UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2008, or

o Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-13374

REALTY INCOME CORPORATION
(Exact name of registrant as specified in its charter)

Maryland	33-0580106
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

600 La Terraza Boulevard, Escondido, California 92025-3873
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (760) 741-2111

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

There were 104,268,123 shares of common stock outstanding as of October 22, 2008.

REALTY INCOME CORPORATION

Form 10-Q

September 30, 2008

TABLE OF CONTENTS

Table of contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REALTY INCOME CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

September 30, 2008 and December 31, 2007
(dollars in thousands, except per share data)

	2008 (unaudited)	2007
ASSETS		
Real estate, at cost:		
Land	$ 1,158,618	$ 1,110,897
Buildings and improvements	2,249,003	2,127,897
	3,407,621	3,238,794
Less accumulated depreciation and amortization	(530,586)	(470,695)
Net real estate held for investment	2,877,035	2,768,099
Real estate held for sale, net	10,085	56,156
Net real estate	2,887,120	2,824,255
Cash and cash equivalents	112,562	193,101
Accounts receivable	8,858	7,142
Goodwill	17,206	17,206
Other assets, net	64,385	35,648
Total assets	$ 3,090,131	$ 3,077,352
LIABILITIES AND STOCKHOLDERS' EQUITY		
Distributions payable	$ 16,735	$ 15,844
Accounts payable and accrued expenses	21,913	38,112
Other liabilities	11,859	15,304
Lines of credit payable	--	--
Notes payable	1,470,000	1,470,000
Total liabilities	1,520,507	1,539,260
Commitments and contingencies		
Stockholders' equity:		
Preferred stock and paid in capital, par value $1.00 per share, 20,000,000 shares authorized, 13,900,000 shares issued and outstanding in 2008 and 2007	337,790	337,790
Common stock and paid in capital, par value $1.00 per share, 200,000,000 shares authorized, 104,266,403 and 101,082,717 shares issued and outstanding in 2008 and 2007, respectively	1,623,659	1,545,037
Distributions in excess of net income	(391,825)	(344,735)
Total stockholders' equity	1,569,624	1,538,092
Total liabilities and stockholders' equity	$ 3,090,131	$ 3,077,352

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

Table of contents

REALTY INCOME CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

For the three and nine months ended September 30, 2008 and 2007
(dollars in thousands, except per share data)
(unaudited)

	Three Months Ended September 30, 2008	2007	Nine Months Ended September 30, 2008	2007
REVENUE				
Rental	$ 82,213	$ 72,229	$ 245,681	$ 210,525
Other	322	1,293	1,851	3,659
	82,535	73,522	247,532	214,184
EXPENSES				
Interest	23,915	16,163	71,230	41,612
Depreciation and amortization	22,869	19,433	67,798	55,740
General and administrative	5,097	6,290	16,564	17,219
Property	1,778	815	4,105	2,630
Income taxes	308	350	922	948
	53,967	43,051	160,619	118,149
Income from continuing operations	28,568	30,471	86,913	96,035
Income from discontinued operations:				
Real estate acquired for resale by Crest	238	1,937	567	7,967
Real estate held for investment	5,891	1,565	10,030	3,231
	6,129	3,502	10,597	11,198
Net income	34,697	33,973	97,510	107,233
Preferred stock cash dividends	(6,063)	(6,063)	(18,190)	(18,190)
Net income available to common stockholders	$ 28,634	$ 27,910	$ 79,320	$ 89,043
Amounts available to common stockholders per common share:				
Income from continuing operations, basic and diluted	$ 0.22	$ 0.24	$ 0.68	$ 0.78
Net income, basic and diluted:	$ 0.29	$ 0.28	$ 0.79	$ 0.89
Weighted average common shares outstanding:				
Basic	100,362,872	100,187,901	100,400,212	100,148,993
Diluted	100,420,070	100,252,953	100,462,396	100,326,859

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

Table of contents

REALTY INCOME CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2008 and 2007
(dollars in thousands)(unaudited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 97,510	$ 107,233
Adjustments to net income:		
Depreciation and amortization	67,798	55,740
Income from discontinued operations:		
Real estate acquired for resale	(567)	(7,967)
Real estate held for investment	(10,030)	(3,231)
Gain on sales of land and improvements	(236)	(1,835)
Amortization of share-based compensation	3,966	3,025
Cash provided by (used in) discontinued operations:		
Real estate acquired for resale	70	(819)
Real estate held for investment	1,112	2,515
Investment in real estate acquired for resale	(9)	(29,892)
Proceeds from sales of real estate acquired for resale	31,511	94,131
Change in assets and liabilities:		
Accounts receivable and other assets	1,335	728
Accounts payable, accrued expenses and other liabilities	(18,213)	(773)
Net cash provided by operating activities	174,247	218,855
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investment properties:		
Continuing operations	439	4,370
Discontinued operations	8,495	3,114
Acquisition of and improvements to investment properties	(191,074)	(377,564)
Intangibles acquired in connection with acquisitions of investment properties	(397)	(319)
Restricted escrow funds acquired in connection with acquisitions of investment properties	--	(2,648)
Net cash used in investing activities	(182,537)	(373,047)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash distributions to common stockholders	(125,519)	(116,382)
Cash dividends to preferred stockholders	(18,190)	(18,520)
Proceeds from common stock offering, net costs of $3,952	74,497	--
Credit facility origination costs	(3,196)	--
Proceeds from notes issued, net of offering costs of $5,563	--	544,437
Borrowings from lines of credit	--	407,800
Payments under lines of credit	--	(407,800)
Proceeds from other stock issuances	159	728
Net cash (used in) provided by financing activities	(72,249)	410,263
Net (decrease) increase in cash and cash equivalents	(80,539)	256,071
Cash and cash equivalents, beginning of period	193,101	10,573
Cash and cash equivalents, end of period	$ 112,562	$ 266,644

For supplemental disclosures, see note 13.

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

Table of contents

REALTY INCOME CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
(unaudited)

1. Management Statement

The consolidated financial statements of Realty Income Corporation ("Realty Income", the "Company", "we" or "our") were prepared from our books and records without audit and include all adjustments (consisting of only normal recurring accruals) necessary to present a fair statement of results for the interim period presented. Certain of the 2007 balances have been reclassified to conform to the 2008 presentation. Readers of this quarterly report should refer to our audited financial statements for the year ended December 31, 2007, which are included in our 2007 Annual Report on Form 10-K, as certain disclosures that would substantially duplicate those contained in the audited financial statements have not been included in this report.

At September 30, 2008, we owned 2,355 properties, located in 49 states, containing over 19.2 million leasable square feet, along with five properties owned by our wholly-owned taxable REIT subsidiary, Crest Net Lease, Inc. ("Crest"). Crest was created to buy and sell properties, primarily to individual investors who are involved in tax-deferred exchanges under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Tax Code").

2. Summary of Significant Accounting Policies and Procedures and Recent Accounting Pronouncements

A. The accompanying consolidated financial statements include the accounts of Realty Income, Crest and other entities for which we make operating and financial decisions (i.e., control), after elimination of all material intercompany balances and transactions. All of Realty Income's and Crest's subsidiaries are wholly-owned. We have no unconsolidated or off-balance sheet investments in variable interest entities.

B. We have elected to be taxed as a real estate investment trust ("REIT") under the Tax Code. We believe we have qualified and continue to qualify as a REIT. Under the REIT operating structure, we are permitted to deduct distributions paid to our stockholders and generally are not required to pay federal corporate income taxes on such income. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements, except for the federal income taxes of Crest, which are included in discontinued operations.

C. We recognize an allowance for doubtful accounts relating to accounts receivable for amounts deemed uncollectible. We consider tenant specific issues, such as financial stability and ability to pay rent, when determining collectibility of accounts receivable and appropriate allowances to record. The allowance for doubtful accounts was $650,000 at September 30, 2008 and $795,000 at December 31, 2007.

D. Other assets consist of the following (dollars in thousands) at:	September 30, 2008	December 31, 2007
Notes receivable issued in conjunction with Crest property sales	$ 22,375	$ 3,132
Deferred bond financing costs, net	13,559	14,940
Value of in-place and above-market leases, net	10,804	11,211
Escrow deposits for Section 1031 tax-deferred exchanges	10,205	--
Prepaid expenses	3,146	3,803
Unamortized credit facility fees, net	2,836	434
Corporate assets, net of accumulated depreciation and amortization	1,345	1,356
Settlements on treasury lock agreements	106	759
Other items	9	13

$	64,385	$	35,648

Table of contents

E. Accounts payable and accrued expenses consist of the following (dollars in thousands) at:	September 30, 2008	December 31, 2007
Bond interest payable	$ 10,176	$ 24,987
Other items	11,737	13,125
	$ 21,913	$ 38,112

F. Other liabilities consist of the following (dollars in thousands) at:	September 30, 2008	December 31, 2007
Rent received in advance	$ 6,207	$ 10,626
Security deposits	3,928	2,818
Value of in-place below-market leases, net	1,724	1,860
	$ 11,859	$ 15,304

G. Distributions payable are comprised of the following declared distributions (dollars in thousands) at:	September 30, 2008	December 31, 2007
Common stock distributions	$ 14,714	$ 13,823
Preferred stock dividends	2,021	2,021
	$ 16,735	$ 15,844

H. Impact of Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement No. 141R (revised 2007), Business Combinations. Effective January 1, 2009, Statement No. 141R will change the accounting treatment and disclosures for certain specific items in a business combination. Under Statement No. 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. We do not expect Statement No. 141R to have an impact on our financial position or results of operations.

In June 2008, the FASB issued FASB Staff Position ("FSP") EITF No. 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. FSP EITF No. 03-6-1 clarified that all outstanding nonvested share-based payment awards that contain rights to nonforfeitable dividends are considered "participating securities," as defined by FSP EITF No. 03-6-1, which require the two-class method of computing basic and diluted earnings per share to be applied. FSP EITF No. 03-6-1 is effective for fiscal years beginning after December 15, 2008. We do not expect FSP EITF No. 03-6-1 to have a material impact on our calculation of basic and diluted earnings per share.

In October 2008, the FASB issued FSP FAS No. 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active. FSP FAS No. 157-3 clarified the application of FASB Statement No. 157, Fair Value Measurements, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 was effective upon issuance. FSP FAS 157-3 does not have an impact on our financial position or results of operations since we do not have any assets or liabilities that are measured at fair value as of September 30, 2008.

Table of contents

3. Retail Properties Acquired

We acquire land, buildings and improvements that are used by retail operators.

A. During the first nine months of 2008, Realty Income invested $188.5 million in 108 new retail properties and properties under development with an initial weighted average contractual lease rate of 8.7%. These 108 properties are located in 14 states, will contain over 714,000 leasable square feet, and are 100% leased with an average lease term of 20.6 years. The initial weighted average contractual lease rate is computed by dividing the estimated aggregate base rent for the first year of each lease by the estimated total cost of the properties.

In comparison, during the first nine months of 2007, Realty Income and Crest invested $412.9 million, in aggregate, in 264 new retail properties and properties under development. These 264 properties are located in 33 states, contain over 1.6 million leasable square feet, and are 100% leased with an average lease term of 19.2 years. Of the $412.9 million invested in the first nine months of 2007, Realty Income invested $383.0 million in 232 new retail properties and properties under development with an initial weighted average contractual lease rate of 8.6%. These 232 properties are located in 33 states, contain over 1.5 million leasable square feet, and are 100% leased with an average lease term of 19.1 years.

B. During the first nine months of 2008, Crest did not invest in any new retail properties. During the first nine months of 2007, Crest invested $29.9 million in 32 new retail properties.

C. Crest's property inventory at September 30, 2008 consisted of five properties with a total investment of $6.0 million and at December 31, 2007 consisted of 30 properties with a total investment of $56.2 million. These amounts are included on our consolidated balance sheets in "real estate held for sale, net."

D. Of the $188.5 million invested by Realty Income in the first nine months of 2008, $10.0 million was used to acquire two retail properties with existing leases. In accordance with FASB Statement No. 141, Business Combinations, Realty Income recorded $397,000 as the intangible value of the in-place leases. This amount is recorded to "other assets" on our consolidated balance sheets and amortized over the life of the leases.

Of the $412.9 million invested by Realty Income and Crest in the first nine months of 2007, $7.1 million was used to acquire one retail property with an existing lease. In accordance with Statement No. 141, Realty Income recorded $1.0 million as the intangible value of the in-place lease and $689,000 as the intangible value of the below-market rents. These amounts are recorded to "other assets" and "other liabilities," respectively, on our consolidated balance sheets and are amortized over the life of the lease.

4. Credit Facility

In May 2008, we entered into a new $355 million acquisition credit facility which replaced our existing $300 million acquisition credit facility that was scheduled to expire in October 2008. The term of the new credit facility is for three years, until May 2011, plus two, one-year extension options. Under the new credit facility, our investment grade credit ratings provide for financing at LIBOR (London Interbank Offered Rate) plus 100 basis points with a facility commitment fee of 27.5 basis points, for all-in drawn pricing of 127.5 basis points over LIBOR. We also have other interest rate options available to us.

In May 2008, as a result of entering into our new credit facility, we expensed $235,000 of unamortized credit facility origination costs from our prior credit facility, which are included in interest expense.

Table of contents

We did not utilize our credit facility during the first nine months of 2008. The effective borrowing rate at September 30, 2008 was 4.9%. Our average borrowing rate on our credit facility during the first nine months of 2007 was 6.0%. Our current and prior credit facilities are subject to various leverage and interest coverage ratio limitations. We are and have been in compliance with these covenants. Our credit facility is unsecured and, accordingly, we have not pledged any assets as collateral for this obligation.

5. Common Stock

In September 2008, we issued 2,925,000 shares of common stock at a price of $26.82 per share. The net proceeds of $74.5 million will be used, along with our available cash on hand and, if necessary, draw-downs on our credit facility, to repay the $100 million outstanding principal amount of our 8.25% Monthly Income Senior Notes, which come due in November 2008, and to repay the $20 million outstanding principal amount of our 8% Notes, which come due in January 2009.

6. Notes Payable

Our senior unsecured note obligations consist of the following, sorted by maturity date at both September 30, 2008 and December 31, 2007 (dollars in millions):

8.25% notes, issued in October 1998 and due in November 2008	$	100.0
8% notes, issued in January 1999 and due in January 2009		20.0
5.375% notes, issued in March 2003 and due in March 2013		100.0
5.5% notes, issued in November 2003 and due in November 2015		150.0
5.95% notes, issued in September 2006 and due in September 2016		275.0
5.375% notes, issued in September 2005 and due in September 2017		175.0
6.75% notes, issued in September 2007 and due in August 2019		550.0
5.875% bonds, issued in March 2005 and due in March 2035		100.0
	$	1,470.0

7. Fair Value of Financial Assets and Liabilities

FASB Statement No. 157, Fair Value Measurements, became effective for us at the beginning of 2008 and did not have an impact on our financial position or results of operations. In February 2008, the FASB delayed the effective date of Statement No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, to the beginning of 2009.

Statement No. 157 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value. Statement No. 157 also establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This statement applies to fair value measurements and disclosures that are already required or permitted by most existing FASB accounting standards.

We believe that the carrying values reflected in the consolidated balance sheets, at September 30, 2008 and December 31, 2007, reasonably approximate the fair values for cash and cash equivalents, accounts receivable, and all liabilities, due to their short-term nature, except for the notes payable and the notes receivable issued in conjunction with Crest property sales, which are disclosed below (dollars in millions):

At September 30, 2008	Carrying value per balance sheet	Estimated fair market value
Notes payable	$ 1,470.0	$ 1,246.5
Notes receivable issued in conjunction with Crest property sales	$ 22.4	$ 20.6

Table of contents

At December 31, 2007	Carrying value per balance sheet	Estimated fair market value
Notes payable	$ 1,470.0	$ 1,412.5
Notes receivable issued in conjunction with Crest property sales	$ 3.1	$ 2.8

In making these assessments, we used estimates. The estimated fair value of the notes payable is based upon the closing market price per note or indicative price per note. The estimated fair value of the notes receivable issued in conjunction with Crest property sales has been calculated by discounting the future cash flows using an interest rate based upon the current 10-year Treasury Yield Curve plus an applicable credit-adjusted spread.

8. Gain on Sales of Real Estate Acquired for Resale by Crest

During the third quarter of 2008, Crest sold three properties for $4.6 million, which resulted in a gain of $199,000. In comparison, during the third quarter of 2007, Crest sold 14 properties for $28.3 million, which resulted in a gain of $2.2 million. Crest's gains on sales are reported before income taxes and are included in discontinued operations.

During the first nine months of 2008, Crest sold 25 properties for $50.7 million, which resulted in a gain of $4.6 million. As part of two sales during the first nine months of 2008, Crest provided financing to the buyers of $19.2 million. In comparison, during the first nine months of 2007, Crest sold 45 properties for $97.9 million, which resulted in a gain of $8.8 million. In the first nine months of 2007, as part of two sales, Crest provided financing to the buyer of $3.8 million.

9. Gain on Sales of Investment Properties by Realty Income

During the third quarter of 2008, we sold 13 investment properties for an aggregate of $11.0 million, which resulted in a gain of $5.7 million. The results of operations for these properties have been reclassified as discontinued operations.

In comparison, during the third quarter of 2007, we sold three investment properties for an aggregate of $4.4 million, which resulted in a gain of $770,000. The results of operations for these properties have been reclassified as discontinued operations. As part of one sale during the third quarter of 2007, we received a lease termination fee of $427,000, which is reported in "income from discontinued operations, real estate held for investment" on our consolidated statements of income. In addition, we sold excess land and improvements from two properties for an aggregate of $529,000, which resulted in a gain of $29,000. The gain from the land and improvements sales is reported in "other revenue" on our consolidated statements of income because these improvements and excess land were associated with properties that continue to be owned as part of our core operations.

During the first nine months of 2008, we sold 22 investment properties for an aggregate of $18.8 million, which resulted in a gain of $9.2 million. The results of operations for these properties have been reclassified as discontinued operations. Additionally, we received proceeds of $439,000 from a sale of excess land from one property, which resulted in a gain of $236,000. This gain is included in "other revenue" on our consolidated statements of income because this excess land was associated with a property that continues to be owned as part of our core operations.

In comparison, during the first nine months of 2007, we sold six investment properties for an aggregate of $5.9 million, which resulted in a gain of $1.4 million. The results of operations for these properties have been reclassified as discontinued operations. In addition, we sold excess land and improvements from five properties for an aggregate of $4.4 million, which resulted in a gain of $1.8 million. The gain from the land and improvements sales is reported in "other revenue" on our consolidated statements of income because these improvements and excess land were associated with properties that continue to be owned as part of our core operations.

Table of contents

10. Discontinued Operations

In accordance with FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, Realty Income's operations from eight investment properties classified as held for sale at September 30, 2008, plus properties sold in 2008 and 2007, are reported as discontinued operations. Their respective results of operations have been reclassified to "income from discontinued operations, real estate held for investment" on our consolidated statements of income. We do not depreciate properties that are classified as held for sale.

Crest acquires properties with the intention of reselling them rather than holding them for investment and operating the properties. Consequently, we typically classify properties acquired by Crest as held for sale at the date of acquisition and do not depreciate them. In accordance with Statement No. 144, the operations of Crest's properties are classified as "income from discontinued operations, real estate acquired for resale by Crest" on our consolidated statements of income.

No debt was assumed by buyers of our investment properties, or repaid as a result of our investment property sales, and we do not allocate interest expense to discontinued operations related to real estate held for investment. We allocate interest expense related to borrowings specifically attributable to Crest's properties. The interest expense amounts allocated to the Crest properties held for sale are included in "income from discontinued operations, real estate acquired for resale by Crest" on our consolidated statements of income.

If circumstances arise, which were previously considered unlikely and, as a result, we decide not to sell a property previously classified as held for sale, the property is reclassified as real estate held for investment. A property that is reclassified to held for investment is measured and recorded at the lower of (i) its carrying amount before the property was classified as held for sale, adjusted for any depreciation expense that would have been recognized had the property been continuously classified as held for investment, or (ii) the fair value at the date of the subsequent decision not to sell.

Provisions for impairment of $27,000 and $3.4 million were recorded by Crest on three properties held for sale in the three and nine months ended September 30, 2008, respectively. No provisions for impairment were recorded by Crest in the first nine months of 2007. These provisions for impairment are included in "income from discontinued operations, real estate acquired for resale by Crest." The provisions for impairment recorded in the first nine months of 2008 reduced the carrying values to the estimated fair-market value of those properties, net of estimated selling costs.

Table of contents

The following is a summary of Crest's "income from discontinued operations, real estate acquired for resale" on our consolidated statements of income (dollars in thousands):

Crest's income from discontinued operations, real estate acquired for resale	Three months ended September 30, 2008	2007	Nine months ended September 30, 2008	2007
Gain on sales of real estate acquired for resale	$ 199	$ 2,219	$ 4,642	$ 8,786
Rental revenue	129	1,547	1,764	6,736
Other revenue	353	68	561	128
Interest expense	(359)	(1,239)	(1,424)	(5,115)
General and administrative expense	(110)	(224)	(397)	(507)
Property expenses	(41)	(14)	(106)	(29)
Provisions for impairment	(27)	--	(3,374)	--
Depreciation	--	--	(771)	--
Income taxes	94	(420)	(328)	(2,032)
Income from discontinued operations, real estate acquired for resale by Crest	$ 238	$ 1,937	$ 567	$ 7,967

The following is a summary of Realty Income's "income from discontinued operations, from real estate held for investment" on our consolidated statements of income (dollars in thousands):

Realty Income's income from discontinued operations, real estate held for investment	Three months ended September 30, 2008	2007	Nine months ended September 30, 2008	2007
Gain on sales of investment properties	$ 5,730	$ 770	$ 9,203	$ 1,355
Rental revenue	234	1,096	1,188	2,547
Depreciation and amortization	(56)	(160)	(285)	(505)
Property expenses	(17)	(7)	(76)	(32)
Provision for impairment	--	(134)	--	(134)
Income from discontinued operations, real estate held for investment	$ 5,891	$ 1,565	$ 10,030	$ 3,231

The following is a summary of our total income from discontinued operations (dollars in thousands, except per share data):

	Three months ended September 30, 2008	2007	Nine months ended September 30, 2008	2007
Real estate acquired for resale by Crest	$ 238	$ 1,937	$ 567	$ 7,967
Real estate held for investment	5,891	1,565	10,030	3,231
Income from discontinued operations	$ 6,129	$ 3,502	$ 10,597	$ 11,198
Per common share, basic and diluted	$ 0.06	$ 0.03	$ 0.11	$ 0.11

The per share amounts for "income from discontinued operations" above and the "income from continuing operations" and "net income" reported on the consolidated statements of income have each been calculated independently.

Table of contents

11. Distributions Paid and Payable

A. Common Stock

We pay monthly distributions to our common stockholders. The following is a summary of the monthly distributions paid per common share for the first nine months of 2008 and 2007:

Month	2008	2007
January	$ 0.136750	$ 0.126500
February	0.136750	0.126500
March	0.136750	0.126500
April	0.137375	0.127125
May	0.137375	0.127125
June	0.137375	0.127125
July	0.138000	0.127750
August	0.138000	0.127750
September	0.140500	0.135500
Total	$ 1.238875	$ 1.151875

At September 30, 2008, a distribution of $0.141125 per common share was payable and was paid in October 2008.

B. Preferred Stock

In 2004, we issued 5.1 million shares of 7.375% Monthly Income Class D cumulative redeemable preferred stock. Beginning May 27, 2009, the Class D preferred shares are redeemable, at our option, for $25 per share. During the first nine months of 2008 and 2007, we paid nine monthly dividends to holders of our Class D preferred stock totaling $1.3828131 per share, or $7.1 million, and at September 30, 2008 a monthly dividend of $0.1536459 per share was payable and was paid in October 2008.

In 2006, we issued 8.8 million shares of 6.75% Monthly Income Class E cumulative redeemable preferred stock. Beginning December 7, 2011, the Class E preferred shares are redeemable, at our option, for $25 per share. During the first nine months of 2008, we paid nine monthly dividends to holders of our Class E preferred stock totaling $1.265625 per share, or $11.1 million, and at September 30, 2008 a monthly dividend of $0.140625 per share was payable and was paid in October 2008. During the first nine months of 2007, we paid nine monthly dividends to holders of our Class E preferred stock totaling $1.303125 per share, or $11.5 million. In January 2007, we paid the first Class E preferred dividend of $0.178125, which covered a period of 38 days.

12. Net Income Per Common Share

Basic net income per common share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during each period. Diluted net income per common share is computed by dividing net income available to common stockholders for the period by the weighted average number of common shares that would have been outstanding assuming the issuance of common shares for all potentially dilutive common shares outstanding during the reporting period.

Table of contents

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Weighted average shares used for the basic net income per share computation	100,362,872	100,187,901	100,400,212	100,148,993
Incremental shares from share-based compensation	57,198	65,052	62,184	177,866
Adjusted weighted average shares used for diluted net income per share computation	100,420,070	100,252,953	100,462,396	