

REAL ESTATE INCOME FUND INC  
Form N-CSR/A  
March 11, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number **811-21098**

**Real Estate Income Fund Inc.**

(Exact name of registrant as specified in charter)

125 Broad Street, New York, NY 10004  
(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.  
Smith Barney Fund Management LLC  
300 First Stamford Place  
Stamford, CT 06902  
(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 451-2010

Date of fiscal year end: **December 31**  
Date of reporting period: **December 31, 2004**

ITEM 1. REPORT TO STOCKHOLDERS.

The **Annual** Report to Stockholders is filed herewith.

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**LETTER FROM THE CHAIRMAN**

**R. JAY GERKEN, CFA**

*Chairman, President and  
Chief Executive Officer*

**Dear Shareholder,**

Despite sharply rising oil prices, threats of terrorism, geopolitical concerns and uncertainties surrounding the Presidential election, the U.S. economy continued to expand during the reporting period. Following a robust 4.5% gain in the first quarter of 2004, gross domestic product ( GDP ) growth was 3.3% in the second quarter of the year. This decline was largely attributed to higher energy prices. However, third quarter 2004 GDP growth rose to a strong 4.0%. While fourth quarter GDP figures have not yet been released, continued growth is anticipated.

Turning to the stock market, equities in both the U.S. and abroad rallied sharply during the fourth quarter of 2004, helping to produce solid gains for the year. With the uncertainty of the Presidential election behind them, coupled with falling oil prices, investors were drawn to the equity markets. Following their exceptional returns in 2003, real estate investment trusts ( REITs ) had another outstanding year in 2004. With the economy on solid footing, capital flows into the REIT market were very strong, which benefited stock prices.

Please read on for a more detailed look at prevailing economic and market conditions during the fund's fiscal year and to learn how those conditions have affected fund performance.

**Information About Your Fund**

As you may be aware, several issues in the mutual fund industry have recently come under the scrutiny of federal and state regulators. The fund's Adviser and some of its affiliates have received requests for information from various government regulators regarding market timing, late trading, fees, and other mutual fund issues in connection with various investigations. The fund has been informed that the Adviser and its affiliates are responding to those information requests, but are not in a position to predict the outcome of these requests and investigations.

As previously disclosed by Citigroup, the Staff of the Securities and Exchange Commission ( SEC ) has notified Citigroup Asset Management ( CAM ) and Citicorp Trust Bank ( CTB ), an affiliate of CAM, that the Staff is considering recommending a civil injunctive action and/or an administrative proceeding

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*Real Estate Income Fund Inc.*

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against CAM, CTB, the former CEO of CAM, two former employees and a current employee of CAM, relating to the creation, operation and fees of an internal transfer agent unit that serves various CAM-managed funds. Citigroup is cooperating with the SEC and will seek to resolve this matter in discussion with the SEC Staff. Although there can be no assurance, Citigroup does not believe that this matter will have a material adverse effect on the fund. For further information, please see the Additional Information note in the Notes to the Financial Statements included in this report.

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you continue to meet your financial goals.

Sincerely,

R. Jay Gerken, CFA  
Chairman, President and Chief Executive Officer

*January 12, 2005*

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**MANAGER OVERVIEW**

**Performance Review**

For the 12 months ended December 31, 2004, the Real Estate Income Fund Inc. returned 13.45%, based on its New York Stock Exchange ( NYSE ) market price and 24.75% based on its net asset value ( NAV ) per share. In comparison, the Lipper Sector Equity Closed-end Funds Category Average<sup>iv</sup> was 18.81% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

During the 12-month period, the fund made distributions to common shareholders totaling \$1.308 per share. The performance table shows the fund's 30-day SEC yield as well as its 12-month total return based on its NAV and market price as of December 31, 2004. **Past performance is no guarantee of future results. The fund's yields will vary.**

**FUND PERFORMANCE  
AS OF DECEMBER 31, 2004  
(unaudited)**

<b>Price Per Share</b>	<b>30-Day SEC Yield</b>	<b>12-Month Total Return</b>
\$21.05 (NAV)	6.49%	24.75%
\$18.47 (NYSE)	7.40%	13.45%

**All figures represent past performance and are not a guarantee of future results. The fund's yields will vary.**

Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all dividends and/or capital gains distributions, if any, in additional shares. The SEC yield is a return figure often quoted by bond and other fixed-income mutual funds. This quotation is based on the most recent 30-day (or one-month) period covered by the fund's filings with the SEC. The yield figure reflects the dividends and interest earned during the period after deduction of the fund's expenses for the period. The yield figure is as of December 31, 2004 and is subject to change.

**REIT Market/Economic Overview**

The REIT market continued its strong run in 2004. The major U.S. REIT indices posted returns in excess of 30.0% for the second consecutive year, with all property sectors posting positive results. This also marked the fifth year in a row that REITs have outperformed the broad equity market, as measured by the S&P 500 Index.<sup>v</sup> Capital flows, both from domestic and foreign investors, into the U.S. REIT market continued to remain strong during the fiscal year, as investors in general continued to embrace REITs as a strategic asset class offering diversification benefits and a stable dividend yield. We expect that capital flows into the REIT sector are likely to continue, at least in the near term. Going forward, however, we caution investors not to expect the outsized relative gains of the past five years.

**Contributors to Performance**

For the year ended December 31, 2004, each of the property sectors in which the fund had holdings posted positive returns. The fund's positive performance for the period was particularly driven by strong results in the regional mall, office and apartment sectors. Among the best performers in the regional mall sector was **The Macerich Co.**, which was up 48.0% in 2004. The company benefited from strong retailer demand, as well as speculation of it being a potential acquisition target. Also enhancing results was **Summit Properties Inc.** in the apartment sector. Its shares rose over 44.0% as the firm benefited significantly from its merger announcement with another apartment REIT, **Camden Property Trust**.

The fund used leverage during the fiscal year. This had a positive impact on results, given the strong performance of the fund's underlying assets. During the reporting period, there were no major detractors to fund performance. Not surprisingly, the fund's common stock holdings outperformed its more income-oriented preferred positions, which on average gained 7.0% to 10.0%.

**Looking for Additional Information?**

The fund is traded under the symbol RIT and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under symbol XRITX. *Barron's* and *The Wall Street Journal's* Monday editions carry closed-end fund tables that will provide additional information. In addition, the fund issues a quarterly press release that can be found on most major financial websites as well as [www.citigroupassetmanagement.com](http://www.citigroupassetmanagement.com).

In a continuing effort to provide information concerning the fund, shareholders may call 1-888-735-6507, Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the fund's current net asset value, market price, and other information.

Thank you for your investment in the Real Estate Income Fund Inc. As ever, we appreciate that you have chosen us to manage your assets and we remain focused on seeking to achieve the fund's investment goals.

Sincerely,

Matthew A. Troxell, CFA  
Investment Officer

*January 12, 2005*



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The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

Portfolio holdings and breakdowns are as of December 31, 2004 and are subject to change and may not be representative of the portfolio manager's current or future investments. The fund's top ten holdings (as a percentage of net assets) as of this date were: Healthcare Realty Trust Inc. (4.9%), HRPT Properties Trust (4.7%), Senior Housing Properties Trust (4.2%), Camden Property Trust (4.2%), iStar Financial Inc. (4.1%), The Macerich Co. (4.0%), Kilroy Realty Corp. (3.8%), Liberty Property Trust (3.5%), Heritage Property Investment Trust Inc. (3.5%) and Arden Realty, Inc. (3.3%). Please refer to pages 8 through 11 for a list and percentage breakdown of the fund's holdings.

The mention of sector breakdowns is for informational purposes only and should not be construed as a recommendation to purchase or sell any securities. The information provided regarding such sectors is not a sufficient basis upon which to make an investment decision. Investors seeking financial advice regarding the appropriateness of investing in any securities or investment strategies discussed should consult their financial professional. Portfolio holdings are subject to change at any time and may not be representative of the portfolio manager's current or future investments. The fund's top five sector holdings (as a percentage of net assets) as of this date were: Office (27.4%), Shopping Centers (21.1%), Healthcare (16.3%), Apartments (15.6%) and Industrial/Office-Mixed (9.9%). The fund's portfolio composition is subject to change at any time.

**RISKS:** Funds that invest in securities related to the real estate industry, are subject to the risks of real estate markets, including fluctuating property values, changes in interest rates and other mortgage-related risks. In addition, investment in funds that concentrate their investments in one sector or industry may involve greater risk than more broadly diversified funds.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- <sup>i</sup> Gross domestic product is a market value of goods and services produced by labor and property in a given country.
- <sup>ii</sup> Real Estate Investment Trusts invest in real estate or loans secured by real estate and issue shares in such investments, which can be illiquid.
- <sup>iii</sup> NAV is calculated by subtracting total liabilities and outstanding preferred stock from the closing value of all securities held by the fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the fund has invested. However, the price at which an investor may buy or sell shares of the fund is at the fund's market price as determined by supply of and demand for the fund's shares.
- <sup>iv</sup> Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the 12-month period ended December 31, 2004, including the reinvestment of dividends and capital gains, if any, calculated among the 30 funds in the fund's Lipper category, and excluding sales charges.
- <sup>v</sup> The S&P 500 Index is a market capitalization-weighted index of 500 widely held common stocks.

**Take Advantage of the Fund's Dividend Reinvestment Plan!**

As an investor in the Fund, you can participate in its Dividend Reinvestment Plan ( Plan ), a convenient, simple and efficient way to reinvest your dividends and capital gains, if any, in additional shares of the Fund. A description of the Fund's Plan begins on page 33. Below is a short summary of how the Plan works.

**Plan Summary**

If you are a Plan participant who has not elected to receive your dividends in the form of a cash payment, then your dividend and capital gain distributions will be reinvested automatically in additional shares of the Fund.

The number of common stock shares in the Fund you will receive in lieu of a cash dividend is determined in the following manner. If the market price of the common stock is equal to or exceeds 98% of the net asset value ( NAV ) per share on the date of determination, you will be issued shares at a price equal to the greater of (a) 98% of the NAV per share at the close of trading on the determination date or (b) 95% of the market price per share of the Common Shares on the determination date.

If 98% of the NAV per share at the time of valuation is greater than the market price of the common stock on the determination date, the Plan Agent will buy common stock for your account in the open market or on the New York Stock Exchange.

If the Plan Agent begins to purchase additional shares in the open market and the market price of the shares subsequently rises above 98% of the NAV before the purchases are completed, the Plan Agent will attempt to cancel any remaining orders and the Fund will issue the remaining dividend or distribution in shares at the greater of 98% of the NAV per share at the close of trading on the Exchange on the determination date or 95% of their current market price. In that case, the number of Fund shares you receive will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares.

To find out more detailed information about the Plan and about how you can participate, please call American Stock Transfer & Trust Company at 1-877-366-6441.

**Fund at a Glance (unaudited)**

**Investment Breakdown**

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Schedule of Investments

December 31, 2004

SHARES	SECURITY	VALUE
<b>COMMON STOCK 72.0%</b>		
<b>Apartments 9.1%</b>		
36,500	Archstone-Smith Trust	\$ 1,397,950
190,000	Camden Property Trust	9,690,000
185,000	Gables Residential Trust	6,621,150
100,000	Mid-America Apartment Communities, Inc.	4,122,000
156,000	Summit Properties Inc.	5,079,360
		26,910,460
<b>Diversified 4.7%</b>		
210,000	iStar Financial Inc.	9,504,600
190,000	Lexington Corporate Properties Trust	4,290,200
		13,794,800
<b>Healthcare 10.4%</b>		
174,000	Health Care Property Investors, Inc.	4,818,060
280,000	Healthcare Realty Trust Inc.	11,396,000
22,600	Omega Healthcare Investors, Inc.	266,680
300,000	Provident Senior Living Trust	4,800,000
511,700	Senior Housing Properties Trust	9,691,598
		30,972,338
<b>Home Financing 1.0%</b>		
108,500	Municipal Mortgage & Equity, L.L.C.	2,952,285
<b>Industrial 3.6%</b>		
185,000	EastGroup Properties, Inc. (a)	7,089,200
161,700	First Potomac Realty Trust	3,686,760
		10,775,960
<b>Industrial/Office - Mixed 6.2%</b>		
50,000	Bedford Property Investors, Inc.	1,420,500
207,000	Kilroy Realty Corp.	8,849,250
190,000	Liberty Property Trust	8,208,000
		18,477,750
<b>Lodging/Resorts 2.5%</b>		
70,000	Eagle Hospitality Properties Trust, Inc.	721,000
146,000	Hospitality Properties Trust	6,716,000
		7,437,000
<b>Office 16.3%</b>		
203,000	Arden Realty, Inc.	7,657,160

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<b>SHARES</b>	<b>SECURITY</b>	<b>VALUE</b>
177,000	CarrAmerica Realty Corp.	5,841,000
72,000	Glenborough Realty Trust Inc.	1,532,160
260,000	Highwoods Properties, Inc.	7,202,000
848,700	HRPT Properties Trust	10,888,821
161,000	Mack-Cali Realty Corp.	7,410,830
200,000	Prentiss Properties Trust	7,640,000

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48,171,971

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**See Notes to Financial Statements.**

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Schedule of Investments (continued)

December 31, 2004

SHARES	SECURITY	VALUE
<b>Regional Malls 5.0%</b>		
196,000	Glimcher Realty Trust	\$ 5,431,160
148,100	The Macerich Co.	9,300,680
		14,731,840
<b>Retail - Free Standing 1.4%</b>		
171,900	Commercial Net Lease Realty	3,541,140
13,000	Realty Income Corp.	657,540
		4,198,680
<b>Shopping Centers 9.7%</b>		
250,000	Borealis Retail Real Estate Investment Trust	2,774,084
330,000	Cedar Shopping Centers Inc.	4,719,000
105,000	Equity One, Inc.	2,491,650
252,000	Heritage Property Investment Trust	8,086,680
104,400	Inland Real Estate Corp.	1,665,180
75,000	New Plan Excel Realty Trust, Inc.	2,031,000
135,000	Ramco-Gershenson Properties Trust	4,353,750
104,000	Tanger Factory Outlet Centers, Inc.	2,751,840
		28,873,184
<b>Specialty 2.1%</b>		
21,300	Correctional Properties Trust	615,144
127,000	Entertainment Properties Trust	5,657,850
		6,272,994
<b>TOTAL COMMON STOCK</b>		
(Cost \$138,201,768)		<b>213,569,262</b>
<b>PREFERRED STOCK 27.9%</b>		
<b>Apartments 3.2%</b>		
	Apartment Investment and Management Co.:	
113,000	7.750% Cumulative, Class U	2,811,440
75,000	9.375% Cumulative, Class G	2,050,500
115,000	10.000% Cumulative, Class R	3,062,450
60,000	United Dominion Realty Trust, Inc., 8.600% Cumulative Redeemable, Series B	1,617,000
		9,541,390
<b>Diversified 1.0%</b>		
109,400	Crescent Real Estate Equities Co., 9.500% Cumulative Redeemable, Series B	2,920,980
<b>Healthcare 2.3%</b>		

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SHARES	SECURITY	VALUE
150,000	Health Care Property Investors, Inc., 7.100% Cumulative Redeemable, Series F	3,796,500
120,400	Omega Healthcare Investors, Inc., 8.375% Cumulative Redeemable, Series D	3,178,560
<hr/>		6,975,060
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See Notes to Financial Statements.

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Schedule of Investments (continued)

December 31, 2004

SHARES	SECURITY	VALUE
<b>Industrial/Office - Mixed 1.5%</b>		
90,000	Bedford Property Investors, Inc., 8.750% Cumulative Redeemable, Series A	\$ 4,485,942
<b>Lodging/Resorts 3.8%</b>		
220,000	Boykin Lodging Co., 10.500% Cumulative, Class A	6,182,000
90,000	FelCor Lodging Trust Inc., 9.000% Cumulative Redeemable, Series B	2,306,700
71,100	Hospitality Properties Trust, 8.875% Cumulative Redeemable, Series B	1,969,470
26,000	LaSalle Hotel Properties, 10.250% Cumulative Redeemable, Series A	712,400
		11,170,570
<b>Office 5.3%</b>		
275,000	CarrAmerica Realty Corp., 7.500% Cumulative Redeemable, Series E	7,304,000
255,600	HRPT Properties Trust: 8.750% Cumulative Redeemable, Series B	7,068,618
50,000	9.875% Cumulative Redeemable, Series A	1,352,500
		15,725,118
<b>Regional Malls 2.7%</b>		
85,000	Glimcher Realty Trust, 8.750% Cumulative Redeemable, Series F The Mills Corp.:	2,233,910
35,000	8.750% Cumulative Redeemable, Series E	992,600
91,700	9.000% Cumulative Redeemable, Series B	2,540,090
6,000	Pennsylvania Real Estate Investment Trust, 11.000% Sr. Cumulative	363,000
32,700	Simon Property Group, Inc., 7.890%, Cumulative Step-Up Premium Rate, Series C	1,759,669
		7,889,269
<b>Retail - Free Standing 1.0%</b>		
85,000	Commercial Net Lease Realty, Inc., 9.000% Sr. Cumulative, Series A	2,300,100
25,200	Realty Income Corp., 7.375% Cumulative Redeemable, Class D	656,208
		2,956,308
<b>Self Storage 0.3%</b>		
35,000	Public Storage, Inc., 8.000% Cumulative, Series R	922,950
<b>Shopping Centers 6.8%</b>		
73,000	Cedar Shopping Centers Inc., 8.875% Cumulative Redeemable, Series A Developers Diversified Realty Corp.:	1,925,740



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<b>SHARES</b>	<b>SECURITY</b>	<b>VALUE</b>
21,200	8.000% Cumulative Redeemable, Class G	567,100
130,000	8.600% Cumulative Redeemable, Class F	3,493,100
131,000	Federal Realty Investment Trust, 8.500% Cumulative Redeemable, Series B	3,554,030

**See Notes to Financial Statements.**

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Schedule of Investments (continued)

December 31, 2004

SHARES	SECURITY	VALUE
<b>Shopping Centers 6.8% (continued)</b>		
75,000	New Plan Excel Realty Trust, Inc., 7.625% Cumulative Redeemable, Series E	\$ 1,975,500
65,000	Ramco-Gershenson Properties Trust, 9.500% Cumulative Redeemable, Series B	1,800,500
63,000	Urstadt Biddle Properties Inc., 8.500% Sr. Cumulative, Series C	6,930,000
		20,245,970
<b>TOTAL PREFERRED STOCK</b>		
	(Cost \$77,512,198)	<b>82,833,557</b>
<b>FACE AMOUNT</b>		
<b>REPURCHASE AGREEMENT 0.1%</b>		
\$ 311,000	Goldman, Sachs & Co. dated 12/31/04, 2.240% due 1/3/05; Proceeds at maturity \$311,058 (Fully collateralized by U.S. Treasury Notes, 2.250% to 13.875% due 2/15/05 to 4/15/32; Market value \$317,220) (Cost \$311,000)	<b>311,000</b>
<b>TOTAL INVESTMENTS 100.0%</b>		
	(Cost \$216,024,966)*	<b>\$296,713,819</b>

(a) All or a portion of this security has been segregated for open interest rate swap agreements. Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines established by the Board of Directors.

\* Aggregate cost for federal income tax purposes is \$216,053,627.

**See Notes to Financial Statements.**

Real Estate Income Fund Inc.

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## Statement of Assets and Liabilities

December 31, 2004

**ASSETS:**

Investments, at value (Cost \$216,024,966)	\$ 296,713,819
Cash	33
Dividends and interest receivable	1,933,035
Unrealized appreciation of open interest rate swap contracts (Notes 1 and 3)	894
Prepaid expenses	17,930

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<b>Total Assets</b>	<b>298,665,711</b>
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**LIABILITIES:**

Unrealized depreciation on open interest rate swap contracts (Notes 1 and 3)	274,617
Management fee payable	145,739
Interest payable for open swap contracts (Note 3)	36,470
Dividends payable to Taxable Auction Rate Preferred Stockholders	17,775
Payable for directors' fees	5,106
Accrued expenses	131,828

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<b>Total Liabilities</b>	<b>611,535</b>
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**Series M Taxable Auction Rate Cumulative Preferred Stock**

(2,600 shares authorized; 2,600 shares issued and outstanding at \$25,000 per share) (Note 4)	<b>65,000,000</b>
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<b>Total Net Assets</b>	<b>\$233,054,176</b>
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**NET ASSETS:**

Par value of capital shares	\$ 11,069
Capital paid in excess of par value	151,755,823
Undistributed net investment income	900,610
Accumulated net realized loss from investment transactions	(28,661)
Net unrealized appreciation of investments, foreign currencies and swap contracts	80,415,335

**Total Net Assets**

(Equivalent to \$21.05 a share on 11,069,242 shares of \$0.001 par value outstanding; 100,000,000 shares authorized)	<b>\$233,054,176</b>
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**See Notes to Financial Statements.**

**Statement of Operations**

**For the Year Ended December 31, 2004**

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