Realty Income Corporation (O)

Updated March 23rd, 2026, by Kody Kester

Key Metrics

Current Price:	$61	**5 Year CAGR Estimate:**	10.8%	**Market Cap:**	$56.8B
Fair Value Price:	$71	**5 Year Growth Estimate:**	3.5%	**Ex-Dividend Date:**	03/31/26
% Fair Value:	86%	**5 Year Valuation Multiple Estimate:**	3.0%	**Dividend Payment Date:**	04/15/26
Dividend Yield:	5.3%	**5 Year Price Target**	$84	**Years Of Dividend Growth:**	31
Dividend Risk Score:	D	**Sector:**	Real Estate	**Rating:**	Hold

Overview & Current Events

Realty Income (O) is a retail real estate-focused REIT that has become famous for its successful dividend growth history and monthly dividend payments. Today, it owns over 15,500 properties throughout the U.S., the U.K., and Continental Europe. O owns retail properties that are not part of a wider retail development (such as a mall) but instead are standalone properties. Its properties range from 7-Eleven convenience stores (its largest tenant) all the way up to a 21.9% stake in the world-famous Bellagio hotel and casino in Las Vegas. O was founded in 1969 and is headquartered in San Diego.

On February 24th, O shared its fourth quarter earnings report for the period ended December 31st, 2025. The company's total revenue surged 11.0% higher over the year-ago period to $1.49 billion during the quarter. The driving factor of this topline growth was the $6.2 billion in investment volume in 2025. All the while, O did this with just a 5% selectivity rate (it sourced a record $121 billion in volume in 2025). A secondary growth tailwind for the net lease REIT in the quarter was that its business model includes contractual rent increases. That led same-store rental revenue to grow by 1.1% year-over-year for the quarter. Another growth driver for O was the fact that its properties are of such high-quality that it's routinely able to renew expired leases at higher rents than the prior rent (the recapture rate was 104.9% on 194 lease expirations in Q4 2025). The net lease REIT's AFFO per share increased by 2.9% over the year-ago period to $1.08 during the quarter. Earlier this month, O increased its monthly dividend per share by 0.2% to $0.2705.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
AFFOPS	$2.79	$2.96	$3.09	$3.22	$3.28	$3.59	$3.92	$4.00	$4.19	$4.28	***$4.41***	***$5.24***
DPS	$2.32	$2.45	$2.55	$2.62	$2.71	$2.75	$2.97	$3.05	$3.13	$3.22	***$3.25***	***$3.77***
Shares[1]	260.2	284.2	303.7	333.6	361.3	591.3	660.3	752.5	891.5	934.0	***932.4***	***1,114***

Since 2016, O has generated almost 5% annual AFFO per share growth. In the past five years, this has decelerated slightly to 4.2%. For the sake of conservatism, we believe that O can generate 3.5% annual AFFO per share growth through 2031, off an anticipated 2026 base of $4.41. This is because while it takes more for the net lease REIT to move the growth needle now, the runway remains lengthy, with over $14 trillion of commercial net lease real estate in the U.S. and Europe. That gives it the ability to remain highly selective with the properties it acquires and to still grow at a slow and steady pace. What's more, O is leaning more heavily into Europe (nearly 60% of total 2025 investment volume). Less competition and a more fragmented market allow it to invest at a higher yield in Europe than in the U.S. (7.4% in 2025), which works out to a modestly higher investment spread versus the U.S. (174 basis points versus 165 basis points).

[1] Share count is in millions.

Disclosure: This analyst has a position in the security discussed in this research report.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
P/AFFO	20.0	18.6	19.9	22.2	18.3	19.9	16.2	14.4	12.7	13.4	***13.8***	***16.0***
Avg. Yld.	4.2%	4.4%	4.2%	3.7%	4.5%	3.8%	4.7%	5.3%	5.9%	5.6%	***5.3%***	***4.5%***

Over the last decade, O's P/AFFO ratio has varied from as low as the low double-digits to as high as the low-20s. Over that time, the average P/AFFO ratio was nearly 18. Since the 10-year U.S. Treasury yield is likely to be moderately above the average in recent years, we think that a multiple one standard deviation below the 10-year average is realistic. That produces a fair value P/AFFO ratio of roughly 16. Compared to the current-year P/AFFO ratio of 13.8, this implies O's shares are moderately undervalued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	83%	83%	83%	81%	83%	77%	76%	76%	75%	75%	***74%***	***72%***

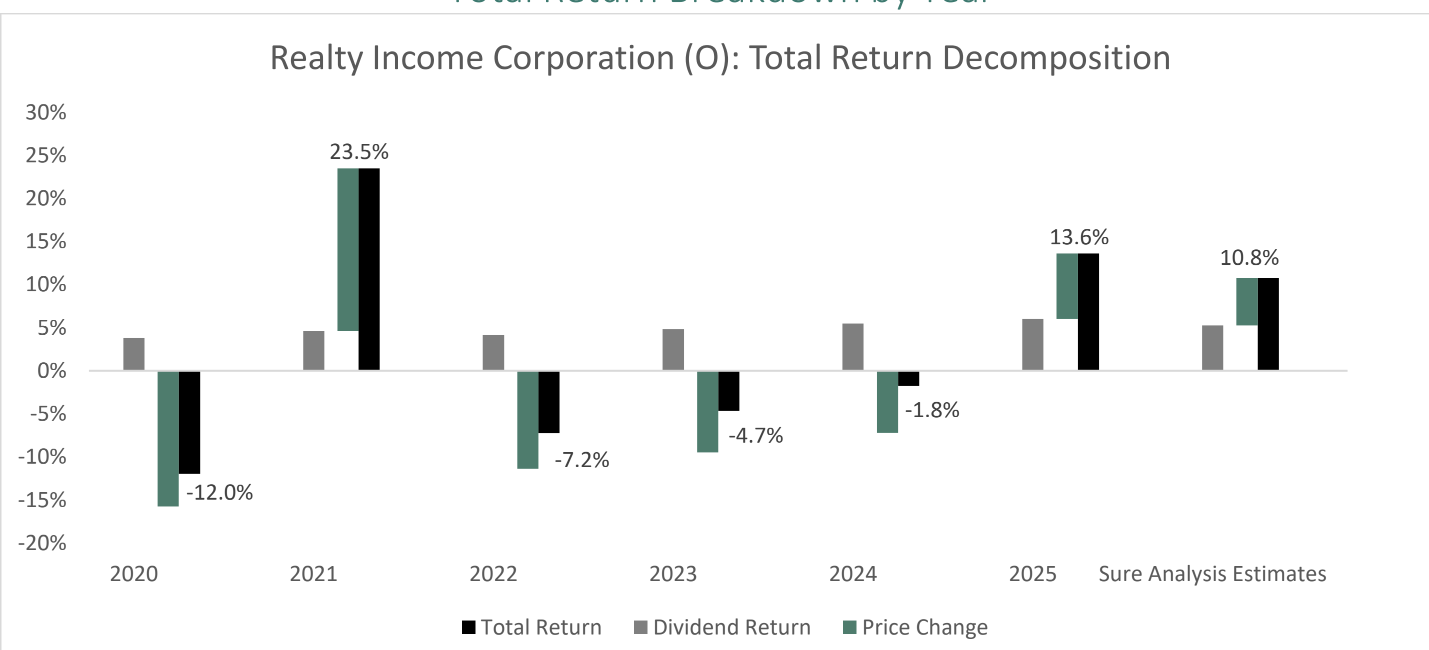
O's primary competitive advantage is its cost of capital, which creates a virtuous cycle that smaller competitors can't match. This allows it to win deals that other REITs can't touch. That has enabled the REIT to grow its AFFO per share in each of the last 10 years.

O's 35.7% net debt to total enterprise value is very strong. This is how it possesses an A- S&P credit rating with a stable outlook. The dividend also appears to be reasonably safe, with the payout ratio set to be in the mid-70% range for 2026. That's why we think that O can build on its 31-year dividend growth streak with at least 3% annual dividend growth for the foreseeable future.

Final Thoughts & Recommendation

O's 5.3% dividend yield, 3.5% annual AFFO per share growth prospects, and 3.0% annual valuation multiple upside potential could generate a 10.8% annual total return through 2031. Due to its dividend risk score, we're maintaining our Hold rating for now.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	1,103	1,216	1,327	1,488	1,688	2,085	3,343	4,095	5,303	5,759
Gross Profit	369	397	453	517	907	1,053	1,446	1,883	2,529	2,806
Gross Margin	33.4%	32.6%	34.1%	34.8%	53.7%	50.5%	43.3%	46.0%	47.7%	48.7%
D&A Exp.	450	499	540	594	677	898	1,670	1,895	2,396	2,524
Operating Profit	319	342	372	452	841	964	1,091	1,692	2,354	2,568
Operating Margin	28.9%	28.1%	28.0%	30.3%	49.8%	46.2%	32.6%	41.3%	44.4%	44.6%
Net Profit	316	319	365	437	397	361	872	877	867	1,070
Net Margin	28.7%	26.3%	27.5%	29.4%	23.5%	17.3%	26.1%	21.4%	16.4%	18.6%
Free Cash Flow	791	861	915	1,045	1,107	1,303	2,468	2,890	3,452	3,863
Income Tax	3	6	5	6	15	32	45	52	67	85

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	13,153	14,058	15,260	18,555	20,740	43,138	49,673	57,779	68,835	72,796
Cash & Equivalents	9	7	10	54	824	259	171	233	445	435
Goodwill & Int. Ass.	1,097	1,210	1,214	1,508	1,725	8,952	8,900	8,749	11,255	10,649
Total Liabilities	6,366	6,667	7,140	8,751	9,723	18,008	20,830	24,672	29,783	32,672
Long-Term Debt	6,109	6,386	6,816	8,363	9,259	17,257	19,980	23,396	28,388	30,821
Shareholder's Equity	6,371	7,371	8,089	9,774	10,985	25,053	28,713	32,941	38,841	39,439
LTD/E Ratio	0.90	0.87	0.84	0.86	0.84	0.69	0.70	0.71	0.73	0.78

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	2.5%	2.3%	2.5%	2.6%	2.0%	1.1%	1.9%	1.6%	1.4%	1.5%
Return on Equity	4.7%	4.5%	4.7%	4.9%	3.8%	2.0%	3.2%	2.8%	2.4%	2.7%
ROIC	2.6%	2.4%	2.5%	2.6%	2.1%	1.2%	1.9%	1.7%	1.4%	1.5%
Shares Out.	260.2	284.2	303.7	333.6	361.3	591.3	660.3	752.5	891.5	934.0
Revenue/Share	4.32	4.44	4.58	4.71	4.89	5.03	5.46	5.91	6.14	6.32
FCF/Share	3.09	3.14	3.16	3.31	3.20	3.14	4.03	4.17	4.00	4.24

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.