UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2013

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

Securities registered pursuant to Section 12 (b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, $0.01 Par Value	New York Stock Exchange
Class E Preferred Stock, $0.01 Par Value	New York Stock Exchange
Class F Preferred Stock, $0.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES x NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO x

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 has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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. See the definitions of large accelerated filer, accelerated filer and smaller reporting company 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

At June 30, 2013, the aggregate market value of the Registrant s shares of common stock, $0.01 par value, held by non-affiliates of the Registrant was $8.2 billion based upon the last reported sale price of $41.92 per share on the New York Stock Exchange on June 28, 2013, the last business day of the Registrant s most recently completed second fiscal quarter.

At January 29, 2014, the number of shares of common stock outstanding was 207,593,695, the number of shares of Class E preferred stock outstanding was 8,800,000 and the number of shares of Class F preferred stock outstanding was 16,350,000.

DOCUMENTS INCORPORATED BY REFERENCE

Part III, Items 10, 11, 12, 13 and 14 incorporate by reference certain specific portions of the definitive Proxy Statement for Realty Income Corporation s Annual Meeting to be held on May 6, 2014, to be filed pursuant to Regulation 14A. Only those portions of the proxy statement which are specifically incorporated by reference herein shall constitute a part of this annual report.

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REALTY INCOME CORPORATION

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PART I

Item 1: Business

THE COMPANY

Realty Income Corporation, The Monthly Dividend Company®, or Realty Income, is a publicly traded real estate company with the primary business objective of generating dependable monthly cash dividends from a consistent and predictable level of cash flow from operations. Our monthly dividends are supported by the cash flow from our portfolio of properties leased to commercial tenants. We have in-house acquisition, leasing, legal, credit research, real estate research, portfolio management (including property and asset management), and capital markets expertise. Over the past 45 years, Realty Income and its predecessors have been acquiring and owning freestanding commercial properties that generate rental revenue under long-term lease agreements.

Realty Income was founded in 1969, and in 1994 was listed on the New York Stock Exchange, or NYSE. We elected to be taxed as a real estate investment trust, or REIT, requiring us to distribute dividends to our stockholders aggregating at least 90% of our taxable income (excluding net capital gains).

We seek to increase distributions to stockholders and funds from operations, or FFO, per share through both active portfolio management and the acquisition of additional properties.

Generally, our portfolio management efforts seek to achieve:

- Contractual rent increases on existing leases;
- Rent increases at the termination of existing leases, when market conditions permit; and
- The active management of our property portfolio, including re-leasing vacant properties, and selectively selling properties, thereby mitigating our exposure to certain tenants and markets.

At December 31, 2013, we owned a diversified portfolio:

- Of 3,896 properties;
- With an occupancy rate of 98.2%, or 3,826 properties leased and 70 properties available for lease;

- Leased to 205 different commercial tenants doing business in 47 separate industries;
- Located in 49 states and Puerto Rico;
- With over 62.6 million square feet of leasable space; and
- With an average leasable space per property of approximately 16,100 square feet, including approximately 10,600 square feet per retail property.

Of the 3,896 properties in the portfolio, 3,876, or 99.5%, are single-tenant properties, and the remaining twenty are multi-tenant properties. At December 31, 2013, of the 3,876 single-tenant properties, 3,807 were leased with a weighted average remaining lease term (excluding rights to extend a lease at the option of the tenant) of approximately 10.8 years.

In acquiring additional properties, our strategy is primarily to acquire freestanding, single-tenant locations under long-term, net lease agreements. Our acquisition and investment activities generally focus on businesses providing goods and services that satisfy basic consumer and business needs. In general, our net lease agreements:

- Are for initial terms of 10 to 20 years;
- Require the tenant to pay minimum monthly rent and property operating expenses (taxes, insurance and maintenance); and
- Provide for future rent increases based on increases in the consumer price index (typically subject to ceilings), additional rent calculated as a percentage of the tenants gross sales above a specified level, or fixed increases.

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Our nine senior officers owned 0.4% of our outstanding common stock with a market value of $33.3 million at January 29, 2014. Our directors and nine senior officers, as a group, owned 0.6% of our outstanding common stock with a market value of $51.7 million at January 29, 2014.

Our common stock is listed on the NYSE under the ticker symbol O with a cusip number of 756109-104. Our central index key number is 726728.

Our 6.75% Monthly Income Class E Cumulative Redeemable Preferred Stock is listed on the NYSE under the ticker symbol OprE with a cusip number of 756109-708.

Our 6.625% Monthly Income Class F Cumulative Redeemable Preferred Stock is listed on the NYSE under the ticker symbol OprF with a cusip number of 756109-807.

In January 2014, we had 116 employees as compared to 97 employees in January 2013.

We maintain a corporate website at www.realtyincome.com. On our website we make available, free of charge, copies of our annual report on Form 10-K, quarterly reports on Form 10-Q, Form 3s, Form 4s, Form 5s, current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file these reports with the Securities and Exchange Commission, or SEC. None of the information on our website is deemed to be part of this report.

RECENT DEVELOPMENTS

Increases in Monthly Dividends to Common Stockholders

We have continued our 45-year policy of paying monthly dividends. In addition, we increased the dividend five times during 2013.

2013 Dividend increases	Month Paid	Dividend per share	Increase per share
1st increase	Jan 2013	$ 0.1517500	$ 0.0003125
2nd increase	Feb 2013	0.1809167	0.0291667
3rd increase	Apr 2013	0.1812292	0.0003125
4th increase	Jul 2013	0.1815417	0.0003125
5th increase	Oct 2013	0.1818542	0.0003125

The dividends paid per share during 2013 as compared to 2012 increased 21.2%, which is the largest annual increase in the company s history. The 2013 dividends paid per share totaled $2.1474587 as compared to $1.7716250 in 2012, an increase of $0.3758337.

In December 2013, we declared an increased dividend of $0.1821667 per share, which was paid in January 2014. The increase in January 2014 was our 65th consecutive quarterly increase and the 74th increase in the amount of the dividend since our listing on the NYSE in 1994. In January 2014 and February 2014, we declared dividends of $0.1821667 per share, which will be paid in February 2014 and March 2014, respectively.

The monthly dividend of $0.1821667 per share represents a current annualized dividend of $2.186 per share, and an annualized dividend yield of approximately 5.9% based on the last reported sale price of our common stock on the NYSE of $37.33 on December 31, 2013. Although we expect to continue our policy of paying monthly dividends, we cannot guarantee that we will maintain our current level of dividends, that we will continue our pattern of increasing dividends per share, or what our actual dividend yield will be in any future period.

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Acquisitions During 2013

During 2013, we invested $1.51 billion in 459 new properties and properties under development or expansion, with an initial weighted average contractual lease rate of 7.1%. The 459 new properties and properties under development or expansion are located in 40 states, will contain approximately 9.0 million leasable square feet, and are 100% leased with a weighted average lease term of 14.0 years. The tenants occupying the new properties operate in 23 industries and the property types consist of 83.8% retail, 9.2% office, 4.9% industrial and distribution, and 2.1% manufacturing, based on rental revenue. These investments are in addition to the $3.2 billion acquisition of 515 properties of American Realty Capital Trust, Inc., or ARCT, which were added to our real estate portfolio during the first quarter of 2013. Our combined total investment in real estate assets during 2013 was $4.67 billion in 974 new properties and properties under development or expansion. During 2013, none of our real estate investments caused any one tenant to be 10% or more of our total assets at December 31, 2013.

In conjunction with our acquisition of ARCT, each outstanding share of ARCT common stock was converted into the right to receive a combination of: (i) $0.35 in cash and (ii) 0.2874 shares of our common stock, resulting in the issuance of a total of approximately 45.6 million shares of our common stock to ARCT shareholders, valued at a per share amount of $44.04, which was the closing sale price of our common stock on January 22, 2013. In connection with the closing of this acquisition, we terminated and repaid the amounts then outstanding of approximately $552.9 million under ARCT s revolving credit facility and term loan. In connection with our acquisition of ARCT, we assumed approximately $516.3 million of mortgages payable. We incurred merger costs of $13.0 million and $7.9 million, respectively, in 2013 and 2012. The total merger costs were approximately $21 million.

Our acquisition of ARCT provided benefits to Realty Income, including accretion to net earnings, growth in the size of our real estate portfolio, diversification of industries and property type, and increase in the percentage of investment grade tenants.

The 515 properties added to our real estate portfolio as a result of the ARCT acquisition, are located in 44 states and Puerto Rico, contain over 16.0 million leasable square feet and are 100% leased with a weighted average lease term of 12.2 years. The 69 tenants, occupying the 515 properties acquired, operate in 28 industries and the property types consist of 54.0% retail, 32.6% industrial and distribution, and 13.4% office, based on rental revenue.

The estimated initial weighted average contractual lease rate for a property is generally computed as estimated contractual net operating income, which, in the case of a net leased property, is equal to the aggregate base rent under the lease for the first full year of each lease, divided by the total cost of the property. Since it is possible that a tenant could default on the payment of contractual rent, we cannot provide assurance that the actual return on the funds invested will remain at the percentages listed above.

In the case of a property under development or expansion, the estimated initial weighted average contractual lease rate is computed as follows: estimated net operating income (which is calculated by multiplying the capitalization rate determined by the lease by our projected total investment in the property, including land, construction and capitalized interest costs) for the first full year of each lease, divided by such projected total investment in the property. Of the $4.67 billion we invested during 2013, $39.6 million was invested in 21 properties under development or expansion, with an estimated initial weighted average contractual lease rate of 8.5%. We may continue to pursue development or expansion opportunities under similar arrangements in the future.

John P. Case Appointed Chief Executive Officer (CEO)

In September 2013, we announced that our Board of Directors appointed John P. Case as CEO of the company. Mr. Case, who had previously served as President and Chief Investment Officer, succeeded Tom A. Lewis, who retired as our CEO. Mr. Lewis had been our CEO since 1997. Mr. Case is only the third CEO in Realty Income s 45-year history.

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Portfolio Discussion

Leasing Results

At December 31, 2013, we had 70 properties available for lease out of 3,896 properties in our portfolio, which represents a 98.2% occupancy rate. Since December 31, 2012, when we reported 84 properties available for lease and a 97.2% occupancy rate, we:

- Leased 27 properties;
- Sold 19 properties available for lease; and
- Have 32 new properties available for lease.

During 2013, 136 properties with expiring leases were leased to either existing or new tenants. The annual rent on these leases was $16.1 million, as compared to the previous rent on these same properties of $16.0 million. At December 31, 2013, our average annualized rental revenue was approximately $13.21 per square foot on the 3,807 leased properties in our portfolio. At December 31, 2013, we classified 12 properties with a carrying amount of $12.0 million as held for sale on our balance sheet.

Investments in Existing Properties

In 2013, we capitalized costs of $8.5 million on existing properties in our portfolio, consisting of $1.3 million for re-leasing costs and $7.2 million for building and tenant improvements. In 2012, we capitalized costs of $6.6 million on existing properties in our portfolio, consisting of $1.62 million for re-leasing costs and $4.93 million for building and tenant improvements.

As part of our re-leasing costs, we pay leasing commissions and sometimes provide tenant rent concessions. Leasing commissions are paid based on the commercial real estate industry standard and any rent concessions provided are minimal. We do not consider the collective impact of the leasing commissions or tenant rent concessions to be material to our financial position or results of operations.

The majority of our building and tenant improvements are related to roof repairs, HVAC improvements, and parking lot resurfacing and replacements. It is not customary for us to offer significant tenant improvements on our properties as tenant incentives. The amounts of our capital expenditures can vary significantly, depending on the rental market, tenant credit worthiness, and the willingness of tenants to pay higher rents over the terms of the leases.

Amendment to Credit Facility

In October 2013, we amended our credit facility by increasing the borrowing capacity by $500 million to $1.5 billion. All other material business terms of the credit facility remain unchanged.

Note Issuance

In July 2013, we issued $750 million of 4.65% senior unsecured notes due August 2023, or the 2023 Notes. The price to the investors for the 2023 Notes was 99.775% of the principal amount for an effective yield of 4.678% per annum. The total net proceeds of approximately $741.4 million from this offering were used to repay all outstanding borrowings under our acquisition credit facility, and the remaining proceeds were used for general corporate purposes, including additional property acquisitions. Interest is paid semiannually on the 2023 Notes.

Accelerated Stock Vesting

The Compensation Committee of our Board of Directors approved, effective July 1, 2013, the accelerated vesting of each restricted stock award that had originally been granted with ten-year vesting to five years. On July 1, 2013, 212,827 restricted shares vested as a result of this acceleration, resulting in additional compensation expense of $3.7 million during 2013.

Issuance of Common Stock

In October 2013, we issued 9,775,000 shares of common stock at a price of $40.63 per share, including 1,275,000 shares purchased by the underwriters upon the exercise of their option to purchase additional shares. After underwriting discounts and other estimated offering costs of $18.7 million, the net proceeds of approximately $378.5 million were used to repay a portion of the borrowings under our acquisition credit facility, which were used to fund property acquisitions.

In March 2013, we issued 17,250,000 shares of common stock at a price of $45.90 per share. After underwriting discounts and other offering costs of $36.7 million, the net proceeds of $755.1 million were used to redeem our 5.375% notes in March 2013 and repay borrowings under our acquisition credit facility, which were used to fund property acquisitions, including our acquisition of ARCT.

In connection with our January 2013 acquisition of ARCT, we issued a total of 45,573,144 shares of our common stock to ARCT shareholders and redeemed 208,709 shares of our common stock that were previously held by ARCT.

Dividend Reinvestment and Stock Purchase Plan

In March 2011, we established a Dividend Reinvestment and Stock Purchase Plan, or the DRSPP, to provide our common stockholders, as well as new investors, with a convenient and economical method of purchasing our common stock and reinvesting their distributions. The DRSPP also allows our current stockholders to buy additional shares of common stock by reinvesting all or a portion of their distributions. The DRSPP authorizes up to 6,000,000 common shares to be issued. During 2013, we issued 1,449,139 shares and raised approximately $55.6 million under the DRSPP.

Note Repayment

In March 2013, we repaid the $100 million of outstanding 5.375% notes, plus accrued and unpaid interest, using proceeds from our March 2013 common stock offering and our credit facility.

Term Loan

In January 2013, in conjunction with our acquisition of ARCT, we entered into a $70 million senior unsecured term loan maturing January 21, 2018, to partially repay the then outstanding ARCT term loan. Borrowing under the term loan bears interest at LIBOR, plus 1.20%. In conjunction with this term loan, we also acquired an interest rate swap which essentially fixes our per annum interest rate on the term loan at 2.15%.

Noncontrolling Interests

As consideration for two separate acquisitions during 2013, partnership units of Tau Operating Partnership, L.P. and Realty Income, L.P. were issued to third parties. These units (discussed in the following paragraphs below) do not have voting rights, are entitled to monthly distributions equal to the amount paid to our common stockholders, and are redeemable in cash or our common stock, at our option and at a conversion ratio of one to one, subject to certain exceptions. As the general partner for each of these partnerships, we have operating and financial control over these entities, consolidate them in our financial statements, and record the partnership units held by third parties as noncontrolling interests.

Issuance of Common and Preferred Partnership Units

In connection with our acquisition of ARCT in January 2013, we issued 317,022 common partnership units and 6,750 preferred partnership units. These common units are entitled to monthly distributions equivalent to the per common share amounts paid to the common stockholders of Realty Income. The preferred units have a par value of $1,000, and are entitled to monthly payments at a rate of 2% per annum, or $135,000 per year.

In June 2013, we issued 534,546 common partnership units of Realty Income, L.P. These common units are entitled to monthly distributions equivalent to the per common share amount paid to the common stockholders of Realty Income.

Universal Shelf Registration

In February 2013, we filed a shelf registration statement with the SEC, which is effective for a term of three years and will expire in February 2016. This replaces our prior shelf registration statement. In accordance with SEC rules, the amount of securities to be issued pursuant to this shelf registration statement was not specified when it was filed and there is no specific dollar limit. The securities covered by this registration statement

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include (1) common stock, (2) preferred stock, (3) debt securities, (4) depositary shares representing fractional interests in shares of preferred stock, (5) warrants to purchase debt securities, common stock, preferred stock or depositary shares, and (6) any combination of these securities. We may periodically offer one or more of these securities in amounts, prices and on terms to be announced when and if the securities are offered. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering.

Net Income Available to Common Stockholders

Net income available to common stockholders was $203.6 million in 2013, compared to $114.5 million in 2012, an increase of $89.1 million. On a diluted per common share basis, net income was $1.06 in 2013, as compared to $0.86 in 2012, an increase of $0.20, or 23.3%. Net income available to common stockholders for 2013 includes $13.0 million of merger-related costs for the acquisition of ARCT, which represents $0.07 on a diluted per common share basis, and $3.7 million for accelerated vesting of restricted shares that occurred in July 2013 from ten-year vesting to five years, which represents $0.02 on a diluted per common share basis. Net income available to common stockholders for 2012 includes $7.9 million of merger-related costs for the acquisition of ARCT, which represents $0.06 on a diluted per common share basis, and a $3.7 million charge for the excess of redemption value over carrying value of the shares of our 7.375% Monthly Income Class D Cumulative Redeemable Preferred Stock, or Class D preferred stock, which represents $0.03 on a diluted per common share basis.

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

Gains from the sale of properties during 2013 were $64.7 million, as compared to gains from the sale of properties of $9.9 million during 2012.

Funds from Operations Available to Common Stockholders (FFO) and Normalized Funds from Operations Available to Common Stockholders (Normalized FFO)

In 2013, our FFO increased by $188.1 million, or 72.1%, to $449.0 million versus $260.9 million in 2012. On a diluted per common share basis, FFO was $2.34 in 2013, compared to $1.96 in 2012, an increase of $0.38, or 19.4%. FFO in 2013 includes $13.0 million of merger-related costs, which represents $0.07 on a diluted per common share basis, and $3.7 million for accelerated vesting of restricted shares that occurred in July 2013 from ten-year vesting to five years, which represents $0.02 on a diluted per common share basis. FFO for 2012 includes $7.9 million of merger-related costs, which represents $0.06 on a diluted per common share basis, and includes a $3.7 million charge for the excess of redemption value over carrying value of the shares of our Class D preferred stock, which represents $0.03 on a diluted per common share basis.

We define normalized FFO as FFO excluding the merger-related costs for our acquisition of ARCT. In 2013, our normalized FFO increased by $193.2 million, or 71.9%, to $462.0 million, versus $268.8 million in 2012. On a diluted common share basis, normalized FFO was $2.41 in 2013, compared to $2.02 in 2012, an increase of $0.39, or 19.3%.

See our discussion of FFO and normalized FFO (which are not financial measures under U.S. generally accepted accounting principles, or GAAP), in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations in this annual report, which includes a reconciliation of net income available to common stockholders to FFO and normalized FFO.

Adjusted Funds from Operations Available to Common Stockholders (AFFO)

In 2013, our AFFO increased by $188.9 million, or 68.9%, to $463.1 million versus $274.2 million in 2012. On a diluted per common share basis, AFFO was $2.41 in 2013, compared to $2.06 in 2012, an increase of $0.35, or 17.0%.

See our discussion of AFFO (which is not a financial measure under GAAP), in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations in this annual report, which includes a reconciliation of net income available to common stockholders to FFO, normalized FFO and AFFO.

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DIVIDEND POLICY

Distributions are paid monthly to holders of shares of our common stock, 6.75% Monthly Income Class E Cumulative Redeemable Preferred Stock, or Class E preferred stock, and 6.625% Monthly Income Class F Cumulative Redeemable Preferred Stock, or Class F preferred stock, if, and when, declared by our Board of Directors.

Distributions are paid monthly to the limited partners holding common units of Tau Operating Partnership, L.P. and Realty Income, L.P., each on a per unit basis that is generally equal to the amount paid per share to our common stockholders.

In order to maintain our tax status as a REIT for federal income tax purposes, we generally are required to distribute dividends to our stockholders aggregating annually at least 90% of our taxable income (excluding net capital gains), and we are subject to income tax to the extent we distribute less than 100% of our taxable income (including net capital gains). In 2013, our cash distributions to preferred and common stockholders totaled $451.2 million, or approximately 161.4% of our estimated taxable income of $279.6 million. Our estimated taxable income reflects non-cash deductions for depreciation and amortization. Our estimated taxable income is presented to show our compliance with REIT dividend requirements and is not a measure of our liquidity or operating performance. We intend to continue to make distributions to our stockholders that are sufficient to meet this dividend requirement and that will reduce or eliminate our exposure to income taxes. Furthermore, we believe our funds from operations are more than sufficient to support our current level of cash distributions to our stockholders. Our 2013 cash distributions to common stockholders totaled $409.2 million, representing 88.4% of our adjusted funds from operations available to common stockholders of $463.1 million.

The Class E preferred stockholders receive cumulative distributions at a rate of 6.75% per annum on the $25.00 per share liquidation preference (equivalent to $1.6875 per annum per share). The Class F preferred stockholders receive cumulative distributions at a rate of 6.625% per annum on the $25.00 per share liquidation preference (equivalent to $1.65625 per annum per share). Dividends on our Class E and Class F preferred stock are current.

Future distributions will be at the discretion of our Board of Directors and will depend on, among other things, our results of operations, FFO, normalized FFO, AFFO, cash flow from operations, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code of 1986, as amended, or the Code, our debt service requirements and any other factors our Board of Directors may deem relevant. In addition, our credit facility contains financial covenants that could limit the amount of distributions paid by us in the event of a default, and which prohibit the payment of distributions on the common or preferred stock in the event that we fail to pay when due (subject to any applicable grace period) any principal or interest on borrowings under our credit facility.

Distributions of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to stockholders as ordinary income, except to the extent that we recognize capital gains and declare a capital gains dividend, or that such amounts constitute qualified dividend income subject to a reduced rate of tax. The maximum tax rate of non-corporate taxpayers for qualified dividend income is generally 20%. In general, dividends payable by REITs are not eligible for the reduced tax rate on qualified dividend income, except to the extent that certain holding requirements have been met with respect to the REIT s stock and the REIT s dividends are attributable to dividends received from certain taxable corporations (such as our taxable REIT subsidiaries) or to income that was subject to tax at the corporate or REIT level (for example, if we distribute taxable income that we retained and paid tax on in the prior taxable year).

Distributions in excess of earnings and profits generally will be treated as a non-taxable reduction in the stockholders basis in their stock, but not below zero. Distributions in excess of that basis generally will be taxable as a capital gain to stockholders who hold their shares as a capital asset. Approximately 38.7% of the distributions to our common stockholders, made or deemed to have been made in 2013, were classified as a return of capital for federal income tax purposes. We estimate that in 2014, between 15% and 30% of the distributions may be classified as a return of capital.

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BUSINESS PHILOSOPHY AND STRATEGY

Capital Philosophy

Historically, we have met our long-term capital needs by issuing common stock, preferred stock and long-term unsecured notes and bonds. Over the long term, we believe that common stock should be the majority of our capital structure. However, we may issue additional preferred stock or debt securities. We may issue common stock when we believe that our share price is at a level that allows for the proceeds of any offering to be accretively invested into additional properties. In addition, we may issue common stock to permanently finance properties that were financed by our credit facility or debt securities. However, we cannot assure you that we will have access to the capital markets at times and at terms that are acceptable to us.

Our primary cash obligations, for the current year and subsequent years, are included in the Table of Obligations, which is presented in the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations. We expect to fund our operating expenses and other short-term liquidity requirements, including property acquisitions and development costs, payment of principal and interest on our outstanding indebtedness, property improvements, re-leasing costs and cash distributions to common and preferred stockholders, primarily through cash provided by operating activities, borrowing on our $1.5 billion credit facility and occasionally through public securities offerings.

Conservative Capital Structure

We believe that our stockholders are best served by a conservative capital structure. Therefore, we seek to maintain a conservative debt level on our balance sheet and solid interest and fixed charge coverage ratios. At December 31, 2013, our total outstanding borrowings of senior unsecured notes, term loan, mortgages payable and credit facility borrowings were $4.18 billion, or approximately 33.2% of our total market capitalization of $12.59 billion.

We define our total market capitalization at December 31, 2013 as the sum of:

- Shares of our common stock outstanding of 207,485,073, plus total common units of 851,568, multiplied by the last reported sales price of our common stock on the NYSE of $37.33 per share on December 31, 2013, or $7.78 billion;
- Aggregate liquidation value (par value of $25.00 per share) of the Class E preferred stock of $220.0 million;
- Aggregate liquidation value (par value of $25.00 per share) of the Class F preferred stock of $408.8 million;
- Outstanding borrowings of $128.0 million on our credit facility;
- Outstanding mort