

2.1 Fundamentals of REIT-Equity Valuation

The three valuation approaches applied are complementary and together provide a comprehensive basis for estimating the fair value of REIT equity.

2.1.1 Net Asset Value

The Net Asset Value is a central valuation metric in REIT analysis and is commonly used as an estimate of the intrinsic equity value derived from the market value of a REIT's underlying asset base. Conceptually, NAV is calculated as the market value of the real estate portfolio and other operating assets, less all interest-bearing debt and non-debt liabilities, and is typically expressed on an aggregate or per-share basis (Brent et al., 2011).

In practice, property values are typically derived by capitalizing Net Operating Income (NOI) using segment or portfolio-specific Cap Rates. A more granular segmentation by property type, geographic region, or asset quality can improve valuation accuracy by better reflecting differences in risk and growth profiles across the portfolio (Ling et al., 2016).

NAV per share is frequently compared to the observed stock market price. Persistent premiums or discounts to NAV may reflect market inefficiencies, differences in growth expectations or prevailing investor sentiment (Erol et al., 2019). Empirical evidence suggests that REIT share prices tend to revert towards NAV over time, with the magnitude and persistence of deviations influenced by factors such as leverage and market sentiment (Coskun et al., 2020; Erol & Tyvimaa, 2019).

2.1.2 Dividend Discount Model

The Dividend Discount Model is an income-oriented valuation approach that is particularly applicable to REITs due to their stable dividend policies and high statutory payout ratios. Under the DDM, the value of a REIT is determined by discounting expected future dividends at the cost of equity (CoE), which is commonly estimated using the Capital Asset Pricing Model (CAPM) (Yamagata, 2025).

Given that REIT dividends are closely linked to recurring operating cash flows, typically measured by Funds from Operations (FFO) or Adjusted Funds from Operations (AFFO), the DDM provides an intuitive valuation framework for income-oriented investors (Vincent, 1999). Empirical studies suggest that dividend-based valuation models are well-suited to explain realized returns in REIT markets and confirm a systematic relationship between expected dividend yields and subsequent performance (Kallberg et al., 2000).

2.1.3 Relative Valuation

Relative valuation, commonly referred to as the multiples approach, is based on comparing REITs with similar economic and financial characteristics using valuation multiples such as price-to-net-asset-value, price-to-adjusted-funds-from-operations or enterprise-value-to-EBITDA. The selection of an appropriate peer group is critical and typically focuses on listed REITs with comparable portfolio composition, lease structures and capital structures (Sahin, 2009).

Relative valuation provides a market-based perspective and is primarily used to benchmark and validate the valuation outcomes derived from intrinsic approaches such as NAV and the dividend discount model (Olbert, 2024).

2.2 REIT-Specific Adjustments

Real estate investment trusts differ from conventional operating companies in several structural and accounting dimensions that have direct implications for valuation. This section outlines key REIT-specific characteristics, industry-specific performance metrics such as NOI, FFO and AFFO, the relationship between property yields and interest rates, and considerations related to REITs cost of capital.

2.2.1 REIT Structure, Taxation and Accounting Differences

REITs are structured as pass-through entities that are required to distribute at least 90 percent of taxable income, resulting in near-complete exemption from U.S. federal corporate income tax at the entity level. This high payout ratio substantially limits internal capital retention and increases reliance on external equity and debt financing, making access to capital markets a critical operational requirement (Haslam et al., 2015).

The near-absence of corporate income tax also diminishes the traditional tax advantage of debt financing through interest deductibility. In contrast to conventional firms, where tax shields represent a central determinant of optimal leverage, this incentive is largely absent for REITs.

In practice, REITs nevertheless maintain moderate leverage levels (Barclay et al., 2017) to preserve financial flexibility and support investment-grade credit ratings.

A further distinction arises from accounting treatment. Under U.S. GAAP, real estate assets are recognized at historical cost and depreciated over their useful life, which can substantially reduce reported net income relative to underlying economic performance. Under IFRS, by contrast, investment properties may be measured at fair value, with unrealized valuation changes recognized in profit or loss, leading to greater earnings volatility (Baum & Devaney, 2008). For this reason, industry-specific metrics such as FFO and AFFO have been developed to better approximate sustainable operating cash flows, while net operating income serves as the basis for property-level valuation using capitalization rates (Vincent, 1999). These metrics are defined in detail in the following section.

2.2.2 FFO, AFFO, and NOI: Definitions & Valuation Adjustments

Conventional GAAP net income provides a limited measure of REIT operating performance, as it includes substantial non-cash depreciation charges on real estate assets that typically overstate the actual economic decline in property values. The REIT industry has therefore developed three key performance metrics that form the basis for valuation and dividend analysis. These metrics operate on two distinct levels. Net operating income captures profitability at the property level, while Funds from Operations and adjusted funds from operations measure performance at the entity level. The two paths are derived from different starting points and serve complementary roles in REIT valuation.

Net Operating Income (NOI) measures property-level profitability as the difference between rental revenues and direct operating expenses, before interest, depreciation, and corporate-level costs. It represents the fundamental earnings capacity of the underlying real estate assets and serves as the primary input for property valuation through capitalization rates.

$$\text{NOI} = \text{Rental Revenue} - \text{Operating Expenses (Property Expenses)}$$

Funds from Operations are the most widely used entity-level performance measure for REITs. By adding back real estate depreciation and excluding disposition gains, FFO approximates recurring operating cash flows attributable to equity holders. Empirical evidence suggests that FFO exhibits a stronger association with REIT stock returns than GAAP net income and provides a more informative basis for cross-company comparison, although some studies indicate that net income may retain explanatory power in specific market contexts (Vincent,

1999). While Nareit (National Association of Real Estate Investment Trusts) provides a standardized FFO definition, many REITs report additional company-specific variants such as "Normalized FFO" or "Core FFO" that incorporate further adjustments for non-recurring items. Adjusted Funds from Operations (AFFO) extends FFO by deducting recurring maintenance capital expenditures and adjusting for non-cash items such as straight-line rent, yielding a closer approximation to sustainable distributable cash flow. However, unlike FFO, AFFO lacks a standardized industry definition, and the specific scope and magnitude of adjustments varies materially across REITs. Most companies do not fully disclose the detailed calculation methodology underlying their reported AFFO figures, which limits the ability to independently replicate or verify the metric. For the purposes of this thesis, the AFFO figures as reported by Realty Income in its annual filings are therefore adopted directly, as this approach ensures consistency with the company's own audited disclosures and avoids the subjectivity inherent in independently estimating adjustment items that are not transparently disclosed. Table 1 summarizes the entity-level derivation from GAAP net income to FFO and AFFO as typically applied in industry practice.

Table 1: Reconciliation from Net Income to FFO and AFFO

Line Item	Adjustment
Net Income (GAAP)	
+ Real Estate D&A	Add back non-cash charges
- Gains/Losses on Dispositions of Real Estate	Remove non-recurring items
= FFO	
- Recurring Maintenance CapEx	Deduct portfolio upkeep
- Straight-Line Rent Adjustments	Remove non-cash rent accrual
± Other Non-Cash Items	Company-specific adjustments
= AFFO	

Source: NAREIT

In the context of this thesis, NOI serves as the central input for the NAV-based valuation, while FFO and AFFO underpin the dividend discount model and the relative valuation multiples P/FFO and P/AFFO.

2.2.3 Cap Rates and Property Yields vs. Interest Rates

Cap Rates represent a central concept in real estate valuation and are defined as the ratio of a property's net operating income to its market value. They reflect the unlevered yield required by investors and serve as the primary valuation input in Net Asset Value-based approaches. Changes in cap rates therefore have a direct and often disproportionate impact on estimated property values. They are closely linked to long-term interest rates and broader capital market conditions. Investors typically assess property yields relative to risk-free benchmarks such as government bond yields and require a spread to compensate for illiquidity, tenant risk and asset-specific uncertainties. As a result, cap rates tend to move in the same direction as long-term interest rates over the long run, although short-term deviations may arise due to changes in risk perception, credit availability or market sentiment (Wong et al., 2023).

For REIT valuation, this relationship is of particular importance, as rising interest rates generally imply upward pressure on cap rates, lower property values and declining net asset values. Conversely, declining interest rates support lower cap rates and higher asset valuations. Consequently, interest rate assumptions and cap rate sensitivities play a critical role in scenario and robustness analyses of REIT equity valuation (Jones et al., 2015).

2.2.4 Cost of Capital for REITs

A proper valuation of REIT equity requires an understanding of the cost of capital (CoC), as it represents the return required by both equity investors and debt holders. While standard valuation frameworks such as the CAPM and the weighted average cost of capital (WACC) are commonly applied, REIT-specific characteristics, including high payout ratios and a largely tax-transparent structure, introduce important adjustments (Harrison et al., 2011).

The cost of equity is typically estimated using the CAPM, where expected returns depend on the risk-free rate, the market risk premium and the equity beta. Empirical evidence suggests that equity REITs often exhibit betas around or below one, reflecting relatively stable cash flows and asset-backed business models, although betas may increase during periods of market stress (Ambrose et al., 2005). As a result, REITs generally face a moderate cost of equity compared to more cyclical industries.

REITs also benefit from access to debt financing at comparatively attractive interest rates due to the stability of rental cash flows. However, because REITs pay little or no corporate income tax, the traditional tax shield from interest deductibility is largely absent. Consequently, the after-tax cost of debt is close to the pretax cost, limiting the WACC-reducing effect of leverage and incentivizing REITs to maintain moderate leverage levels (Nguyễn et al., 2018).

The WACC for REITs is therefore calculated without a meaningful tax adjustment on debt. In valuation practice, WACC serves as a critical benchmark, particularly in the context of net asset value-based analyses and acquisition decisions, where the spread between property acquisition yields and WACC determines the potential for value creation (Nguyễn et al., 2018).

3 Industry Analysis

This chapter examines the structural characteristics of the U.S. net lease REIT industry in which Realty Income operates. Understanding the sector's business model, competitive landscape, and key value drivers is a necessary foundation for the company-specific analysis and the valuation assumptions developed in the subsequent chapters.

3.1 US Net-Lease REIT Industry

The U.S. net lease industry forms a separate segment within the REIT market and is central to this work, as Realty Income Corporation operates as a typical net lease REIT. Net leases, and triple net leases (NNN) in particular, are long-term commercial leases in which the tenant pays essential costs (Table 2) such as property tax, insurance, and maintenance in addition to the base rent. For the landlord, this structure results in stable and predictable cash flows with limited operational cost volatility, although tenant maintenance responsibilities may create some long-term property condition risk, typically mitigated through contractual obligations and inspections.

Table 2: Comparison of Gross-Lease vs. Triple-Net-Lease Structure

Cost Category	Gross Lease	Triple Net Lease (NNN)
Base Rent	Tenant	Tenant
Property Taxes	Landlord	Tenant
Building Insurance	Landlord	Tenant
Maintenance	Landlord	Tenant
Utilities	Often tenant, sometimes landlord	Mostly tenant
Property Management	Landlord	Usually tenant
Vacancy / rent loss risk	Landlord	Landlord, operating risk on tenant

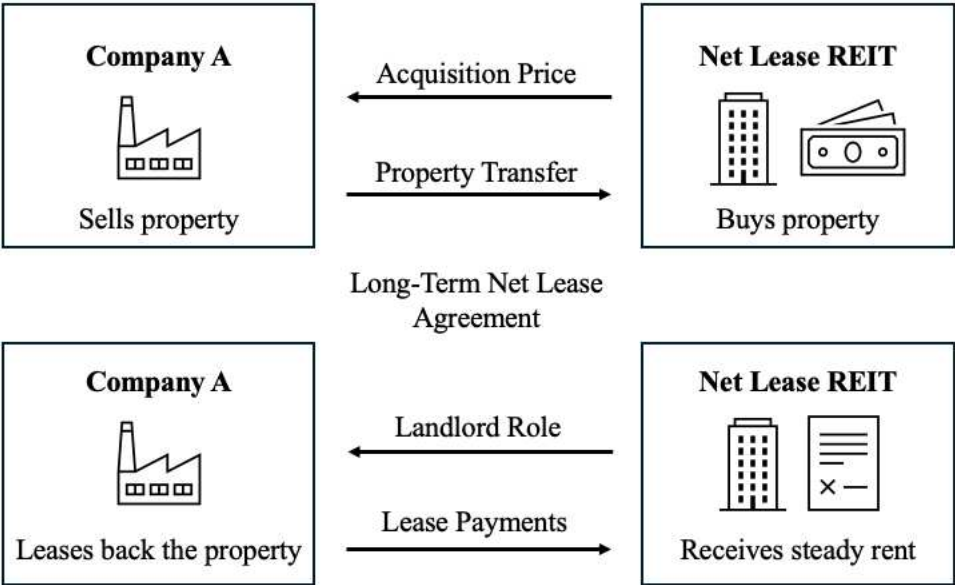
Source: Geltner et al., 2014

3.1.1 Definition and Business Model

Net lease REITs typically invest in freestanding, mostly single-tenant properties (single-tenant net leases) leased to national or regional chains in consumer and service-related industries, such as grocery stores, drugstores, quick-service restaurants, or auto service chains, typically NNN leases as defined in Section 3.1.

Portfolio growth is primarily driven by property acquisitions, most structured as sale-leaseback transactions, followed by their asset management (Ling et al., 2020). In such arrangements, a company divests owned real estate to a REIT while simultaneously entering a long-term lease for continued operational use of the property.

Figure 2: Sale-and-Leaseback Model of REITs



Source: Own illustration

For tenants, this mechanism serves as a tool to release tied-up real estate capital while securing the long-term use of the properties (Fisher, 2004). For REIT investors, it establishes rental income with clearly defined cost responsibilities allocated to the tenant. Empirical studies show that such transactions typically involve price premiums over market sales prices, which increases their attractiveness for sellers, while investors accept lower initial yields in return (Fisher, 2004).

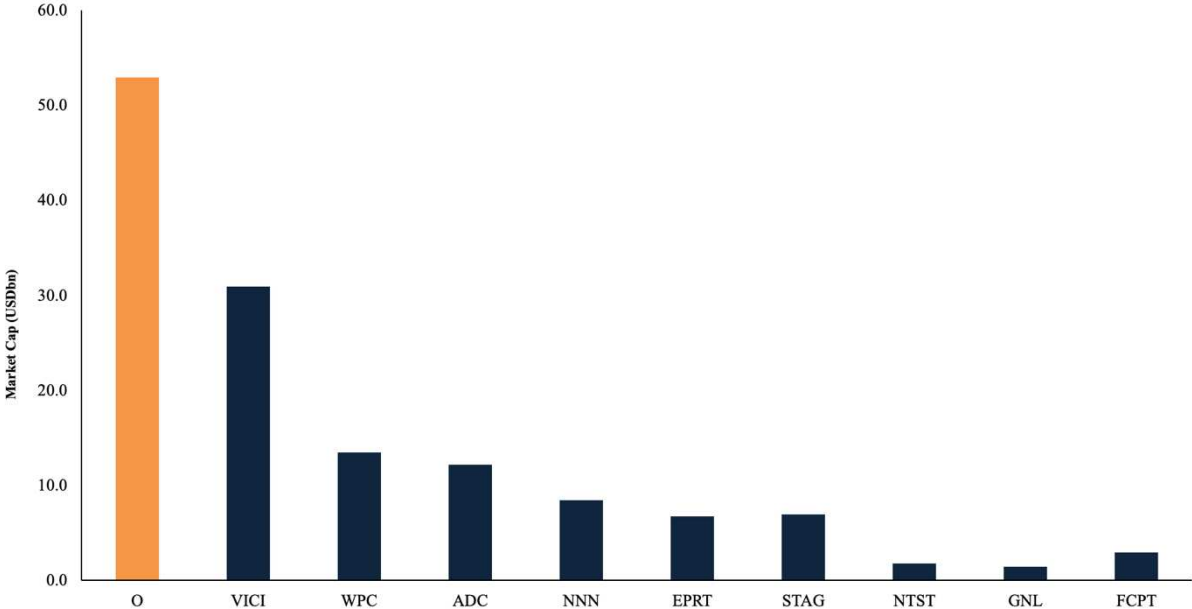
For REITs, sale-leasebacks offer economies of scale through acquisition volume and contracted long-term income.

3.2 Market Size, Structure and Players

The net lease sector represents a clearly definable, albeit numerically modest, niche within the U.S. REIT market. According to J.P. Morgan, U.S. corporates own about USD 13.4 trillion of real estate, much of which is suitable for net lease or sale-leaseback structures. Estimates discussed in industry research suggest that publicly listed U.S. net lease REITs currently account for less than 4% of this market (J.P. Morgan Asset Management, 2024). According to market reports, there are around 20 to 30 companies in the publicly traded net-lease REIT

segment whose portfolios consist predominantly or exclusively of net-lease properties (REIT.com, 2025). This number may vary depending on the definition, but it underscores the limited size of this segment compared to the overall market (Nareit, 2025). The market structure is highly concentrated. A few large-cap REITs dominate market capitalization, while there is also a “long tail” of smaller, often more focused companies. The portfolios of these REITs are typically highly diversified, spanning hundreds to thousands of individual properties, dozens of industries and all U.S. states. Many net-lease REITs are increasingly focusing on uses that are considered relatively e-commerce-resilient such as grocery stores, drugstores, healthcare providers or chains with a high service component (Nareit, 2025).

Figure 3: Market Capitalization of the 10 largest U.S. Net-Lease REITs



Source: Refinitiv

Investment volumes confirm the attractiveness of this sector. In 2024, the volume of net lease investments in the U.S. amounted to around USD 43.7 billion, with a sharp increase in the fourth quarter (CBRE, 2025). The share of industrial & logistics in particular rose to around 64% of net lease transactions in Q4 2024, illustrating the increasing focus on e-commerce-driven assets (CBRE, 2025).

3.3 Contract structures and cash flow characteristics

A key distinguishing feature of the net lease segment is the long contract terms. Triple net leases often have initial terms of ten to twenty years, frequently supplemented by tenant renewal

options. As a result, the weighted average remaining lease term (WALT) is typically significantly longer than that of many office or shopping-center portfolios.

Consequently, the owner's NOI is largely insulated from cost volatility. Combined with broad diversification across tenants and sectors, this generates cash flows that are often described in the literature as "bond-like" because they resemble a fixed-income instrument with predictable returns (Li et al., 2023).

Many contracts also contain fixed annual rent increases or indexation (e.g. to the CPI), which means that part of the nominal growth is already contractually priced in. These structural features also make the sector sensitive to interest rates. The longer cash flow duration and high distribution ratios mean that changes in interest rates have a direct impact on refinancing costs, cap rates and the relative attractiveness of dividend yields.

3.4 Growth drivers and implications for valuation

The main growth drivers in the net lease sector are ongoing sale-and-leaseback activity by companies, external acquisitions of individual properties or portfolios by well-capitalized REITs, and organic growth through contractually agreed rent increases. Larger net-lease REITs make targeted use of their access to capital markets to increase FFO and AFFO growth through scalable acquisition programmes, when there is a positive spread between acquisition yield and WACC. Studies show that companies with high market capitalization and lower capital costs achieve structural advantages in capital allocation and yield differentials (Ambrose et al., 2019).

This results in key parameters for valuation:

- Cash flow stability
- Organic growth through fixed or indexed rent escalations,
- Reinvestment spread between acquisition yield and WACC
- Interest rate and cap rate sensitivity

These structural characteristics define the sector's earnings dynamics and form the theoretical framework for the model assumptions used in the following chapters (including growth rates, target cap rates, WACC and valuation multiples). These parameters are therefore directly relevant to the equity valuation of Realty Income.

4 Company Analysis

Realty Income Corporation is one of the largest and most established net lease real estate investment trusts in the United States and represents a benchmark within the global net lease REIT sector. Founded in 1969, the company has built a highly scalable, acquisition-driven platform focused on single tenant, long-term leased properties with strong tenant credit quality. Realty Income's size, diversified asset base, and continuous access to public capital markets distinguish it from smaller and more specialized net lease peers.

With a portfolio comprising several thousand properties across multiple industries and geographies, Realty Income has positioned itself as a defensive income-oriented investment vehicle. Its long operating history across multiple economic cycles, combined with a consistent monthly dividend policy, has earned the company the designation "The Monthly Dividend Company" and makes it a widely held core position among institutional and retail income investors.

From a valuation perspective, Realty Income is particularly well-suited as a case study. Its standardized lease structures and scale-driven access to equity and debt capital allow for a detailed application of net asset value, dividend-based valuation and relative multiple approaches. While Realty Income's reporting is comparatively structured relative to smaller or private real estate operators, certain valuation inputs such as cap rates used for NAV estimation, or detailed EBITDA breakdown for Multiple Valuation are not explicitly disclosed. Moreover, the sector's reliance on non-GAAP metrics such as AFFO requires careful interpretation. Unlike companies with significant organic growth potential, net lease REITs generate contractually capped rental escalations, typically between 1% and 2% annually, making external growth through acquisitions the primary driver of earnings expansion (Yoo & Jeon, 2024). Consequently, Realty Income's valuation is particularly sensitive to its cost of capital, as acquisition activity depends on maintaining a sufficient spread between investment yields and financing costs.

4.1 Business Model and Operations

Realty Income operates under the triple net lease model, generating most of its revenues from rental income. As of 2025, Realty Income's WALT stood at 8.8 years, in line with the typical sector range and annualized base rent was subject to contractual rent escalations, providing a partial inflation hedge at the portfolio level.

4.2 Geographical and sector exposure

Realty Income's geographical and sector exposure is deliberately broad and has become a central pillar of its business model. As of year-end 2025, the company owned more than 15,500 properties leased to over 1,700 tenants across almost 90 different industries, with assets spread across all 50 U.S. states, the U.K. and multiple continental European markets.

Geographically, the company has evolved from a predominantly U.S. net lease landlord into a transatlantic platform. Management has accelerated expansion into Europe in recent years, initially in the U.K. and Spain, and more recently, into additional European countries and Mexico via logistics joint ventures. This expansion increases the addressable acquisition market and reduces dependence on a single macro environment while preserving triple net lease economics that underpin the group's dividend profile.

On the sector side, necessity-based retail remains the portfolio's anchor, accounting for most properties and annualized base rent. At the same time, industrial and logistics assets have become a meaningful and rising contributor to revenue, driven by a multi-billion-dollar logistics initiative and dedicated industrial portfolios. This shift aligns part of the cash flow base with structural demand drivers such as e-commerce and nearshoring, broadening the earnings profile beyond traditional brick-and-mortar retail.

Together, this geographic and sectoral breadth limits concentration risk at the tenant, industry and regional level, supporting the cash flow stability discussed in Section 3.1.4.

4.3 Historicals

4.3.1 Revenue & Portfolio Growth

Realty Income has delivered strong top-line expansion over the 2019–2025 period, with rental revenue rising from approximately USD 1.5 billion in 2019 to more than USD 5.4 billion in 2025, reflecting a steep and relatively uninterrupted growth trajectory even through periods of macroeconomic uncertainty. This increase is visible across the full time series rather than being driven by isolated years, underlining the robustness of the underlying leasing model and acquisition strategy.

Table 3: Revenue Split by Region and Sector

	2019	2020	2021	2022	2023	2024	2025
REVENUE							
US							
Retail		1,312,500	1,566,700	2,455,900	2,754,200	3,368,500	3,515,416
Industrial		184,600	261,500	465,200	515,400	747,000	785,939
Other		85,200	84,100	74,200	205,500	237,900	240,721
Total Revenue US		1,582,300	1,912,300	2,995,300	3,475,100	4,353,400	4,542,076
UK							
Retail		55,900	138,900	243,300	374,000	508,200	619,857
Industrial		1,300	9,600	30,200	43,700	48,100	54,824
Other						800	6,492
Total Revenue UK		57,200	148,500	273,500	417,700	557,100	681,173
Other (Europe excl. UK)							
Retail			4,200	30,900	65,400	133,200	190,397
Industrial							23,686
Other							
Total Revenue Other			4,200	30,900	65,400	133,200	214,083
Total							
Rental Revenue (including reimbursable)	1,484,818	1,639,500	2,065,000	3,299,700	3,958,200	5,043,700	5,437,332
<i>Growth (%)</i>		10%	26%	60%	20%	27%	65%
Other Revenue	3,345	7,554	15,505	44,024	120,843	227,394	312,045
<i>Growth (%)</i>		126%	105%	184%	174%	88%	37%
Total revenue	1,488,163	1,647,087	2,080,463	3,343,681	4,078,993	5,271,142	5,749,377

Source: 10-K Reports Realty Income (2019-2025)

The revenue breakdown (Table 3) shows that growth has been driven by both the expansion of the U.S. portfolio and the build-out of the European platform. In the United States, retail assets remain the main contributor, while industrial properties have gained importance as the company has increased its exposure to logistics and distribution facilities. The United Kingdom and other European markets have added an additional layer of growth, as newly acquired properties ramped up and began to contribute meaningfully to consolidated rental income.

This top-line development closely tracks the rapid expansion of the real estate portfolio. Over the same period, Realty Income materially increased the number of properties under management. The portfolio growth has been executed largely through long-term leases with high-quality tenants, so that each incremental acquisition translated into contracted rental cash flows rather than speculative development risk.

4.3.2 Operating Performance & Margins

Realty Income's operating performance reflects strong cash flow growth alongside consistently stable margins, driven by portfolio scale and the low-cost structure of the triple net lease model. The evolution of the company's key operating metrics is summarized in Table 4.

Table 4: Key Operating Metrics Realty Income (2019-2025)

Metric	2019	2025	CAGR
Rental Revenue (USDm)	1,485	5,437	24.2%
NOI (USDm)	1,396	5,009	23.7%
FFO (USDm)	1,040	3,860	24.4%
FFO per Share (USD)	3.29	4.26	4.4%
AFFO per Share (USD)	3.32	4.28	4.3%
Net Income (USDm)	436	1,059	15.9%
NOI Margin (%)	94%	92%	
G&A as % of Revenue	4.5%	3.5%	

Source: Refinitiv

The divergence between absolute FFO growth (24.4% CAGR) and per-share growth (4.4% CAGR) reflects the substantial share issuance associated with the large VREIT and Spirit Realty portfolio acquisitions as elaborated in a later section. Net income growth lagged cash flow metrics due to non-cash depreciation and fair value adjustments, confirming the limited informational value of GAAP net income for REITs as discussed in Section 2.2.2.

The margin profile highlights the structural efficiency of the NNN model. NOI margins remained at approximately 92 – 95% throughout the period. General and Administrative (G&A) expenses, despite growing in absolute terms from USD 66 million to USD 202 million, declined as a share of revenue, reflecting efficient overhead scaling as the portfolio expanded.

Operational resilience was demonstrated during two distinct stress periods. During the COVID-19 downturn, Realty Income achieved high rent collections and maintained positive AFFO per share growth of approximately 4.3% without cutting its dividend. Through the 2022–2024 interest rate hiking cycle, rising borrowing costs pressured GAAP net income but were offset by accretive acquisitions and embedded rent escalators, keeping AFFO per share on an upward trajectory and the payout ratio at 78% of AFFO.

4.3.3 Capital Structure

Realty Income maintained a conservative, investment-grade capital structure from 2019 to 2025, which underpinned portfolio expansion even amid economic stress. Net debt increased from USD 6.9 billion in 2019 to USD 28.4 billion in 2025 alongside the asset base, but the net-

debt-to-FFO ratio stayed very stable at 7.3x. Total debt represented a steady 40 to 65 percent of total capitalization, reflecting balanced financing without aggressive leverage.

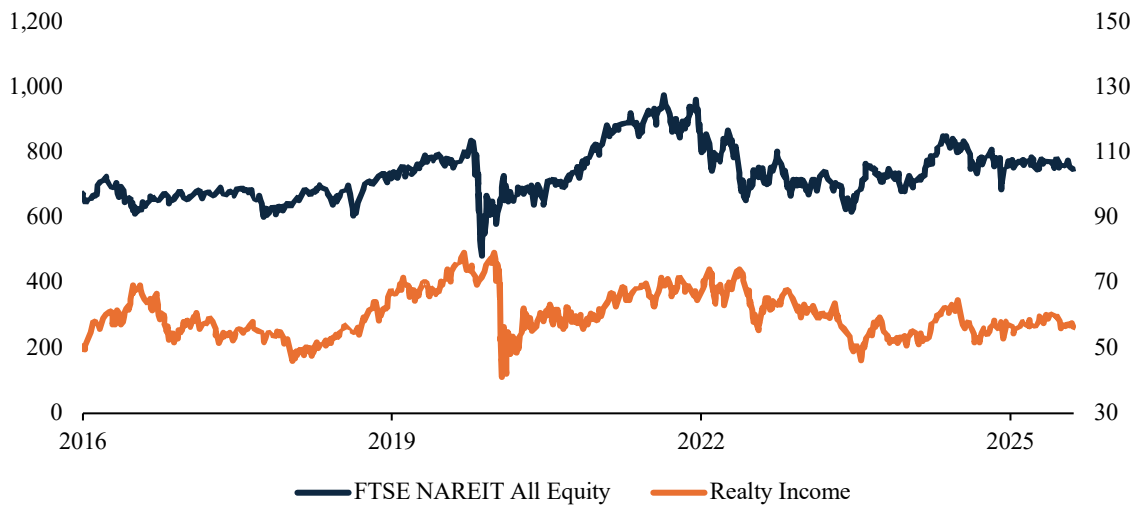
Interest coverage, calculated as FFO divided by interest expense, stayed resilient at 3.6x to 5.3x. This range held the firm despite interest costs rising from USD 290 million in 2019 to USD 1.13 billion in 2025, supported by S&P's A- and Moody's A3 rating. These metrics exceeded covenant requirements and provided flexibility for dividends and reinvestment. Ultimately, moderate leverage ratios and robust coverage enabled Realty Income to scale assets and sustain dividends across volatility.

4.3.4 Share Price and Dividend Performance

REIT share prices are generally sensitive to interest-rate movements, as rising rates increase financing costs and reduce the present value of future rental income. This mechanism is also evident in the share price performance of Realty Income Corporation, which experienced price pressure following the interest-rate turnaround in 2022 (from USD 71.59 in 2021 to USD 56.37 in 2025). However, Realty Income's long-term, predominantly triple-net lease structure and high share of investment-grade tenants have contributed to a comparatively resilient performance relative to more leveraged or operationally exposed REITs. As illustrated in Figure 4, the firm's share price development closely tracks the FTSE Nareit All Equity REITs Index, which serves as a broad benchmark for the U.S. listed REIT market. This strong co-movement suggests that Realty Income's equity performance is largely driven by systematic REIT market factors, including interest rate dynamics, risk premia and capital market conditions. Firm-specific effects therefore tend to play a secondary role, reinforcing its position as a representative large-cap benchmark within the U.S. REIT universe.

Despite pronounced cyclical fluctuations, the company has delivered stable long-term value creation supported by the financial profile discussed above. Realty Income has historically followed a conservative dividend policy, with a payout ratio maintained below 80% of AFFO, prioritizing dividend continuity and gradual growth over maximum short-term distributions. This approach has enabled the company to sustain and incrementally increase its dividend across varying interest rate and economic cycles.

Figure 2: Share Price Performance Realty Income vs. FTSE NAREIT All Equity REIT Index (Past 9 Years)

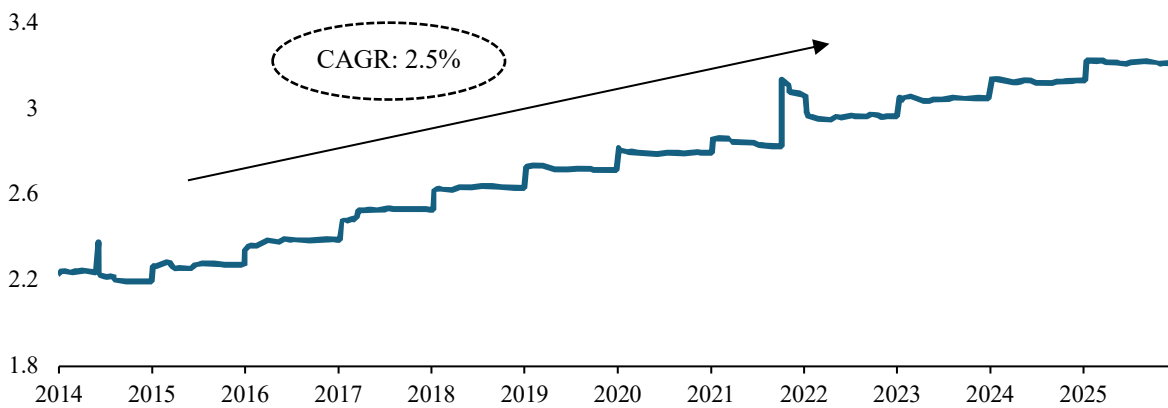


Source: Refinitiv

From an investor’s perspective, the resulting dividend yield appears above-average relative to the broader equity market, which is a structural feature of the REIT asset class given the high mandatory distributions, rather than a sign of an aggressive payout policy. Within the REIT sector, Realty Income's payout ratio of 78% is in line with the industry average but trends downward, signaling an increasingly conservative stance that strengthens the company’s capacity for reinvestment and balance sheet flexibility.

Over the long term, this dividend component has contributed significantly to total returns, positioning the firm as a defensive income vehicle within the listed real estate sector.

Figure 3: Development of Dividend Payments (2014-2025)



Source: Refinitiv

4.3.5 Investment Activity & Capital Allocation

Realty Income pursued a consistent strategy of external growth through acquisitions during 2019–2025, investing a cumulative USD 37 billion in new properties while generating USD 2.5 billion in disposition proceeds for recycling into higher-yielding opportunities. Annual acquisition volumes ranged from USD 2.3 billion in 2020 to USD 9.0 billion in 2022, reflecting opportunistic deployment amid market dislocations, before moderating to USD 5.5 billion in 2025 as cap rates stabilized. Initial weighted average cash yields on these investments averaged 5.5 to 7.1 percent.

Disposition activity remained selective, involving up to 500 properties per year at average margins of 20 to 29 percent on sales, which optimized the portfolio for quality and yield. Larger M&A transactions, including the transformative Spirit Realty merger, amplified this activity but are covered in detail in the dedicated subsection below.

Weighted average shares outstanding increased from 316 million in 2019 to 908 million in 2025, reflecting significant equity issuance to fund external growth, while broadly preserving per-share metrics through accretive acquisitions (focused on acquisitions over developments).

4.4 Past M&A activity: Spirit Realty Capital & VEREIT

Merger with Spirit Realty Capital:

Realty Income completed its acquisition of Spirit Realty Capital, Inc. on January 23 2024. The transaction was structured as an all-stock deal with a transaction value of approximately USD 9.3 billion. Spirit shareholders received 0.762 Realty Income shares for each Spirit share (Realty Income, 2024).

The aim of the merger was to scale and diversify the portfolio and strengthen the market position in the net lease segment. Realty Income expects the integration to generate operational synergies and a positive contribution to AFFO per share while maintaining the same debt ratio. The transaction was described as leverage-neutral, with no negative impact on the credit rating.

Merger with VEREIT:

Realty Income had already acquired VEREIT, Inc. in another all-stock merger in 2021. With an enterprise value of approximately USD 50 billion, this created one of the largest net-lease REITs in the world. VEREIT shareholders received 0.705 Realty Income shares for each VEREIT share (Realty Income, 2021).

The merger primarily served to increase size and efficiency and to streamline the portfolio (spin-off of office properties via Orion Office REIT Inc.). Analysts rated the deal as AFFO-

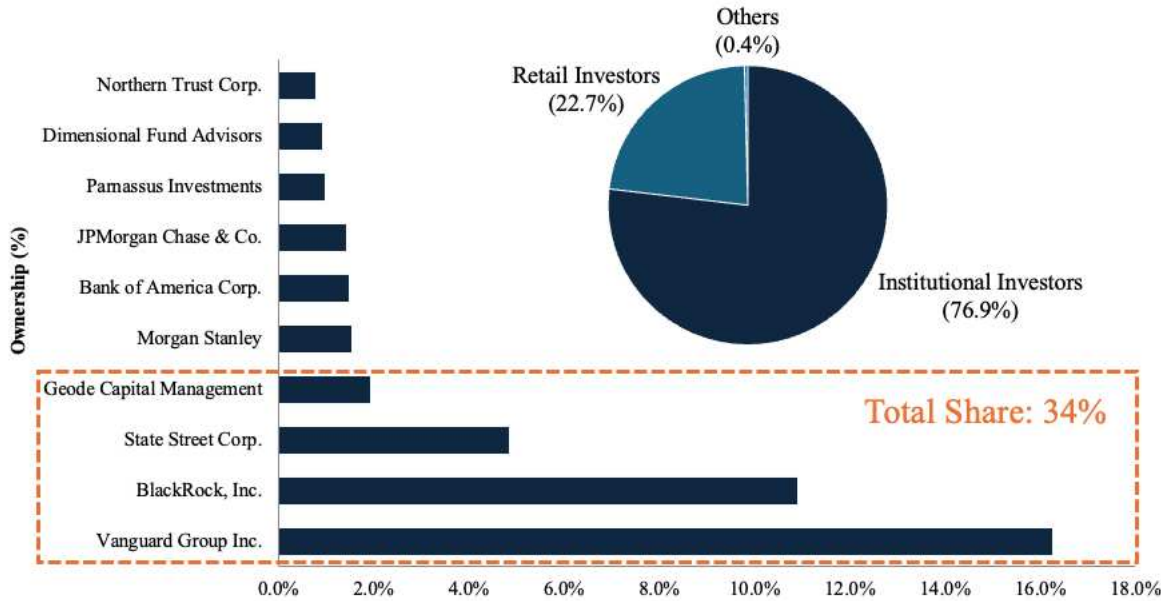
enhancing and credit-strengthening (Nasdaq, 2021). Both transactions underscore Realty Income's acquisition-driven growth strategy. Targeted mergers achieve economies of scale, broader tenant diversification and stable AFFO flows.

After consolidating VREIT and Spirit Realty Capital, Realty Income appears to be shifting from transformative M&A toward organic growth. With few comparable net-lease targets remaining, management is focusing on disciplined single-asset acquisitions, new capital partnerships (Core Plus fund, GIC joint ventures) and European expansion. The modest AFFO per share guidance of approximately 2.8% growth for 2026 signals a clear priority on portfolio quality and dividend sustainability over further “mega-mergers”.

4.5 Ownership and Governance Structure

REITs are typically characterized by high free float and strong institutional investor participation, including pension funds, insurance companies, and large asset managers. As of December 2025, passive index fund providers dominate Realty Income's shareholder base, with Vanguard, BlackRock Institutional Trust, and State Street collectively holding approximately 30% of outstanding shares (Refinitiv, 2025). While their ownership stakes are significant, passive managers have limited incentives for active firm-level governance engagement, which may constrain their monitoring role relative to their economic influence.

Figure 4: Shareholder Structure



Source: Refinitiv & Own Calculations

Realty Income's governance structure features a predominantly independent board of directors, consistent with NYSE corporate governance requirements. Management compensation is designed to align executive incentives with long-term value creation, with variable components largely linked to AFFO-based performance metrics and supplemented by equity-based instruments (Pennathur et al., 2005).

Given Realty Income's reliance on continuous capital market access, governance quality directly supports disciplined capital allocation and balance sheet strength. Empirical evidence suggests that effective governance reduces the likelihood of excessive leverage and inefficient investment decisions, both critical risk factors for large-scale net lease REITs (Paek et al., 2020; Ghosh et al., 2011). Overall, Realty Income's governance and incentive structures underpin its ability to execute accretive external growth while maintaining dividend stability and investment-grade credit ratings.

5 Forecast & Assumptions

This chapter translates the historical analysis and industry dynamics discussed in the preceding chapters into a forward-looking projection of Realty Income's financial performance. The forecast covers the period 2026 to 2030 and is structured along the most material valuation components: revenue, operating expenses including depreciation and interest, and the resulting FFO, AFFO and dividend trajectory.

5.1 Revenue Forecast

The revenue forecast is based on a bottom-up model calibrated to Realty Income's published 10-K data for 2019 to 2025. The model reflects the company's acquisition-driven growth strategy, where portfolio expansion through continuous net investments acts as the primary revenue driver, with investment volume broken down into three categories: U.S. acquisitions, European acquisitions, and development properties.

Total annual investment volumes fluctuated from USD 3.5 billion (2019) to a peak of USD 9.4 billion (2022), before declining to USD 5.6 billion (2025), largely driven by rising interest rates, which compressed cap rate spreads from 461 bps to 253 bps. Initial cash yields ranged from 5.5% (2021) to 7.0% (2025). The US acquisition share declined from 77.0% to 44.3%, while the European share rose from 21.5% to 33.9% (each measured net of the development component).

Investment volumes are at USD 5.0 billion in 2026, and declining gradually thereafter to USD 4.0 billion by 2030 as the cost-of-capital environment normalizes and management maintains its focus on disciplined, yield-accretive acquisitions. Cap rate spreads are expected to stabilize at 2.9% as Treasury yields decline from 4.6% to 3.5%, while initial cash yields compress gradually from 7.1% to 6.4%. Europe continues to represent a substantial share of new investments, ranging from 70% (2025) to 50% (2030), reflecting the ongoing strategic expansion outside the U.S.. The development share moderates from 30% to 20% over the same period.

Rental income is built up from four components:

1. Additional income from net acquisitions, applying a 50% time factor to reflect partial-year contribution in the year of purchase.

2. Same-store organic growth of 1.0% per annum, conservative relative to the historical range of 1.0 to 1.5%, accounting for the possibility of weaker re-leasing spreads in a higher-rate environment.
3. Income lost from dispositions, estimated at 1.0% of the asset base per annum at a yield 40 bps below the acquisition yield, consistent with the historical range of 0.24 to 1.25% of assets observed between 2019 and 2025.
4. A separate M&A block for the Spirit Realty Capital merger (closed January 2024), phased in as 11/12 (USD 644.4m) in 2024 and the remaining 1/12 (USD 58.6m) in 2025, with no further large-scale transactions assumed thereafter.

Table 5: Rental Revenue Forecast

	2026	2027	2028	2029	2030	CAGR
REVENUE						
US						
Retail	3,644,068	3,710,291	3,758,207	3,794,912	3,824,261	
Industrial	683,247	695,663	704,647	711,529	717,032	
Other	219,279	223,264	226,148	228,356	230,122	CAGR
Total Revenue US	4,546,594	4,629,218	4,689,001	4,734,798	4,771,416	1.2%
UK						
Retail	706,374	789,847	820,561	850,380	880,118	
Industrial	62,476	69,859	72,576	75,213	77,843	
Other	7,398	8,272	8,594	8,906	9,218	CAGR
Total Revenue UK	776,248	867,978	901,731	934,500	967,179	5.7%
Other (Europe excl. UK)						
Retail	197,247	257,315	374,250	498,664	630,792	
Industrial	24,538	32,011	46,558	62,035	78,473	
Other						CAGR
Total Revenue Other	221,785	289,326	420,808	560,700	709,265	33.7%
Total						
Rental Revenue (including reimbursable)	5,544,627	5,786,522	6,011,540	6,229,997	6,447,859	CAGR
Growth (%)		15%	11%	12%	11%	3.8%
Other Revenue	300,000	300,000	300,000	300,000	300,000	
Total revenue	5,844,627	6,086,522	6,311,540	6,529,997	6,747,859	

Source: Own calculations

The declining growth trajectory reflects three deliberate assumptions. This is materially below recent historical growth rates, which were temporarily elevated due to large-scale acquisitions and the two mergers. First, no further transformational M&A is modelled. The extraordinary growth of 2022 (59.8%) and 2024 (27.4%) was primarily driven by the Spirit Realty and VEREIT merger, and no comparable transaction is assumed, consistent with management's recent guidance on disciplined capital deployment. Second, the investment-to-asset ratio declines from 8.9% (2025) to 4.7% (2030) as the portfolio grows to USD 84.9 billion, meaning

new acquisitions become an incrementally smaller growth driver relative to the existing base. Third, cap rate compression reduces the income yield on new investments as initial cash yields decline from 7.1% to 6.4%, meaning each dollar invested generates less incremental rental income than in the recent high-rate environment. Including other revenue held flat at approximately USD 300 million per annum, total revenue grows from USD 5,749 million (2025) to USD 6,747 million (2030).

Back-testing the forecast approach against actual 10-K revenues for 2019 to 2025 yields deviations within a 1.5 to 6% band, with the largest deviation of 5.9% in 2022 attributable to timing assumptions around the Spirit Realty transaction. These results confirm that the model realistically captures Realty Income's earnings mechanism and provides a robust basis for the forward revenue projection.

5.2 Expenses Forecast

5.2.1 Depreciation and Amortization Forecast

Total depreciation and amortization grew from USD 594 million in 2019 to USD 2,524 million in 2025, a 27.3% CAGR driven primarily by the rapid expansion of the gross real estate portfolio through acquisitions and the VEREIT and Spirit Realty mergers. The gross carrying amount of buildings and improvements increased from USD 13.7 billion to USD 43.8 billion over the same period. D&A consists of two components: Depreciation on buildings and improvements, which accounted for approximately 65% of total D&A in 2025, and a residual component of roughly 35%, which primarily captures amortization of lease intangible assets arising from acquisitions together with minor depreciation on furniture, fixtures, and equipment.

The implicit depreciation rate on buildings and improvements is calculated as reported buildings depreciation divided by the year-end gross carrying amount. The observed rate ranged from 2.50% in 2021, depressed by the mid-year VEREIT acquisition which inflated the denominator without a corresponding full-year depreciation charge, to 3.74% in 2025. For the forecast, a constant rate of 3.36% is applied across all projection years. This rate is primarily derived from the historical pattern of observed implicit depreciation rates, weighted toward more recent years while excluding the distortion from the 2021 VEREIT closing. The 10-K disclosed useful lives of 25 to 35 years for buildings and improvements, implying straight-line rates of 2.9% to 4.0%, serves as an additional validation, confirming that the selected rate falls comfortably within the range implied by the company's own accounting policies.

The depreciable base is projected through a gross asset roll-forward of buildings and improvements. Of total acquisition volume, 70% is allocated to buildings and improvements, with the remainder attributable to land and lease intangibles. New acquisitions are capitalized at 60% of their full-year amount in the acquisition year, reflecting mid-year closing timing. Disposed properties are assumed to carry book value equal to 75% of their sale proceeds, with the remaining 25% representing the gain on sale from accumulated depreciation. Starting from the 2025 year-end balance of USD 43.8 billion, the gross carrying amount is rolled forward annually using these assumptions, and buildings depreciation is derived by applying the 3.36% rate to the average of beginning and ending gross balances in each year.

Table 6: Depreciation Forecast

Year	Buildings Depreciation (USDm)	Lease Intangibles & Other (USDm)	Total D&A (USDm)	YoY Growth
2025	1,639	886	2,524	
2026E	1,499	952	2,451	-2.9%
2027E	1,550	1,034	2,573	5.0%
2028E	1,593	1,100	2,694	4.7%
2029E	1,633	1,183	2,815	4.5%
2030E	1,668	1,272	2,940	4.4%

Source: Own calculations

Lease intangibles amortization is projected separately at a constant growth rate of 7.5% per annum, applied to the prior year's figure. Historical growth in this component was highly volatile, ranging from 3.0% in purely organic years to well over 100% in years affected by major mergers. The 7.5% rate is set above organic-only growth, since forecast investment volumes of USD 4.0 to 5.5 billion per annum continue to add new lease intangibles from each acquired portfolio, but well below the M&A-driven spikes, as no further transformational transactions are assumed.

Total D&A is the sum of both components. In 2026, total D&A declines slightly relative to 2025, driven by the step-down from the elevated actual depreciation rate of 3.74% to the normalized forecast rate of 3.36%, which more than offsets the growth in the depreciable base. From 2027 onward, growth stabilizes at approximately 4.5% to 5.0% per year, driven by the

compounding of lease intangibles amortization at 7.5% alongside more moderate buildings depreciation growth. Over the full forecast horizon, total D&A grows at a 3.1% CAGR, well below the 27.3% historical rate, reflecting the transition from a phase of transformational M&A to a more organic growth trajectory.

5.2.2 Interest Expense and Debt Forecast

Interest expense grew from USD 291 million (2019) to USD 1,134 million (2025), a 25.5% CAGR driven by the rapid expansion of the debt portfolio from USD 6.3 billion to USD 29.1 billion in carrying value. Year-over-year growth was relatively modest in the pre-merger period before accelerating sharply with the VEREIT and Spirit Realty acquisitions. The implied blended interest rate, calculated as interest expense divided by total debt outstanding, ranged from 2.6% (2021, low-rate environment) to 4.6% (2019), averaging 3.7% over the period. Realty Income historically manages its capital structure with a strong focus on maintaining stable interest coverage ratios consistent with its investment-grade rating.

The interest expense forecast follows a leverage-and-rate approach. Future interest-bearing debt is derived from a target leverage ratio applied to NOI, and interest expense is computed by applying an average interest rate to the resulting debt balance.

Projected interest-bearing debt is determined as $\text{NOI} \times 5.72x$. The target multiple is the five-year historical average of 2019–2025, excluding 2021 (8.00x) as an outlier driven by the balance sheet step-up from the VEREIT acquisition. The remaining years clustered in a narrow band between 5.41x (2019) and 5.91x (2023), with 2025 at 5.75x. Net debt issuance in each forecast year falls out as the year-over-year change in the projected debt balance.

Interest expense is calculated as the blended rate multiplied by total interest-bearing debt. The blended rate is defined as interest expense divided by total carrying debt and is computed as the six-year historical average (2019–2025, excluding 2021 at 2.59%), as the post-COVID refinancing environment produced an abnormally low cost of debt in that year. The observed rate ranged from 3.26% (2022) to 4.49% (2024), with 2024 reflecting higher-coupon issuances repricing the debt stack.

For 2026, NOI of USD 5,107 million at the target leverage of 5.72x implies a debt balance of USD 29.4 billion. Applying the blended rate of 3.97% yields interest expense of USD 1,165 million, broadly stable versus the 2025 actual of USD 1,135 million. From 2026 to 2030, interest expense rises gradually from USD 1,165 million to USD 1,355 million, tracking NOI growth at a constant leverage ratio and blended rate.

Annual net debt issuance of USD 1.1 to USD 1.3 billion (2026–2030) leaves an equity residual of USD 2.8 to 4.4 billion per annum, funded through share issuance and retained cash flow.

Table 7: Interest Expense and Debt Forecast

Year	Interest (USDm)	YoY Growth	Interest Bearing Debt (USDm)
2025	1,135		28,795
2026E	1,165	+2.7%	29,363
2027E	1,216	+4.4%	30,644
2028E	1,263	+3.9%	31,836
2029E	1,309	+3.6%	32,992
2030E	1,355	+3.5%	34,146

Source: Own calculations

The interest expense CAGR of 3.8% (2026–2030) mirrors the underlying NOI growth trajectory, consistent with a stable capital structure in which Realty Income maintains leverage within the historical band while funding its acquisition program through a balanced mix of debt and equity.

5.2.3 FFO, AFFO and Dividend Forecast

The forecast follows a top-down normalization approach in which AFFO and distributions are derived from the operating FFO projection using historically stable relationships, reflecting Realty Income’s consistent dividend policy and its stated objective of maintaining conservative payout ratios.

Realty Income's Diluted Normalized FFO per share grew at a CAGR of 4.4% between 2019 and 2025, with absolute growth largely driven by the VEREIT and Spirit Realty acquisitions. AFFO, the company's preferred cash earnings metric, averaged 101% of Diluted Normalized FFO over the historical period. The dividend payout ratio declined gradually from 81.2% (2019) to 75.5% (2025), averaging 78.0%, as Realty Income retained a growing share of AFFO to fund acquisitions. Dividend per share grew at a 2.5% CAGR, consistent with the company's strategy of delivering modest but uninterrupted dividend increases.

Three key assumptions drive the forecast, each derived from the 2019 to 2025 historical record. First, the AFFO to Diluted Normalized FFO ratio is held constant at the six-year average of 101%, reflecting the structural tendency of straight-line rent reversals, recurring capital

expenditures, and lease intangible amortization to approximately offset each other. Second, the payout ratio is set at the six-year historical average of 78.0%. Third, dividend per share is grown at the historical CAGR of 2.5%, consistent with the company’s long-standing strategy of delivering modest but uninterrupted dividend increases. This dual approach allows a consistency check between the top-down AFFO-derived distribution path and the bottom-up dividend per Share growth path. For the dividend projection, shares outstanding are held constant at the 2025 base level to isolate the evolution of cash earnings and distributions per share. Diluted Normalized FFO grows at a decelerating pace from 9.1% (2025) to 3.6% (2030), reflecting same-store NOI growth and the absence of transformational acquisitions. The AFFO CAGR of 4.4% exceeds the dividend per Share CAGR of 2.5%, implying that retained earnings expand, strengthening internal funding capacity over the forecast period.

Table 8: AFFO, AFFO per Share and Dividend Forecast

Year	AFFO (USDm)	AFFO per Share
2025	3,886	4.28
2026E	4,026	4.43
2027E	4,192	4.62
2028E	4,352	4.79
2029E	4,512	4.97
2030E	4,676	5.15
CAGR	3.8%	3.8%

Source: Own calculations

The dividend is projected based on AFFO, which is derived from forecast FFO using the historical FFO-to-AFFO relationship. A stable historical payout ratio is then applied to estimate total dividends paid, reflecting the company’s consistent distribution policy over decades. The growing divergence by 2029 is intentional. Dividend per share growth is anchored to Realty Income's conservative dividend policy, which historically underperforms AFFO growth, while the distribution path reflects full AFFO capacity. The widening spread implies a declining effective payout ratio toward 73%, consistent with Realty Income's historically conservative dividend policy and its objective of retaining a portion of AFFO to support balance sheet flexibility and future investments.

6 Valuation

This chapter applies the three valuation approaches introduced in the theoretical framework to Realty Income, drawing on the forecasts and assumptions developed in Chapter 5. Each method provides an independent estimate of intrinsic equity value, and the resulting range is cross validated to derive a robust assessment of fair value.

6.1 Net Asset Value Approach

6.1.1 Portfolio Segmentation and NOI Allocation

Realty Income's portfolio was divided into five segments to reflect distinct cap rate environments across property types and geographies. The segmentation follows the company's own reporting structure as presented in its 10-K filings and quarterly investor supplements. The five segments and their respective shares of total portfolio NOI are: Retail U.S. (65%), Industrial U.S. (14%), Other U.S. (4%), United Kingdom (13%), and Rest of Europe (4%). Total portfolio NOI for fiscal year 2025 amounted to USD 5.01 billion.

The Retail U.S. segment covers single-tenant net-leased properties such as convenience stores, grocery, and quick-service restaurants. Industrial U.S. comprises distribution and logistics facilities, while “Other” U.S. is a heterogeneous category spanning gaming properties, agricultural land, data centers, and office. The UK segment consists primarily of retail parks and grocery-anchored assets, and Rest of Europe spans different assets across Spain, Italy, Ireland, and Germany.

Segment-level NOI was derived by applying operating expense ratios to revenue data from the company's financial disclosures (2019–2025), with expenses allocated proportionally based on each segment's share of total revenue.

6.1.2 Cap Rate Methodology

Each segment was assigned an individual cap rate reflecting current market conditions for stabilized net lease assets of comparable quality. Cap rates were sourced exclusively from institutional-grade publications, including quarterly broker market reports, specialized net lease research, REIT SEC filings, and investor presentations, as well as European real estate market information.

A key methodological decision was the application of a portfolio quality premium. All segment-level cap rates were individually adjusted to account for Realty Income's superior portfolio characteristics: Investment-grade rated tenants, a long weighted-average lease term (WALT)

versus a market average of approximately seven years, pure triple-net (NNN) lease structures with minimal landlord expense exposure, and scale-driven diversification across over 15,400 properties.

Where both asking and transaction cap rate data were available, transaction-based data was given higher weight. Asking cap rates systematically exceed closed transaction cap rates by approximately 50 to 80 basis points in current market conditions, necessitating a downward adjustment when incorporating these sources.

6.1.3 Segment-Level Cap Rate Assignment

Table 9 summarizes the cap rates assigned to each segment, the market reference ranges from primary sources, and the key rationale for the selected rate.

Table 9: Cap Rate Allocation on Portfolio Level

Segment	Cap Rate	Market Range	Key Rationale
Retail U.S.	6.60%	5.5 - 7.5%	IG Tenant, long WALT, NNN
Industrial U.S.	6.10%	5.5 – 6.5%	High-credit logistics/distribution, e-commerce tailwinds
Other U.S.	6.50%	4.5 – 8.0%	Gaming-dominated, blended across data centers (low), office (high), agriculture
United Kingdom	5.90%	5.2 – 6.5%	Prime grocery-anchored retail parks, lowest vacancy since 2018
Rest of Europe	6.00%	5.0 – 7.5%	Blended retail park and secondary retail

Source: CBRE, The Boulder Group, B+E Net Lease, Houlihan Lokey & Savills

Retail U.S.

The retail segment required the most granular analysis due to wide cap rate dispersion across tenant credit profiles. CBRE's Q4 2025 Net Lease Report indicated an overall retail net lease average of 6.9%, while The Boulder Group's Q4 2025 report showed asking cap rates at 6.55%. Significant dispersion exists within the segment: high-credit tenants such as 7-Eleven, Wawa, and major QSR (Quick-Service Restaurants) trades are below 6% cap rates, whereas tenants facing structural challenges, notably pharmacy operators, trade above 7.0%. The model rate of

6.20% reflects 70 basis point compression from market averages, consistent with the premium observed in institutional NNN transactions.

Industrial U.S.

CBRE's Q4 2025 data placed the industrial net lease average at 6.4%, having compressed by 10 basis points over the quarter. The CBRE H1 2025 Cap Rate Survey confirmed industrial as the most actively demanded sector, representing 55% of all net lease investment volume. B+E's tenant-level data provided granular benchmarks, with major logistics tenants transacting in the 5.95% to 6.62% range depending on WALT. The Boulder Group's asking cap rate of 7.23% was adjusted downward by 50 to 80 basis points to approximate transaction-level pricing. The model rate of 6.00% reflects the high-credit, long-WALT logistics-dominated composition of Realty Income's industrial portfolio and structural tailwinds from e-commerce and near-shoring.

Other U.S.

This segment exhibits the heaviest cap rate dispersion. Gaming and casino properties, the dominant sub-category, imply cap rates of 6.5% to 7.0% based on VICI Properties and GLPI transaction data. Data centers command significantly lower rates of 4.5% to 5.5%, while the residual office allocation carries the highest rates at 7.0% to 8.0%. The blended rate of 6.50% reflects the gaming-dominated composition and is set modestly above the portfolio-wide average to account for the illiquidity premium and the higher-cap-rate drag from office exposure.

United Kingdom

UK cap rates were derived primarily from Savills' European Retail Market Report (Q3 2025), which reported prime European retail park yields at approximately 5.9%. Savills' UK Commercial Market Monitor confirmed yield stability since March 2025, with retail park vacancy tightening to 4.6%, the lowest level since 2018. The model rate of 5.9% was set at the pan-European average to reflect Realty Income's concentration in prime, grocery-anchored UK assets and the structurally undersupplied nature of the UK retail park market.

Rest of Europe

European cap rate data was sourced from Houlihan Lokey and Savills, with the latter reporting retail park yields at 5.9% and shopping center yields at 6.2%. The model rate of 6.00% reflects

a blended midpoint between prime retail park and secondary retail yields, incorporating a small premium for currency risk, relative illiquidity in Europe, and the mixed quality profile of Realty Income's continental portfolio.

6.1.3 NAV Calculation

The portfolio-level cap rate was computed as a NOI-weighted average across all five segments, ensuring that each segment's influence corresponds to its actual income contribution. The resulting weighted average cap rate of 6.41% was applied to total portfolio NOI, yielding an implied gross property value of approximately USD 78.11 billion.

The NAV was derived by adding non-real-estate assets and deducting total liabilities from the implied gross property value.

Table 10: Net Asset Value Valuation Summary

Component	Value (USDm)
Gross Property Value	78,112
+ Cash & Cash Equivalents	445
+ Loans Receivable / Notes	878
+ Intangible Assets (net)	11,255
+ Other Assets	5,343
Total Other Assets	17,921
- Unsecured Debt (Market Value)	25,016
- Secured Debt / Mortgages	81
- Credit Facility Borrowings	1,130
- JV Minority Interest	211
- Other Liabilities	3,556
Total Liabilities	29,994
Net Asset Value (NAV)	66,039
NAV per Share (USD)	76.41

Source: Own Calculations

The resulting NAV of USD 66.04 billion translates to a NAV per share of USD 76.41. As a plausibility check, the implied enterprise value was used to derive a market-implied cap rate of 6.73% (based on NOI and enterprise value), which is broadly consistent with the model's

weighted average cap rate, confirming that the NAV output falls within a reasonable range of market-implied pricing.

6.1.4 Limitations

Several material judgment calls warrant disclosure. The portfolio quality premium/discount is inherently subjective, though grounded in Realty Income's superior tenant credit and lease characteristics. The Other U.S. segment required a blended rate given cap rate dispersion ranging from 4.5% to 8.0%, as property-level NOI data for a more granular breakout is not publicly available. European cap rates were assessed in local currency terms without explicit FX adjustments, since the NOI figures already reflect USD-converted income, though currency volatility introduces risk not captured by the cap rate alone.

The analysis is also subject to broader limitations. A 25-basis point shift in the weighted average cap rate alters implied portfolio value by approximately USD 3.0 billion, or roughly 4%. The static single-period capitalization does not account for contractual rent escalators or occupancy dynamics, and the segment-level NOI allocation relies on aggregate reporting rather than property-level data. Finally, cross-border cap rate comparability remains imperfect despite the use of NNN-equivalent yield data where available.

6.1.5 NAV Sensitivity Analysis

To assess the sensitivity of the NAV-based valuation to its two primary drivers, Figure 7 presents the implied NAV per share across a range of portfolio-level capitalization rates and net operating income assumptions.

Figure 5: NAV Approach Sensitivity Analysis

		Net Operating Income (NOI)						
		4,700,000	4,800,000	4,900,000	5,000,532	5,100,000	5,200,000	5,400,000
Cap Rate	5.50%	84.91	87.02	89.12	91.40	93.33	95.43	99.64
	5.75%	80.61	82.63	84.64	86.82	88.66	90.68	94.70
	6.00%	76.67	78.60	80.53	82.62	84.39	86.31	90.17
	6.25%	73.05	74.90	76.75	78.76	80.45	82.30	86.01
	6.41%	70.87	72.68	74.48	76.42	78.10	79.90	83.51
	6.75%	66.60	68.32	70.03	71.89	73.46	75.17	78.60
	7.00%	63.72	65.38	67.03	68.82	70.34	71.99	75.29

Source: Own Calculations

The results show that the NAV estimate is particularly sensitive to changes in the capitalization rate, where small movements produce large swings in implied value. By contrast, changes in

portfolio NOI translate proportionally into NAV per share. Across the full grid, implied values range from USD 63.72 to USD 99.64, underscoring that cap rate assumptions are the dominant driver of uncertainty in asset-based REIT valuations.

6.2 DDM

6.2.1 Input Parameters

The valuation employs a two-stage DDM comprising an five-year forecast horizon (2026–2030) and a subsequent terminal value that captures the perpetual stream of dividend payments beyond the projection period.

A historical average payout ratio of approximately 78.0%, computed as the mean of the annual payout ratios from 2019 to 2025, is applied to the forecasted AFFO figures from the IC & FFO Forecast sheet to determine the distributions paid to common stockholders in each projection year. The terminal growth rate embedded in the Gordon Growth Model is derived from the compound annual growth rate (CAGR) of the annualized dividend per share over the period 2019 to 2025. Over this period, the company raised its annualized dividend per share from USD 2.79 to USD 3.24, implying a CAGR of approximately 2.88%. This historically observed per-share dividend growth rate governs the terminal value calculation, reflecting the empirical stability of Realty Income's dividend policy, which has exhibited remarkably consistent low-single-digit growth over the past decade.

The cost of equity, which serves as the discount rate throughout the model, was derived via the Capital Asset Pricing Model (CAPM). The estimation draws on a risk-free rate of 4.19%, corresponding to the prevailing U.S. 10-Year Treasury yield, an equity risk premium of 4.33% sourced from Damodaran's annual estimates, and a levered beta of 0.924. These inputs yield a cost of equity of 8.19%, which is broadly consistent with the rates applied in comparable REIT equity research and reflects the moderate systematic risk profile characteristic of net lease REITs with investment-grade tenant bases.

6.2.2 Valuation Results

Table 11 presents the DDM valuation results. Each projected annual distribution to common stockholders was discounted at the cost of equity of 8.19%, yielding a cumulative present value of USD 13,402 million over the explicit forecast period.

Table 11: Dividend Discount Model Calculation

	2025	2026E	2027E	2028E	2029E	2030E	TV
Distributions to Stockholders (USDm)	2,921	3,139	3,269	3,394	3,518	3,646	70,719
Discount Factor		0.92	0.85	0.79	0.73	0.67	0.67
Present Value (USDm)		2,902	2,793	2,680	2,568	2,460	47,716

Source: Own Calculations

The terminal value was calculated using the Gordon Growth Model, growing the final-year distribution at a terminal growth rate of 2.88% and discounting at the cost of equity of 8.19% (spread: 5.31%). Combining both components:

Table 12: Dividend Discount Model Valuation Summary

	USDm
PV of Explicit Forecast Period (2025-2030)	13,403
PV of Terminal Value	47,717
Implied Equity Value	61,120
Shares Outstanding (tsd.)	907.9

Source: Own Calculations

The terminal value accounts for approximately 78% of the total implied equity value, underscoring the significance of long-term dividend sustainability in the valuation of net lease REITs.

6.2.3 Interpretation

The DDM produces an implied equity value of USD 67.32 per share. A decomposition of this figure reveals that approximately 22% of the total value is attributable to dividends received during the explicit forecast period, while the remaining 78% is captured by the terminal value. This pronounced concentration of value in the terminal component is a well-documented characteristic of multi-stage DDMs and highlights the outsized influence that long-run assumptions exert on the final valuation outcome.

The terminal growth rate of 2.88% may be characterized as conservative, reflecting the mature, income-oriented nature of a large-cap net lease REIT rather than aggressive expansion

expectations. This assumption is well-supported by the historical evidence: Realty Income has sustained a remarkably stable dividend growth trajectory over multiple economic cycles, underpinned by contractual rent escalators embedded in its NNN lease portfolio. Moreover, the projected distributions are derived from the AFFO forecast using a historically calibrated payout ratio of approximately 78%, confirming that the dividend path is financially sustainable and leaves sufficient retained cash flow to fund the acquisition pipeline and manage leverage prudently.

It is important to acknowledge, however, that the DDM valuation is inherently sensitive to the calibration of its two central parameters. Small changes in either the cost of equity or the terminal growth rate can produce materially different implied values.

6.2.4 Sensitivity Analysis

To evaluate the robustness of the DDM-derived equity value, Figure 8 presents the implied share price across a range of cost of equity (7.50% to 9.00%) and terminal growth rate (2.25% to 3.50%) assumptions. The base case employs a cost of equity of 8.19% and a terminal growth rate of 2.88%, yielding an implied share price of USD 67.32.

Figure 6: Dividend Discount Model Sensitivity Analysis

		Terminal Growth Rate (%)						
		2.25%	2.50%	2.75%	2.88%	3.00%	3.25%	3.50%
Cost of Equity (%)	7.50%	69.52	72.38	75.54	77.33	79.06	82.99	87.41
	7.75%	66.34	68.92	71.75	73.34	74.89	78.37	82.27
	8.00%	63.44	65.77	68.32	69.75	71.14	74.24	77.69
	8.19%	61.39	63.56	65.93	67.32	68.52	71.38	74.54
	8.50%	58.33	60.26	62.36	63.53	64.65	67.16	69.92
	8.75%	56.07	57.84	59.75	60.81	61.83	64.10	66.59
	9.00%	53.98	55.60	57.35	58.32	59.25	61.31	63.56

Source: Own Calculations

The results show that the implied share price is particularly sensitive to changes in the spread between cost of equity and terminal growth rate, where small movements produce disproportionately large valuation swings. By contrast, at wider spreads the valuation impact of equivalent parameter changes diminishes. Across the full grid, implied values range from USD 53.98 to USD 87.41 per share, underscoring the importance of grounding the terminal growth assumption in observable, historically stable metrics.

6.3 Relative Valuation

6.3.1 Peer Group Selection and Characterization

The peer group was constructed with the objective of maximizing comparability along three dimensions: business model, lease structure, and market environment. Accordingly, the selected peers are exclusively net lease REITs operating primarily under triple-net (NNN) lease arrangements, ensuring that revenue recognition, expense pass-through characteristics, and tenant credit exposure are structurally analogous to those of Realty Income. The group encompasses four companies that span a range of market capitalizations, geographic footprints, and tenant compositions, thereby capturing both the similarities and the heterogeneity inherent in the net lease sector.

National Retail Properties (NNN) is the closest structural analog to Realty Income, operating a diversified portfolio of over 3,500 single-tenant retail properties across the United States under long-term NNN leases. With a market capitalization of USD 8.4 billion, it is substantially smaller than Realty Income but shares a comparable focus on investment-grade tenants and conservative balance sheet management.

W. P. Carey Inc. (WPC) distinguishes itself through a globally diversified portfolio spanning the United States and Europe, with significant exposure to industrial and warehouse properties alongside its retail holdings. At a market capitalization of USD 15.3 billion and an enterprise value of USD 22.7 billion, it represents the second-largest company in the peer set and provides a useful benchmark for cross-border net lease portfolios.

Agree Realty Corporation (ADC) focuses on retail net lease properties anchored by investment-grade and leading sub-investment-grade tenants in essential retail categories such as grocery, home improvement, and convenience. With a market capitalization of USD 9.5 billion, it is positioned as a high-quality, growth-oriented peer and commands a notably lower dividend yield of 3.9%, reflecting the market's expectation of above-average earnings growth.

Global Net Lease (GNL) occupies the opposite end of the quality spectrum, operating a globally diversified but smaller portfolio with a market capitalization of only USD 2.1 billion and a dividend yield of 7.7%, the highest in the peer group by a wide margin. With an interest coverage ratio of just 0.96x, GNL introduces a meaningful quality differential relative to the

other peers. While the company’s notably lower multiple offers an informative lower bound within the peer set, the significant divergence from the broader peer group suggests limited comparability. Consequently, it is excluded from multiples in the adjusted average to ensure a more representative valuation benchmark. Table 13 provides a summary of the key market and financial characteristics of the peer group as of the valuation date. All operating metrics are derived from fiscal year 2025 data, or, where applicable, reflect values as of the last reporting date within the fiscal year.

Table 13: Financial Comparison Peer Group

Company	Ticker	Market Cap (USD b)	EV (USD b)	Share Price	Dividend Yield	AFFO (USD b)	Interest Coverage
Realty Income	O	51.18	74.45	56.37	5.7%	3.89	2.35
National Retail Properties	NNN	8.43	12.34	39.63	5.3%	0.65	2.81
W.P. Carey	WPC	15.34	22.69	64.36	5.1%	1.10	2.90
Agree Realty	ADC	9.49	12.10	72.03	3.9%	0.48	2.58
Global Net Lease	GNL	2.06	4.19	8.60	7.7%	0.22	0.96

Source: Refinitiv and Own Calculations

6.3.2 Selection of Valuation Multiples

The choice of valuation multiples reflects the distinctive financial reporting conventions of the REIT sector. Traditional earnings-based metrics such as P/E ratios are of limited applicability to REITs because GAAP net income is heavily distorted by non-cash depreciation charges on real estate assets, which bear little relationship to the actual economic decline in property values. The academic and practitioner literature has therefore converged on a set of REIT-specific metrics that strip out these accounting distortions and more accurately capture the underlying cash-generating capacity of the portfolio.

Four multiples were employed in this analysis: The Price-to-FFO (P/FFO) ratio represents the most widely used equity valuation metric in REIT analysis. The Price-to-AFFO (P/AFFO) ratio further refines this approach, providing a more accurate proxy for sustainable distributable cash flow and, consequently, a more representative valuation measure. The Dividend Yield Multiple capitalizes forward dividends by applying an inverse yield, reflecting the income-oriented nature of REITs and providing a valuation perspective anchored in investor required returns. At the enterprise level, the NOI/EV multiple captures the relationship between total firm value

and operating earnings before financing and non-cash charges, enabling comparison across companies with differing capital structures. The NOI/EV multiple functions as an implied cap rate derived from market pricing, providing a direct bridge between the relative valuation framework and the NAV approach discussed in the preceding chapter.

Table 14: Peer Multiples

Company	P/FFO	P/AFFO	NOI/EV	Dividend Yield
Realty Income	13.23x	13.17x	14.86x	20.41x
National Retail Properties	11.79x	11.62x	19.97x	18.94x
W.P. Carey	16.11x	12.84x	14.40x	19.59x
Agree Realty	18.10x	17.91x	21.92x	25.75x
Global Net Lease	28.40x	8.41x	16.59x	12.92x
Peer Average	18.60x	12.69x	18.22x	19.30x
Adj. Peer Avg.	15.33x	14.12x	18.76x	21.43x

Source: Refinitiv and Own Calculations

6.3.3 Implied Equity Value and Interpretation

For equity-level multiples (P/FFO, P/AFFO and Dividend Yield), the adjusted peer average was applied directly to Realty Income's per-share figure. For enterprise-level multiples (NOI/EV), the implied enterprise value was adjusted for net debt and divided by shares outstanding (Table 15 summarizes the results).

Table 15: Relative (Multiple) Valuation Summary

Multiple	Adj. Peer Avg.	Implied Price	Current Price	Potential
P/FFO	15.33x	78.74	56.37	+40%
P/AFFO	14.12x	73.81	56.37	+31%
NOI/EV	18.76x	74.89	56.37	+33%
Dividend Yield	21.43x	63.52	56.37	+13%

Source: Own Calculations

All four multiples suggest undervaluation ranging from 13% to 40%. The P/AFFO and Yield Multiple-implied price of USD 78.74 indicates that the market assigns Realty Income a lower multiple (13.17x) than the peer average (14.12x), despite its dominant market position, a discount potentially reflecting the dilutive impact of recent large-scale acquisitions on per-share AFFO growth. The yield multiple shows a similar pattern, resulting in an implied share price of USD 63.52, the lowest within the multiple-based range.

The NOI/EV-based implied price of USD 74.89 suggests an upside of approximately 33% relative to the current share price. Realty Income trades at an EV/NOI multiple of 14.86x, compared to an adjusted peer average of 18.76x, indicating that the market assigns a lower valuation to its income stream than to its peers. In other words, Realty Income is priced at a higher implied cap rate, which may reflect more modest growth expectations, the complexity of its larger and more diversified platform, or a potential conglomerate discount relative to smaller and more focused peers.

6.3.4 Limitations

The relative valuation approach is subject to several inherent limitations. Peer group comparability is imperfect, as GNL, for example, differs materially in credit quality, leverage, and scale, exerting a downward pull on average multiple, which is why adjusted averages are used throughout the analysis. More fundamentally, the approach is inherently circular, as it assumes the peer group is correctly priced on average. A sector-wide mispricing driven by interest rate expectations would be reflected in the implied values without detection. The use of operating metrics from the past fiscal year adds a further constraint, as backward-looking figures cannot capture differences in forward growth expectations, which partly explains the elevated multiples commanded by higher-growth peers such as Agree Realty. Differences in the treatment of straight-line rents and lease intangibles may also introduce noise into cross-company comparisons of FFO and AFFO, even within a relatively homogeneous peer group.

6.4 Valuation Summary

To determine a fair value range for Realty Income, four valuation approaches are used that complement each other in methodology: A peer group analysis based on selected trading multiples, a Dividend Discount Model, and a Net Asset Value approach.

Table 16: Valuation Summary

NAV Valuation	
Net Asset Value (USDm)	66,038.83
NAV per Share	76.42
Current Share Price	56.37
Upside	36%
DDM Valuation	
Equity Value (USDm)	61,119.58
Implied Share Price	67.32
Current Share Price	56.37
Upside	19%
Relative Valuation	
Enterprise Value (USDm)	93,983.29
Equity Value (USDm)	51,179.49
Implied Share Price	63.52
Current Share Price	56.37
Upside	13%

Source: Own Calculations

The peer group analysis draws on four comparable companies and applies their average trading multiples to Realty Income's operating metrics. The combined range spans from USD 63.52 to USD 78.74 per share, with the average implied price at USD 72.74. Following the exclusion of Global Net Lease as an outlier, the adjusted peer group exhibits a notably tighter valuation corridor across all key multiples. The resulting clustering of P/FFO, P/AFFO, Dividend Yield and EV/NOI multiples suggests a high degree of consistency in how the market prices comparable net-lease REITs. Against this more homogeneous benchmark, Realty Income's valuation discount becomes more pronounced and meaningful, indicating that the observed undervaluation is not driven by dispersion within the peer set but reflects a genuine relative mispricing.

The Dividend Discount Model base case produces an implied share price of USD 67.32. A sensitivity analysis varying both inputs widens the range from USD 60.26 to USD 82.99.

The Net Asset Value approach derives an intrinsic NAV per share of USD 76.42. Applying a bear (8.5% CoE and 2.5% Terminal Growth) and bull (7.5% CoE and 3.25% Terminal Growth) case results in a range of USD 65.38 to USD 95.43.

Figure 7: Football Field Valuation Summary



Source: Own Calculations

All methods signal meaningful upside. This suggests that Realty Income is underpriced relative to current market valuation. Considering all three valuation approaches, and given the tight clustering of base case results, no weighting is applied. This yields an implied fair value of USD 70.09 per share for Realty Income Corporation, representing an upside of approximately 24% relative to the current market price of USD 56.37 as of Q4 2025.

7 Final Target Price & Discussion

To contextualize the results of the present valuation, the results are compared with current assessments from leading investment banks. The analysis draws on equity research reports published by UBS (November 5, 2025), Jefferies (November 10, 2025), and Deutsche Bank (November 3, 2025).

All three institutions assume a stable operational trajectory for Realty Income Corporation. AFFO per share estimates for fiscal year 2025 are closely aligned. UBS and Jefferies both project USD 4.27, while Deutsche Bank orients itself around the company's guidance midpoint of USD 4.26. For 2026, consensus is similarly tight, with UBS and Jefferies estimating USD 4.40 per share. Occupancy rates are consistently projected at approximately 98.5 - 98.7%, and the 2025 investment volume is expected at roughly USD 5.5 billion.

Despite these similar operational assumptions, the valuation approaches and resulting price targets differ meaningfully. UBS derives its price target of USD 66.00 by applying a 15x forward AFFO multiple and rates the stock as a Buy. Jefferies employs a Dividend Discount Model with a cost of equity of 9.2% and a terminal dividend growth rate of 2.5%, arriving at a price target of USD 69.00, also with a Buy rating. Additionally, Jefferies estimates a NAV per share of USD 60.70 based on an assumed cap rate of 6.59%. Deutsche Bank, in contrast, is the most cautious voice with a Hold rating and a price target of USD 62.00. While acknowledging solid quarterly results, the bank notes the absence of a clear catalyst to accelerate earnings growth relative to peers such as EPRT or ADC.

The valuation of USD 70.09 derived in this thesis falls within the upper end of the observed estimates of the analyzed investment bank analysts.

In summary, the comparison demonstrates that the key operational assumptions are broadly consistent across the analyst reports and the present valuation. The differences in price targets are primarily attributable to the chosen valuation methodology and varying assumptions regarding discount rates, multiples, and growth rates. This highlights that in the valuation of REITs, it is not only the operational performance but particularly the methodological parameters that have a significant impact on the resulting valuation.

Appendix

1. Condensed Income Statement

	2019	2020	2021	2022	2023	2024	2025
REVENUE							
Rental (including reimbursable)	1,484,818	1,639,533	2,064,958	3,299,657	3,958,150	5,043,748	5,437,332
Other Revenue	3,345	7,554	15,505	44,024	120,843	227,394	312,000
Total revenue	1,488,163	1,647,087	2,080,463	3,343,681	4,078,993	5,271,142	5,749,332
EXPENSES							
Depreciation and amortization	593,961	677,038	897,835	1,670,389	1,895,177	2,395,644	2,524,200
Interest	290,991	309,336	323,644	465,223	730,423	1,016,955	1,134,879
Property (including reimbursable)	88,585	104,603	133,605	226,330	316,964	377,675	428,800
General and administrative	66,483	73,215	96,980	138,459	144,536	176,895	202,554
Provisions for impairment	40,186	147,232	38,967	25,860	87,082	425,833	471,335
Merger, transaction, and other costs, net			167,413	13,897	14,464	96,292	24,214
Total expenses	1,080,206	1,311,424	1,658,444	2,540,158	3,188,646	4,489,294	4,785,982
Gain on sales of real estate	29,996	76,232	55,798	102,957	25,667	117,275	177,640
Foreign currency and derivative gain (loss), net	2,255	4,585	710	(13,311)	(13,414)	3,420	(28,653)
Gain/loss on extinguishment of debt		(9,819)	(97,178)	367			
Equity in earnings of unconsolidated entities			1,106	(6,448)	2,546	7,793	13,330
Other income, net	3,428	4,538	9,949	30,511	23,789	23,606	29,417
Income before income taxes	443,636	411,199	392,404	917,599	928,935	933,942	1,155,129
Income taxes	(6,158)	(14,693)	(31,657)	(45,183)	(52,021)	(66,601)	(85,346)
Net income	437,478	396,506	360,747	872,416	876,914	867,341	1,069,783
Net income attributable to noncontrolling interests	(996)	(1,020)	(1,291)	(3,008)	(4,605)	(6,569)	(11,193)
Net income attributable to the Company	436,482	395,486	359,456	869,408	872,309	860,772	1,058,590
Preferred stock dividends						(7,763)	
Excess of redemption value over carrying value of preferred shares redeemed						(5,116)	
Net income available to common stockholders	436,482	395,486	359,456	869,408	872,309	847,893	1,058,590
Amounts Available to common stockholders per common share							
Net income per common share (basic and diluted)	1.38	1.15	.87	1.42	1.26	.98	1.17
Weighted average common shares outstanding							
Basic	315,837	345,280	414,535	611,766	692,298	862,959	907,169
Diluted	316,159	345,415	414,770	612,181	693,024	863,792	908,334
Total other comprehensive (loss) income							
Foreign currency translation adjustment	186	(2,606)	9,119	(55,154)	64,326	(32,883)	91,941
Unrealized (loss) gain on derivatives, net	(9,190)	(34,926)	50,448	97,054	(37,265)	(2,782)	(25,151)
Total other comprehensive (loss) income	(9,004)	(37,532)	59,567	41,900	27,061	(35,665)	66,790
Comprehensive income available to common stockholders	427,478	357,954	419,023	911,308	899,370	812,228	1,125,380

2. Condensed Funds From Operations

	2019	2020	2021	2022	2023	2024	2025
FFO							
Net income available to common stockholders	436,482	395,486	359,456	869,408	872,309	847,893	1,058,590
Depreciation and amortization	593,961	677,038	897,835	1,670,389	1,895,177	2,395,644	2,524,200
Depreciation of furniture, fixtures and equipment	(565)	(588)	(1,026)	(2,014)	(2,239)	(2,857)	(2,622)
Provisions for impairment of real estate	40,186	147,232	38,967	25,860	82,208	319,032	434,497
Gain on sales of real estate	(29,996)	(76,232)	(55,798)	(102,957)	(25,667)	(117,275)	(177,640)
Proportionate share of adjustments for unconsolidated entities			1,931	12,812	4,205	29,124	33,345
FFO adjustments allocable to noncontrolling interests	(477)	(817)	(785)	(1,605)	(3,855)	(3,902)	(10,047)
FFO available to common stockholders	1,039,591	1,142,119	1,240,580	2,471,893	2,822,138	3,467,659	3,860,323
FFO allocable to dilutive noncontrolling interests	1,403	1,418	3,979	3,979	5,552	6,611	9,396
Diluted FFO	1,040,994	1,143,537	1,240,580	2,475,872	2,827,690	3,474,270	3,869,719
FFO available to common stockholders	1,039,591	1,142,119	1,240,580	2,471,893	2,822,138	3,467,659	3,860,323
Merger, transaction, and other costs, net			167,413	13,897	14,464	96,292	24,214
Normalized FFO available to common stockholders	1,039,591	1,142,119	1,407,993	2,485,790	2,836,602	3,563,951	3,884,537
Normalized FFO allocable to dilutive noncontrolling interests	1,403	1,418	1,642	3,979	5,552	6,611	9,396
Diluted Normalized FFO	1,040,994	1,143,537	1,409,635	2,489,769	2,842,154	3,570,562	3,893,933
FFO per common share - Basic	3.29	3.31	2.99	4.04	4.08	4.02	4.26
FFO per common share - Diluted	3.29	3.31	2.99	4.04	4.07	4.01	4.25
Distributions paid to common stockholders	852,134	964,167	1,169,026	1,813,432	2,111,793	2,691,719	2,920,895
% of Diluted FFO	82%	84%	83%	73%	74%	75%	75%
AFFO available to common stockholders	1,050,000	1,172,600	1,488,800	2,401,400	2,774,900	3,621,000	3,885,900
AFFO per share	3.32	3.39	3.59	3.92	4.00	4.19	4.28
Number of Shares Outstanding	316,265	345,900	414,708	612,602	693,725	864,201	907,921

3. Condensed Balance Sheet

	2019	2020	2021	2022	2023	2024	2025
ASSETS							
Real estate held for investment, at cost:							
Land	5,937,653	6,318,926	10,753,750	12,948,835	14,929,310	17,320,520	18,368,029
Buildings and improvements	13,742,527	14,696,712	25,155,178	29,707,751	34,657,094	40,974,535	43,824,410
Total real estate held for investment, at cost	19,680,180	21,015,638	35,908,928	42,656,586	49,586,404	58,295,055	62,192,439
Less accumulated depreciation and amortization	(3,275,971)	(3,549,486)	(3,949,798)	(4,904,165)	(6,072,118)	(7,381,083)	(8,778,536)
Real estate held for investment, net	16,404,209	17,466,152	31,959,130	37,752,421	43,514,286	50,913,972	53,413,903
Real estate and lease intangibles held for sale, net		19,004	30,470	29,535	31,466	94,979	91,784
Cash and cash equivalents	645,518	824,476	258,579	171,102	232,923	444,962	434,842
Accounts receivable, net	287,971	285,701	426,768	567,963	710,536	877,668	1,053,487
Lease intangible assets, net	1,561,389	1,710,655	5,275,304	5,168,366	5,017,907	6,322,992	5,717,241
Goodwill	15,863	14,180	3,676,705	3,731,478	3,731,478	4,932,199	4,932,199
Investment in unconsolidated entities			140,967		1,172,118	1,229,699	1,256,456
Other assets, net	425,347	420,117	1,369,579	2,252,227	3,368,643	4,018,568	5,895,700
Total assets	19,153,297	20,740,285	43,137,502	49,673,092	57,779,357	68,835,039	72,795,612
LIABILITIES AND EQUITY							
Distributions payable	75,609	85,691	146,919	165,710	195,222	238,045	255,171
Accounts payable and accrued expenses	228,792	241,336	351,128	399,137	738,526	759,416	1,060,969
Lease intangible liabilities, net	285,940	321,198	1,308,221	1,379,436	1,406,853	1,635,770	1,493,958
Other liabilities	217,037	256,863	759,197	774,787	811,650	923,128	1,066,809
Line of credit payable and commercial paper			1,551,376	2,729,040	764,390	1,130,201	2,023,414
Term loans, net	249,927	249,358	249,557	249,755	1,331,841	2,358,417	1,701,615
Mortgages payable, net	329,867	300,360	1,141,995	853,925	821,587	80,784	37,761
Notes payable, net	6,979,783	8,267,749	12,499,709	14,278,013	18,602,319	22,657,592	25,031,947
Total liabilities	8,826,955	9,722,555	18,008,102	20,829,803	24,672,388	29,783,353	32,671,644
Commitments and contingencies							
Stockholders equity							
Common stock and paid in capital	12,381,931	14,700,050	29,578,212	34,159,509	39,629,709	47,451,068	49,861,660
Distributions in excess of net income	(3,250,935)	(3,659,933)	(4,530,571)	(5,493,193)	(6,762,136)	(8,648,559)	(10,527,984)
Accumulated other comprehensive income (loss)	(44,610)	(54,634)	4,933	46,833	73,894	38,229	105,019
Total stockholders' equity	9,108,386	10,985,483	25,052,574	28,713,149	32,941,467	38,840,738	39,438,695
Noncontrolling interests	34,128	32,247	76,826	130,140	165,502	210,948	685,273
Total equity	9,142,514	11,017,730	25,129,400	28,843,289	33,106,969	39,051,686	40,123,968
Total liabilities and equity	19,153,297	20,740,285	43,137,502	49,673,092	57,779,357	68,835,039	72,795,612

4. Condensed Cash Flow Statement

	2019	2020	2021	2022	2023	2024	2025
Operating Cash Flow							
Net Income	437,478	396,506	360,747	867,341	876,914	867,341	1,069,783
D&A	593,961	677,038	897,835	2,395,644	1,895,177	2,395,644	2,524,200
Provisions for impairment	40,186	147,232	38,967	425,833	87,082	425,833	471,335
Change in assets and liabilities	15,102	(59,520)	(35,073)	30,689	174,007	30,689	77,848
Accounts receivable and other assets	(8,954)	(79,240)	(38,292)	28,082	(111,286)	28,082	(115,792)
Accounts payable, accrued expenses and other liabilities	24,056	19,720	3,219	2,607	285,293	2,607	193,640
Other Non-operating & valuation adjustments	(29,499)	(66,645)	42,469	(235,889)	(46,659)	(235,889)	
Other Non-cash operating adjustments	11,709	20,932	16,879	89,658	(27,752)	89,658	(226,260)
Net cash provided by operating activities	1,068,937	1,115,543	1,321,824	3,573,276	2,958,769	3,573,276	3,994,754
Investing Cash Flow							
Investments in real estate	(3,572,581)	(2,283,130)	(6,313,076)	(8,886,436)	(8,053,595)	(3,262,437)	(4,647,873)
Improvements to real estate, including leasing costs	(23,536)	(8,708)	(19,080)	(95,514)	(68,692)	(121,411)	(131,800)
Proceeds from sales of real estate	108,911	259,459	250,536	436,115	117,354	589,450	744,014
Net cash paid in mergers/acquisitions			(366,030)			93,683	
Other investing cash flows	(14,603)		9,955	158,759	(1,349,921)	(642,168)	(1,627,514)
Net cash used in investing activities	(3,501,809)	(2,032,379)	(6,437,695)	(8,387,076)	(9,354,854)	(3,342,883)	(5,663,173)
Financing Cash Flow							
Dividends paid	(853,476)	(965,763)	(1,170,733)	(1,817,366)	(2,119,518)	(2,709,625)	(2,932,919)
Net borrowings (repayments) of debt	1,258,205	863,541	744,103	2,947,110	3,186,960	1,175,826	1,699,263
Net equity issue	2,118,016	1,832,930	4,453,957	4,567,682	5,450,981	1,754,622	2,376,146
Other financing activities	(30,143)	(38,629)	549,793	40,817	(81,067)	(241,981)	535,305
Net cash provided by (used in) financing activities	2,492,602	1,692,079	4,577,120	5,738,243	6,437,356	(21,158)	1,677,795
Effect of exchange rate changes on cash and cash equivalents	(9,796)	4,431	20,076	(20,511)	24,023	(5,904)	15,874
Net increase (decrease) in cash, cash equivalents and restricted cash, cash equivalents and restricted cash, beginning of period	49,934	779,674	(518,310)	(105,488)	65,294	203,331	25,250
Cash, cash equivalents and restricted cash, beginning of period	21,071	71,005	850,679	332,369	226,881	292,175	495,506
Cash, cash equivalents and restricted cash, end of period	71,005	850,679	332,369	226,881	292,175	495,506	520,756

5. Revenues

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
REVENUE												
US												
Retail		1,312,500	1,566,700	2,455,900	2,754,200	3,368,500	3,515,416	3,644,068	3,710,291	3,758,207	3,794,912	3,824,261
Industrial		184,600	261,500	465,200	515,400	747,000	785,939	683,247	695,663	704,647	711,529	717,032
Other		85,200	84,100	74,200	205,500	237,900	240,721	219,279	223,264	226,148	228,356	230,122
Revenue US		1,582,300	1,912,300	2,995,300	3,475,100	4,353,400	4,542,076	4,546,594	4,629,218	4,689,001	4,734,798	4,771,416
UK												
Retail		55,900	138,900	243,300	374,000	508,200	619,857	706,374	789,847	820,561	850,380	880,118
Industrial		1,300	9,600	30,200	43,700	48,100	54,824	62,476	69,859	72,576	75,213	77,843
Other						800	6,492	7,398	8,272	8,594	8,906	9,218
Revenue UK		57,200	148,500	273,500	417,700	557,100	681,173	776,248	867,978	901,731	934,500	967,179
Other												
Retail			4,200	30,900	65,400	133,200	190,397	197,247	257,315	374,250	498,664	630,792
Industrial							23,686	24,538	32,011	46,538	62,035	78,473
Other												
Revenue Other			4,200	30,900	65,400	133,200	214,083	221,785	289,326	420,808	560,700	709,265
Summary Revenue												
Rental Revenue (including reimbursable)	1,484,818	1,639,533	2,064,958	3,299,657	3,958,150	5,043,748	5,437,332	5,544,627	5,786,522	6,011,540	6,229,997	6,447,859
Other Revenue	3,345	7,554	15,505	44,024	120,843	227,394	312,045	300,000	300,000	300,000	300,000	300,000
Total revenue	1,488,163	1,647,087	2,080,463	3,343,681	4,078,993	5,271,142	5,749,377	5,844,627	6,086,522	6,311,540	6,529,997	6,747,859

6. Net Income Calculation

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
REVENUE												
Rental (including reimbursable)	1,484,818	1,639,533	2,064,958	3,299,657	3,958,150	5,043,748	5,437,332	5,544,627	5,786,522	6,011,540	6,229,997	6,447,859
Other Revenue	3,345	7,554	15,505	44,024	120,843	227,394	312,000	300,000	300,000	300,000	300,000	300,000
Total revenue	1,488,163	1,647,087	2,080,463	3,343,681	4,078,993	5,271,142	5,749,332	5,844,627	6,086,522	6,311,540	6,529,997	6,747,859
EXPENSES												
Depreciation and amortization	593,961	677,038	897,835	1,670,389	1,895,177	2,395,644	2,524,200	2,451,487	2,573,163	2,694,046	2,815,331	2,939,643
Interest	290,991	309,336	323,644	465,223	730,423	1,016,955	1,134,879	1,165,238	1,216,073	1,263,362	1,309,272	1,355,057
Property (including reimbursable)	88,585	104,603	133,605	226,330	316,964	377,675	428,800	437,262	456,338	474,083	491,311	508,492
% of Rental Revenue	6.0%	6.4%	6.5%	6.9%	8.0%	7.5%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
General and administrative	66,483	73,215	96,980	138,459	144,536	176,895	202,554	206,551	215,562	223,945	232,083	240,199
% of Rental Revenue	4.5%	4.4%	4.7%	4.1%	3.5%	3.4%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Provisions for impairment	40,186	147,232	38,967	25,860	87,082	425,833	434,497	429,576	441,184	453,105	465,349	477,923
% of Rental Revenue	2.7%	8.9%	1.9%	0.8%	2.1%	8.1%	7.6%	7.3%	7.2%	7.2%	7.1%	7.1%
Merger, transaction, and other costs, net			167,413	13,897	14,464	96,292	24,214					
% of Investing			2.6%	0.2%	0.2%	3.0%	0.5%					
Total expenses	1,080,206	1,311,424	1,658,444	2,540,158	3,188,646	4,489,294	4,749,144	4,690,113	4,902,320	5,108,541	5,313,346	5,521,315
% of Rental Revenue	72.6%	79.6%	79.7%	76.0%	78.2%	85.2%	82.6%	80.2%	80.5%	80.9%	81.4%	81.8%
OTHER												
Gain on sales of real estate	29,996	76,232	55,798	102,957	25,667	117,275	117,275	160,535	172,546	183,596	193,925	203,534
Foreign currency and derivative gain (loss), net	2,255	4,585	710	(13,311)	(13,414)	3,420	3,420	(12,990)	(12,990)	(12,990)	(12,990)	(12,990)
Gain/loss on extinguishment of debt		(9,819)	(97,178)	367								
Equity in earnings of unconsolidated entities		1,106	(6,448)	2,546	7,793	7,793	7,793	15,687	18,460	21,724	25,564	30,084
Other income, net	3,428	4,538	9,949	30,511	23,789	23,606	23,606	26,831	26,831	26,831	26,831	26,831
Income before income taxes	443,636	411,199	392,404	917,599	928,935	933,942	1,155,129	1,344,577	1,389,049	1,422,160	1,449,981	1,474,003
Income taxes	(61,58)	(14,693)	(31,653)	(45,183)	(52,021)	(66,601)	(85,346)	(78,781)	(81,387)	(83,327)	(84,957)	(86,365)
% of Income before taxes	1.4%	3.6%	8.1%	4.9%	5.6%	7.1%	7.4%	5.9%	5.9%	5.9%	5.9%	5.9%
Net income	437,478	396,506	360,747	872,416	876,914	867,341	1,069,783	1,265,796	1,307,662	1,338,833	1,365,024	1,387,638
Net income attributable to noncontrolling interest	(996)	(1,020)	(1,291)	(3,008)	(4,605)	(6,569)	(11,193)	(8,461)	(8,740)	(8,949)	(9,124)	(9,275)
Net income attributable to the Company	436,482	395,486	359,456	869,408	872,309	860,772	1,058,590	1,257,335	1,298,922	1,329,884	1,355,901	1,378,364
Preferred stock dividends												
Excess of redemption value over carrying value							(5,116)					
Net income available to common stockholders	436,482	395,486	359,456	869,408	872,309	847,893	1,058,590	1,257,335	1,298,922	1,329,884	1,355,901	1,378,364

7. Funds from Operations and Adjusted Funds from Operations

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
FFO												
Net income available to common stockholders	436,482	395,486	359,456	869,408	872,309	847,893	1,058,590	1,257,335	1,298,922	1,329,884	1,355,901	1,378,364
Depreciation and amortization	593,961	677,038	897,835	1,670,389	1,895,177	2,395,644	2,524,200	2,451,487	2,573,163	2,694,046	2,815,331	2,939,643
Depreciation of furniture, fixtures and equipment	(565)	(588)	(1,026)	(2,014)	(2,339)	(2,877)	(2,622)	(1,790)	(2,730)	(2,737)	(2,413)	(2,251)
Provisions for impairment of real estate	40,186	147,232	38,967	25,860	82,208	319,032	434,497	429,576	441,184	453,105	465,349	477,923
Gain on sales of real estate	(29,996)	(76,232)	(55,798)	(102,957)	(25,667)	(117,275)	(177,640)	(160,535)	(172,546)	(183,596)	(193,925)	(203,534)
Proportionate share of adjustments for unconsolidated entities			1,931	12,812	4,205	29,124	33,345	19,872	19,872	19,872	19,872	19,872
FFO adjustments allocable to noncontrolling interests	(477)	(817)	(785)	(1,605)	(3,855)	(3,902)	(10,047)	(10,047)	(10,047)	(10,047)	(10,047)	(10,047)
FFO available to common stockholders	1,039,591	1,142,119	1,240,580	2,471,893	2,822,138	3,467,659	3,860,323	3,993,550	4,157,254	4,313,152	4,467,175	4,623,459
FFO allocable to dilutive noncontrolling interests	1,403	1,418	1,642	3,979	5,552	6,611	9,396	7,622	9,076	12,461	17,108	23,489
Diluted FFO	1,040,994	1,143,537	1,240,580	2,475,872	2,827,690	3,474,270	3,869,719	3,993,550	4,157,254	4,313,152	4,467,175	4,623,459
FFO available to common stockholders	1,039,591	1,142,119	1,240,580	2,471,893	2,822,138	3,467,659	3,860,323	3,993,550	4,157,254	4,313,152	4,467,175	4,623,459
Merger, transaction, and other costs, net			167,413	13,897	14,464	96,292	24,214					
Normalized FFO available to common stockholders	1,039,591	1,142,119	1,407,993	2,485,790	2,836,602	3,563,951	3,884,537	3,993,550	4,157,254	4,313,152	4,467,175	4,623,459
Normalized FFO allocable to dilutive noncontrolling interests	1,403	1,418	1,642	3,979	5,552	6,611	9,396	7,622	9,076	12,461	17,108	23,489
Distributions paid to common stockholders	852,134	964,167	1,169,026	1,813,432	2,111,793	2,691,719	2,920,895	3,026,074	3,313,684	3,251,412	3,370,679	3,492,948
% of AFFO available to common stockholders	81%	82%	79%	76%	76%	74%	75%	75%	75%	75%	75%	75%
FFO available to common stockholders in excess of distributions paid	187,457	177,952	71,554	658,461	710,345	775,940	939,428	959,854	1,016,493	1,049,279	1,079,388	1,107,223
Normalized FFO available to common stockholders in excess of distrib	187,457	177,952	238,967	672,358	724,809	872,232	963,642	967,476	1,025,569	1,061,740	1,096,496	1,130,511
AFFO available to common stockholders	1,050,000	1,172,600	1,488,800	2,401,400	2,774,900	3,621,000	3,885,900	4,025,028	4,192,003	4,352,268	4,511,916	4,675,582
% Diluted Normalized FFO	101%	103%	106%	96%	98%	101%	100%	101%	101%	101%	101%	101%

8. Net Operating Income (NOI)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
NOI												
Rental Revenue (including reimbursable Property)	1,484,818	1,639,533	2,064,958	3,299,657	3,958,150	5,043,748	5,437,332	5,544,627	5,786,522	6,011,540	6,229,997	6,447,859
	88,585	104,603	133,605	226,330	316,964	377,675	428,800	437,262	456,338	474,083	491,311	508,492
NOI	1,396,233	1,534,930	1,931,353	3,073,327	3,641,186	4,666,073	5,008,532	5,107,366	5,330,185	5,537,457	5,738,686	5,939,367
NOI Margin (%)	94.0%	93.6%	93.5%	93.1%	92.0%	92.5%	92.1%	92.1%	92.1%	92.1%	92.1%	92.1%

9. Projected Investment & Disposition Activity

	2024	2025	2026	2027	2028	2029	2030
Investments	3,165,600	4,637,500	5,000,000	4,600,000	4,300,000	4,000,000	4,000,000
Acquisition Yield	7.10%	7.00%	6.90%	6.70%	6.60%	6.50%	6.40%
Disposition Proceeds	589,500	744,000	668,299	718,299	764,299	807,299	847,299
Disposition Yield	6.70%	6.60%	6.50%	6.30%	6.20%	6.10%	6.00%

10. Historical Depreciation Overview

Year	Buildings and Improvements	RE Depreciation	Depreciation Rate (%)	Lease Intangibles	Total D&A	YoY Buildings Growth	YoY D&A Growth
2020	14,696,712	531,909	3.62%	145,129	677,038		
2021	25,155,178	628,246	2.50%	269,589	897,835	71%	33%
2022	29,707,751	1,028,182	3.46%	642,207	1,670,389	18%	86%
2023	34,657,094	1,233,709	3.56%	661,468	1,895,177	17%	13%
2024	40,974,535	1,508,429	3.68%	887,215	2,395,644	18%	26%
2025	43,824,410	1,638,500	3.74%	885,700	2,524,200	7%	5%

11. Buildings & Improvements Rollforward

Buildings & Improvements Rollforward							
	2024	2025	2026	2027	2028	2029	2030
Buildings & Improvements Start	40,974,535	43,824,410	43,824,410	45,423,185	46,816,461	48,049,236	49,123,762
New Acquisitions			3,500,000	3,220,000	3,010,000	2,800,000	2,800,000
Sold Properties			501,225	538,725	573,225	605,475	635,475
Buildings & Improvements End	40,974,535	43,824,410	45,423,185	46,816,461	48,049,236	49,123,762	50,168,287
Average			44,623,798	46,119,823	47,432,849	48,586,499	49,646,025

12. D&A Forecast

D&A Forecast							
	2024	2025	2026	2027	2028	2029	2030
Buildings & Improvements (Avg.)	40,974,535	43,824,410	44,623,798	46,119,823	47,432,849	48,586,499	49,646,025
Depreciation Rate	3.68%	3.74%	3.36%	3.36%	3.36%	3.36%	3.36%
RE Depreciations	1,508,429	1,638,500	1,499,360	1,549,626	1,593,744	1,632,506	1,668,106
Proir Year Amortization of Lease Intangibles			885,700	952,128	1,023,537	1,100,302	1,182,825
Growth Rate			7.5%	7.5%	7.5%	7.5%	7.5%
Lease Intangibles Amort.	887,215	885,700	952,128	1,023,537	1,100,302	1,182,825	1,271,537
Total D&A	2,395,644	2,524,200	2,451,487	2,573,163	2,694,046	2,815,331	2,939,643

13. Interest Expense & Debt Forecast

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Leverage	5.4	5.7	8.0	5.9	5.9	5.6	5.75	5.75	5.7	5.7	5.7	5.7
NOI	1,396,233	1,534,930	1,931,353	3,073,327	3,641,186	4,666,073	5,008,532	5,107,366	5,330,185	5,537,457	5,738,686	5,939,367
Interest Bearing Debt	7,559,577	8,817,467	15,442,637	18,110,733	21,520,137	26,226,994	28,794,737	29,362,945	30,643,962	31,835,598	32,992,492	34,146,234
Debt Issuance		1,257,890	6,625,170	2,668,096	3,409,404	4,706,857	2,567,743	568,208	1,281,017	1,191,637	1,156,894	1,153,742
Investments	3,715,200	2,307,281	6,410,760	8,995,300	8,153,000	3,165,600	4,637,500	5,000,000	4,600,000	4,300,000	4,000,000	4,000,000
Interest Rate	4.63%	3.74%	2.59%	3.26%	3.73%	4.49%	3.90%	3.97%	3.97%	3.97%	3.97%	3.97%
Interest Paid	349,836	329,894	399,833	590,106	801,885	1,177,163	1,134,879	1,165,238	1,216,073	1,263,362	1,309,272	1,355,057

14. Historical Acquisition Activity by Region & Development Pipeline

Acquisitions in Real Estate US	Number of Properties	Leasable sqm (tsd)	Investment (millions)	Initial Weighted Average Cash Yield
2019	753	11,600	2,861	6.80%
2020	202	5,476	1,302	5.80%
2021	714	14,727	3,609	5.50%
2022	990	15,774	5,746	6.00%
2023	838	15,030	3,802	6.90%
2024	287	3,535	1,403	6.70%
2025	180		1,240	7.00%

Acquisitions in Real Estate Europe	Number of Properties	Leasable sqm (tsd)	Investment (millions)	Initial Weighted Average Cash Yield
2019	18	1,600	798	5.20%
2020	24	2,120	921	6.10%
2021	129	9,196	2,559	5.50%
2022	94	11,179	2,441	6.00%
2023	177	14,737	3,080	7.10%
2024	62	4,263	1,072	7.50%
2025	88		2,912	7.00%

Properties under development	Number of Properties	Leasable sqm (tsd)	Investment (millions)	Initial Weighted Average Cash Yield
2019	18	500	57	7.30%
2020	18	1,601	84	5.60%
2021	68	2,682	243	6.00%
2022	217	5,500	808	5.30%
2023	390	8,094	1,270	6.80%
2024	192	7,093	691	7.40%
2025	109		485	7.40%

15. Historical Disposition Performance & Gain on Sales

Gain on Sales of Real Estate	# of Properties Sold	Net sales proceeds	Gain on Sales of Real Estate	Margin (%)
2019	93	108.9	30	28%
2020	126	262.5	76.2	29%
2021	154	250.3	55.8	22%
2022	168	434.9	102.7	24%
2023	121	117.4	25.7	22%
2024	294	589.5	117.3	20%
2025	425	744	177.64	24%

16. Projected Rental Income Build-Up

Year	Cap Rate	Spres	16Y Treasury	Investment (tsd)	Initial Weighted Average Cash Yield (%)	Net sales proceeds (tsd)	Disposition yield	Additional Income Through Acquisitions (tsd)	Real Income Through Acquisitions (tsd)	Real Additional Income through acquisitions this year (tsd)	Additional Income through organic growth	Less income through sales	Additional Income through M&A	Rental Income
2019	4.61%	1.79%	3,715,200	6.40%	108,900	6.00%	237,773	118,886				6,534		1,484,818
2020	4.99%	0.91%	2,307,281	5.90%	262,500	5.50%	136,130	68,065	186,951	14,848	14,438			1,639,500
2021	3.99%	1.51%	6,410,760	5.50%	250,300	5.10%	352,592	176,296	244,361	16,722	12,765		193,000	2,065,000
2022	2.02%	3.88%	8,995,300	5.90%	434,900	5.50%	483,074	241,537	417,833	21,135	23,920		965,000	3,299,700
2023	2.96%	4.04%	8,153,000	7.00%	117,400	6.60%	481,789	240,895	482,432	34,935	7,748			3,958,200
2024	2.53%	4.57%	3,165,600	7.10%	589,500	6.70%	175,718	87,859	328,753	40,032	39,497		644,417	5,043,700
2025	2.50%	4.50%	4,637,500	7.00%	744,000	6.60%	290,647	145,324	233,182	49,769	49,104		58,583	5,437,332
2026	2.70%	4.20%	5,000,000	6.90%	668,299	6.50%	241,500	120,750	266,074	52,693	43,439			5,544,627
2027	2.70%	4.00%	4,600,000	6.70%	718,299	6.30%	221,904	110,952	231,702	55,446	45,253			5,786,522
2028	2.80%	3.80%	4,300,000	6.60%	764,299	6.20%	207,174	103,587	214,539	57,865	47,387			6,011,540
2029	2.90%	3.60%	4,000,000	6.50%	807,299	6.10%	208,000	104,000	207,587	60,115	49,245			6,229,997
2030	2.90%	3.50%	4,000,000	6.40%	847,299	6.00%	204,800	102,400	206,400	62,300	50,838			6,447,859

17. Dividend Discount Model

Year	2025	2026	2027	2028	2029	2030	TV
Discount Year	0	1	2	3	4	5	6
AFFO	3,885,900	4,035,163	4,220,923	4,420,756	4,658,706	4,975,490	
Growth (%)		3.84%	4.60%	4.73%	5.38%	6.80%	
Payout Ratio	78%	78%	78%	78%	78%	78%	
Distributions To Common Stockholders	2,920,895	3,146,466	3,291,315	3,447,137	3,632,681	3,879,696	75,255,910
Discount Factor		0.92	0.85	0.79	0.73	0.67	0.67
PV of Dividend Paid		2,908,368	2,812,043	2,722,309	2,651,749	2,617,757	50,777,599
Sum of PV 1-5							13,712,226
TV							50,777,599
Implied Equity Value							64,489,825
Shares Outstanding							907,921
Implied Share Price							71.03

18. Property Portfolio Valuation for NAV

Property Portfolio Valuation			
Segment	# of Properties	Cap Rate	Implied Value
Retail (U.S.)	3,238,183	6.60%	49,063,372
Industrial (U.S.)	723,958	6.10%	11,868,166
Other (U.S.)	221,737	6.50%	3,411,342
UK	627,454	5.90%	10,634,817
Rest Europe	197,200	6.00%	3,286,666
Total / Weighted Avg.	5,008,532		78,264,362

19. NAV Valuation

Portfolio		Other Assets		Liabilities	
Item	Value	Item	Value	Item	Value
Implied Portfolio Cap Rate	6.41%	Cash & Cash Equivalents	444,962	Unsecured Debt (Market Value)	25,016,009
Portfolio NOI	5,008,532	Loans Receivable / Notes	877,668	Secured Debt / Mortgages	80,784
Gross Property Value	78,112,064	Intangible Assets (net)	11,255,191	Credit Facility Borrowings	1,130,201
EV	74,446,474	Other Assets	5,343,246	Preferred Equity	-
Portfolio Cap Rate (Check)	6.73%	Total Other Assets	17,921,067	Joint Venture Minority Interest	210,948
				Other Liabilities	3,556,359
				Total Liabilities	29,994,301

20. Peer Overview

Financial Overview			Basis Data			
Company Name	Ticker	Market Cap	Enterprise Value	Share Price (Q4 2025)	#Shares outstanding (Q4 25)	Dividend Yield (Q4 25)
Realty Income	O	51,179,482	74,446,474	56.37	907,921	4.9%
National Retail Properties	NNN	8,433,311	12,342,597	39.63	189,937	5.3%
W.P. Carey Inc.	WPC	15,337,489	22,687,475	64.36	219,146	5.1%
Agree Retail Properties	ADC	9,490,638	12,102,420	72.03	120,028	3.9%
Global Net Lease	GNL	2,060,469	4,194,802	8.60	216,016	7.7%

Financial Overview			Operating Metrics			
Company Name	Ticker	Revenue 2025	NOI 2025	EBITDA 2025	FFO/Share (LTM)	AFFO/Share (LTM)
Realty Income	O	5,437,332.00	5,008,532.00	2,586,754.00	4.26	4.28
National Retail Properties	NNN	923,956.00	618,136.00	582,918.00	3.36	3.41
W.P. Carey Inc.	WPC	1,716,485.00	1,575,297.00	861,379.00	3.99	5.01
Agree Retail Properties	ADC	718,163.00	552,006.00	427,034.00	3.98	4.02
Global Net Lease	GNL	495,286.00	252,891.00	378,813.00	0.30	1.02

Financial Overview			Leverage	
Company Name	Ticker	Net Debt (avg. LTM)	Interest Coverage (avg. LTM)	Net Debt/EBITDA
Realty Income	O	28,481,329	2.35	11.01
National Retail Properties	NNN	4,815,378	2.81	8.26
W.P. Carey Inc.	WPC	8,567,361	2.90	9.95
Agree Retail Properties	ADC	3,281,606	2.58	7.68
Global Net Lease	GNL	2,336,824	0.96	6.17

21. Beta Calculation

Company	Ticker	D / E	Tax Rate (%)	Levered Beta	Unlevered Beta
Realty Income Corp.	O	0.68	1.8%	0.8	0.48
National Retail Properties	NNN	1.0	1.8%	0.86	0.43
W.P. Carey Inc.	WPC	1.0	1.8%	0.81	0.42
Agree Retail Properties	ADC	0.52	1.8%	0.54	0.36
Global Net Lease	GNL	2.07	1.8%	1.11	0.37
EPR Properties	EPR	1.23	1.8%	0.9	0.41
Getty Realty Corp	GTY	0.94	1.8%	0.85	0.44
First Industrial Realty Trust Inc	FR	0.83	1.8%	1.13	0.62
LXP Industrial Trust	LXP	0.78	1.8%	1.12	0.63
Site Centers Corp	SITC	0.58	1.8%	1.05	0.67
Piedmont Realty Trust Inc	PDM	1.4	1.8%	1.23	0.52
Median Peers		0.44			
Damodaran Retail REITs Beta		0.64			
Damodaran REIT Unlevered Beta		0.58			
Average		0.55			
Levered Beta Realty Income		0.92			

22. Cost of Equity

Cost of Equity	
Levered Beta Realty Income	0.92
Risk-Free Rate (US 10 Year Treasury Bond)	4.19%
Market Risk Premium	4.33%
Cost Of Equity	8.19%

23. Credit Ratings

Summary via Ratings				
Rating Agency Name & Rating Type	Rating	Rating Date	Spread	
S&P Long-term Issuer Rating	A-	16.08.18	0.95%	
Moody's Long-term Issuer Rating	A3	30.08.23	0.95%	
		Weighted Average	0.95%	
		Risk Free Rate	4.19%	
			5.14%	

24. Debt Maturity Table

Year of Principal Due	Fixed rate debt	Weighted average rate on		Weighted average rate on variable rate debt
		fixed rate debt	Variable rate debt	
2025	1,893,400	4.22%	67,300	3.05%
2026	3,447,600	4.33%	1,062,900	4.41%
2027	2,835,900	2.85%		
2028	2,501,000	3.19%		
2029	2,388,800	3.94%		
Thereafter	12,312,900	4.07%		
Total	25,379,600	3.88%	1,130,200	4.33%
Fair Value	24,034,100		1,130,200	

25. Material Cash Requirements

Year of Principal Due	Credit Facility and Commercial Paper	Unsecured Term Loans	Mortgages Payable	Senior Unsecured Notes and Bonds	Interest	Ground Leases Paid by the company	Ground leases paid by clients	other	total
2025	67,300	800,000	43,400	1,050,000	1,002,500	12,500	31,800	557,100	3,564,600
2026	1,062,900	1,060,600	12,000	2,375,000	845,200	17,600	32,400	117,900	5,523,600
2027	0	500,000	22,300	2,313,600	736,800	11,100	30,500	98,200	3,712,500
2028	0	0	1,300	2,499,800	633,200	8,900	27,500	2,200	3,172,900
2029	0	0	1,300	2,387,500	589,000	10,000	25,000	1,900	3,014,700
Thereafter	0	0	1,000	12,312,800	2,922,100	406,700	336,400	11,000	15,990,000
Total	1,130,200.0	2,360,600.0	81,300.0	22,938,700.0	6,728,800.0	466,800.0	483,600.0	788,300.0	34,978,300.0

26. WACC

Weighted Average Cost of Capital (WACC)	
Total Market Value of Equity (in \$m)	51,179,482,009
Total Market Value of Debt (in \$m)	18,682,727,189
Debt-to-Total Assets	26.74%
Equity-to-Total Assets	73.26%
Marginal Tax Rate	2%
Cost of Equity	8.19%
Cost of Debt	5.14%
WACC	7.34%

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