

NUVEEN REAL ESTATE INCOME FUND  
Form N-CSRS  
September 05, 2013

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 811-10491

Nuveen Real Estate Income Fund  
(Exact name of registrant as specified in charter)

Nuveen Investments

333 West Wacker Drive

Chicago, IL 60606  
(Address of principal executive offices) (Zip code)

Kevin J. McCarthy

Nuveen Investments

333 West Wacker Drive

Chicago, IL 60606  
(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700

Date of fiscal year end: December 31

Date of reporting period: June 30, 2013

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

## Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSRS

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

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ITEM 1. REPORTS TO STOCKHOLDERS.

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Closed-End Funds

Nuveen Investments

Closed-End Funds

*Seeks High Current Income from a Portfolio of Commercial Real Estate Investments*

Semi-Annual Report

June 30, 2013

**Nuveen Real Estate  
Income Fund**

**JRS**

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If you receive your Nuveen Fund distributions and statements directly from Nuveen.

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Table of Contents

|   |    |
|---|----|
| Letter to Shareholders                                  | 4  |
| Portfolio Managers' Comments                            | 5  |
| Fund Leverage   | 7  |
| Common Share Information                                | 8  |
| Risk Considerations                                     | 11 |
| Performance Overview and Holding Summaries              | 12 |
| Shareholder Meeting Report                              | 14 |
| Portfolio of Investments                                | 15 |
| Statement of Assets & Liabilities                       | 18 |
| Statement of Operations                                 | 19 |
| Statement of Changes in Net Assets                      | 20 |
| Statement of Cash Flows                                 | 21 |
| Financial Highlights                                    | 22 |
| Notes to Financial Statements                           | 24 |
| Annual Investment Management Agreement Approval Process | 32 |
| Reinvest Automatically, Easily and Conveniently         | 40 |
| Glossary of Terms Used in this Report                   | 41 |
| Additional Fund Information                             | 43 |

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Letter to Shareholders

**Dear Shareholders,**

After nine years of serving as lead director and independent chairman of the Nuveen Fund Board, my term of office has come to an end as of June 30, 2013. It has been a privilege to use this space to communicate with you on some of the broad economic trends in the U.S. and abroad and how they are impacting the investment environment in which your funds operate. In addition, I have enjoyed offering some perspective on how your Board views the various Nuveen investment teams as they apply their investment disciplines in that investment environment.

My term has coincided with a particularly challenging period for both mutual fund sponsors and investors. Since 2000 there have been three periods of unusually strong stock market growth and two major market declines. Recent years have been characterized by a search for yield in fixed income securities to compensate for an extended period of very low interest rates. Funds are investing more in foreign and emerging markets that require extensive research capabilities to overcome the more limited transparency and higher volatility in those markets. New fund concepts often incorporate derivative financial instruments that offer efficient ways to hedge investment risk or gain exposure to selected markets. Fund trading teams operate in many new domestic and international venues with quite different characteristics. Electronic trading and global communication networks mean that fund managers must be able to thrive in financial markets that react instantaneously to newsworthy events and are more interconnected than ever.

Nuveen has committed additional resources to respond to these changes in the fund industry environment. It has added IT and research resources to assemble and evaluate the increased flow of detailed information on economies, markets and individual companies. Based on its experience during the financial crisis of 2008-09, Nuveen has expanded its resources dedicated to valuing and trading portfolio securities with a particular focus on stressed financial market conditions. It has added systems and experienced risk management professionals to work with investment teams to better help evaluate whether their funds' risk exposures are appropriate in view of the return targets. The investment teams have also reflected on recent experience to reaffirm or modify their investment disciplines. Finally, experienced professionals and IT resources have been added to address new regulatory requirements designed to better inform and protect investors. The Nuveen Fund Board has enthusiastically encouraged these initiatives.

The Board has always viewed itself as your representatives to assure that Nuveen brings together experienced people, proven technologies and effective processes designed to produce results that meet investor expectations. It is important to note that our activities are highlighted by the annual contract renewal process. Despite its somewhat formal language, I strongly encourage you to read the summary because it offers an insight into our oversight process. The report is included in the back of this shareholder report. The renewal process is very comprehensive and includes a number of evaluations and discussions between the Board and Nuveen during the year. The summary also describes what has been achieved across the Nuveen fund complex and at individual funds such as yours.

As I leave the chairmanship and resume my role as a member of the Board, please be assured that I and my fellow Board members will continue to hold your interests uppermost in our minds as we oversee the management of your funds and that we greatly appreciate your confidence in your Nuveen fund.

Very sincerely,

Robert P. Bremner  
August 22, 2013

Nuveen Investments  
4

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## Portfolio Managers' Comments

### Nuveen Real Estate Income Fund (JRS)

*The Fund is managed by a team of real estate investment professionals at Security Capital Research & Management Incorporated, a wholly-owned subsidiary of JPMorgan Chase & Company. Anthony R. Manno Jr., Kenneth D. Statz and Kevin W. Bedell lead the team and have managed JRS since its inception in 2001.*

*Here they talk about their management strategy and performance of the Fund over the six-month reporting period ended June 30, 2013.*

### **What key strategies were used to manage the Fund during this six-month reporting period ended June 30, 2013?**

The Fund is designed to invest at least 90% of its assets in income producing common stocks, preferred stocks, convertible preferred stocks and debt securities issued by real estate companies, with at least 80% of its total assets invested in income producing equity securities issued by Real Estate Investment Trust (REITs).

In managing the JRS portfolio, we sought to maintain significant property type and geographic diversification while taking into account company credit quality, sector and security-type allocations. Investment decisions are based on a multi-layered analysis of the company, the real estate it owns, its management and the relative price of the security, with a focus on securities that we believe will be best positioned to generate sustainable income and potential price appreciation over the long-run.

Across all real estate sectors, Security Capital favored companies with properties located in the strongest infill markets, where most of the properties are built to fill in remaining spaces. These "high barrier to entry" markets are defined by constraints that limit new construction, a quality that over the long-term has the potential to provide superior value enhancement and a real inflation hedge.

In addition to fundamental security research, the proportion of the Fund invested in common equity versus preferred and fixed income investments is a key tactic we use to manage risk at a portfolio level. In general, in times of strong economic growth we position the portfolio towards more ownership of equity. In highly uncertain times, we tend to favor more allocation toward preferred and debt securities. The allocation for the portfolio between equity, preferred and debt investments as of June 30, 2013 was 59% in equity, 37% in preferred and 4% in cash. This allocation is in-line

**Certain statements in this report are forward-looking statements. Discussions of specific investments are for illustration only and are not intended as recommendations of individual investments. The forward-looking statements and other views expressed herein are those of the portfolio managers as of the date of this report. Actual future results or occurrences may differ significantly from those anticipated in any forward-looking statements and the views expressed herein are subject to change at any time, due to numerous market and other factors. The Fund disclaims any obligation to update publicly or revise any forward-looking statements or views expressed herein.**

**Ratings shown are the highest rating given by one of the following national rating agencies: Standard & Poor's, Moody's Investors Service, Inc. or Fitch, Inc. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC, CC, C and D are below**

**investment grade ratings. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities. Holdings designated N/R are not rated by these national rating agencies.**

Nuveen Investments

5

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with the long-term "normal" allocation for managing this portfolio and reflects our strategy of balancing growth and risk in an economy experiencing a slow but uneven recovery.

**How did the Fund perform during this six-month reporting period ended June 30, 2013?**

The table in the Fund Performance Overview and Holding Summaries section of this report provides total return performance for the Fund for the six-month, one-year, five-year and ten-year periods ended June 30, 2013. For the six-month period ended June 30, 2013, the Fund's common shares at net asset value (NAV) outperformed its comparative index and the Wilshire U.S. Select Real Estate Securities Index (RESI).

During the six-month reporting period, there were distinctive performance differences by property type with the underlying themes and influences reflecting company-specific factors, earlier period performance differentials as well as shifting investor expectations colored by macro-economic trends. In a reversal from the first quarter of 2013 and much of 2012, investors pivoted away from risk during the second quarter of 2013 as rising rates impacted perspectives on absolute and relative value across the REIT universe. In this context, the performance leaders by major property type during the second quarter were underperformers during the first quarter.

The Fund's performance benefited from its selection and weightings among its preferred equity investments as well as the Fund's overweight to multi-family equity securities.

The Fund's selection of health care and office equity investments negatively impacted benchmark performance during the reporting period.

The value of commercial real estate owned by REIT's is positively affected by improved fundamentals (rising occupancy, rising rental rates) that generally accompany a rising interest rate environment. A rise in interest rates would otherwise have a clearly negative effect on real estate values because it may increase investor rate of return expectations in a capital intensive industry. We forecast a modestly positive return environment for REIT's over the next 3 to 5 years because current pricing, although volatile, generally incorporates a balanced view on both property fundamentals and rising capital costs.

As an active manager of REIT allocations, we also are tilting portfolio weights toward those property types that have the best fundamental position over the forecast period because we believe they can generate the best growth profile to offset rising interest rates. Currently, the apartment and regional mall fundamentals are featured in our allocation mix due to their high occupancy rates and strong fundamental demand in an improving economy.

Fund Leverage

**IMPACT OF THE FUND'S LEVERAGE STRATEGY ON PERFORMANCE**

One important factor impacting the returns of the Fund relative to the comparative benchmark and indexes was the Fund's use of leverage through the use of bank borrowings. The Fund uses leverage because its managers believe that, over time, leveraging provides opportunities for additional income and total return for common shareholders. However, use of leverage also can expose common shareholders to additional volatility. For example, as the prices of securities held by the Fund decline, the negative impact of these valuation changes on common share net asset value and common shareholder total return is magnified by the use of leverage. Conversely, leverage may enhance common share returns during periods when the prices of securities held by the Fund generally are rising. Leverage had a positive impact on the performance of the Fund over this reporting period. During the period, the Fund held swap contracts in order to hedge leverage costs, which slightly detracted from the overall positive contribution of leverage.

**THE FUND'S REGULATORY LEVERAGE**

*Bank Borrowings*

As discussed previously, the Fund employs regulatory leverage through the use of bank borrowings. As of June 30, 2013, the Fund has outstanding bank borrowings of \$137,500,000.

Refer to Notes to Financial Statements, Footnote 8 Borrowing Arrangements for further details.

As of June 30, 2013, the Fund's percentages of leverage are as shown in the accompanying table.

|     | <b>Effective<br/>Leverage*</b> | <b>Regulatory<br/>Leverage*</b> |
|-----|--------------------------------|---------------------------------|
| JRS | 30.80%                         | 30.80%                          |

\* Effective leverage is the Fund's effective economic leverage, and includes both regulatory leverage and the leverage effects of certain derivative and other investments in a Fund's portfolio that increase the Fund's investment exposure. Regulatory leverage consists of preferred shares issued or borrowings of the Fund. Both of these are part of the Fund's capital structure. Regulatory leverage is sometimes referred to as "40 Act Leverage" and is subject to asset coverage limits set forth in the Investment Company Act of 1940.

## Common Share Information

**Distribution Information**

The following information regarding the Fund's distributions is current as of June 30, 2013, and likely will vary over time based on the Fund's investment activities and portfolio investment value changes.

During the current reporting period, the Fund's quarterly distributions to common shareholders were as shown in the accompanying table.

| <b>JRS</b>                 | <b>Per Common<br/>Share Amounts</b> |
|----------------------------|-------------------------------------|
| March                      | \$ 0.2400                           |
| June                       | 0.2400                              |
| Current Distribution Rate* | 8.07%                               |

\* Current Distribution Rate is based on the Fund's current annualized quarterly distribution divided by the Fund's current market price. The Fund's quarterly distributions to its shareholders may be comprised of ordinary income, net realized capital gains and, if at the end of the fiscal year the Fund's cumulative net ordinary income and net realized gains are less than the amount of the Fund's distributions, a return of capital for tax purposes.

The Fund employs financial leverage through the use of bank borrowings. Financial leverage provides the potential for higher earnings (net investment income), total returns and distributions over time, but also increases the variability of common shareholders' net asset value per share in response to changing market conditions.

The Fund has a managed distribution program. The goal of this program is to provide common shareholders with relatively consistent and predictable cash flow by systematically converting the Fund's expected long-term return potential into regular distributions. As a result, regular common share distributions throughout the year are likely to include a portion of expected long-term gains (both realized and unrealized), along with net investment income.

Important points to understand about the managed distribution program are:

- The Fund seeks to establish a relatively stable common share distribution rate that roughly corresponds to the projected total return from its investment strategy over an extended period of time. However, you should not draw any conclusions about the Fund's past or future investment performance from its current distribution rate.
- Actual common share returns will differ from projected long-term returns (and therefore the Fund's distribution rate), at least over shorter time periods. Over a specific timeframe, the difference between actual returns and total distributions will be reflected in an increasing (returns exceed distributions) or a decreasing (distributions exceed returns) Fund net asset value.
- Each distribution is expected to be paid from some or all of the following sources:
  - net investment income (regular interest and dividends),
  - realized capital gains and

- unrealized gains, or, in certain cases, a return of principal (non-taxable distributions).
- A non-taxable distribution is a payment of a portion of the Fund's capital. When the Fund's returns exceed distributions, it may represent portfolio gains generated, but not realized as a taxable capital gain. In periods when the Fund's returns fall short of distributions, the shortfall will represent a portion of your original principal, unless the shortfall is

Nuveen Investments

8

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offset during other time periods over the life of your investment (previous or subsequent) when the Fund's total return exceeds distributions.

- Because distribution source estimates are updated during the year based on the Fund's performance and forecast for its current fiscal year (which is the calendar year for the Fund), estimates on the nature of your distributions provided at the time the distributions are paid may differ from both the tax information reported to you in your Fund's IRS Form 1099 statement provided at year end, as well as the ultimate economic sources of distributions over the life of your investment.

The following table provides estimated information regarding the Fund's common share distributions and total return performance for the six months ended June 30, 2013. This information is provided on a tax basis rather than a generally accepted accounting principles (GAAP) basis. This information is intended to help you better understand whether the Fund's returns for the specified time period were sufficient to meet the Fund's distributions.

| <b>As of June 30, 2013 (Common Shares)</b>   | <b>JRS</b> |
|--|------------|
| Inception date                               | 11/15/01   |
| Six months ended June 30, 2013:              |            |
| Per share distribution:                      |            |
| From net investment income                   | \$ 0.18    |
| From realized capital gains                  | 0.30       |
| Return of capital                            | 0.00       |
| Total per share distribution                 | \$ 0.48    |
| Annualized distribution rate on NAV          | 8.94%      |
| Average annual total returns:                |            |
| Excluding retained gain tax credit/refund**: |            |
| 6-Month (Cumulative) on NAV                  | 6.94%      |
| 1-Year on NAV                                | 9.91%      |
| 5-Year on NAV                                | 4.44%      |
| 10-Year on NAV                               | 6.03%      |
| Including retained gain tax credit/refund**: |            |
| 6-Month (Cumulative) on NAV                  | 6.94%      |
| 1-Year on NAV                                | 9.91%      |
| 5-Year on NAV                                | 4.44%      |
| 10-Year on NAV                               | 6.92%      |

\*\* The Fund elected to retain a portion of its realized long-term capital gains for the tax years ended December 31, 2007 and December 31, 2006, and pay required federal corporate income taxes on these amounts. As reported on Form 2439, Common shareholders on record date must include their pro-rata share of these gains on their applicable federal tax returns, and are entitled to take offsetting tax credits, for their pro-rata share of the taxes paid by the Fund. The total returns "Including retained gain tax credit/refund" include the economic benefit to Common shareholders on record date of these tax credits/refunds. The Fund had no retained capital gains for the tax years ended December 31, 2012 through December 31, 2008 or for the tax years ended prior to December 31, 2006.

### Common Share Repurchases

The Fund has not repurchased any of its outstanding common shares since the inception of its repurchase program.



**Common Share Other Information**

As of June 30, 2013, and during the current reporting period, the Fund's common share price was trading at a premium/(discount) to its common share NAV as shown in the accompanying table.

|   | <b>JRS</b> |
|---|------------|
| Common Share NAV                          | \$ 10.74   |
| Common Share Price                        | \$ 11.90   |
| Premium/(Discount) to NAV                 | 10.80%     |
| 6-Month Average Premium/(Discount) to NAV | 8.41%      |

Nuveen Investments

10

## Risk Considerations

Fund shares are not guaranteed or endorsed by any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation. Shares of closed-end funds are subject to investment risks, including the possible loss of principal invested. Past performance is no guarantee of future results. Fund common shares are subject to a variety of risks, including:

**Investment, Market and Price Risk.** An investment in common shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in common shares represents an indirect investment in the corporate securities owned by the Fund, which generally trade in the over-the-counter markets. Shares of closed-end investment companies like the Fund frequently trade at a discount to their NAV. Your common shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

**Leverage Risk.** The Fund's use of leverage creates the possibility of higher volatility for the Fund's per share NAV, market price and distributions. Leverage risk can be introduced through regulatory leverage (issuing preferred shares or debt borrowings at the Fund level) or through certain derivative investments held in the Fund's portfolio. Leverage typically magnifies the total return of the Fund's portfolio, whether that return is positive or negative. The use of leverage creates an opportunity for increased common share net income, but there is no assurance that the Fund's leveraging strategy will be successful.

**Tax Risk.** The tax treatment of Fund distributions may be affected by new IRS interpretations of the Internal Revenue Code and future changes in tax laws and regulations. This is particularly true for funds employing a managed distribution program.

**Real Estate Risks.** The Fund's performance is linked to the performance of the commercial real estate markets, which may fall due to increasing vacancies, declining rents or the failure of borrowers to pay their loans.

**Common Stock Risk.** Common stock returns often have experienced significant volatility.

**Issuer Credit Risk.** This is the risk that a security in the Fund's portfolio will fail to make dividend or interest payments when due.

**Dividend Income Risk.** There is no guarantee that the issuers of common stocks in which the Fund invests will declare dividends in the future or that, if declared, they will remain at current levels or increase over time.

**Preferred Stock Risk.** Preferred stocks are subordinated to bonds and other debt instruments in a company's capital structure, and therefore are subject to greater credit risk.

**Derivatives Strategy Risk.** Derivative securities, such as calls, puts, warrants, swaps and forwards, carry risks different from, and possibly greater than, the risks associated with the underlying investments.

**Interest Rate Risk.** Fixed-income securities such as bonds, preferred, convertible and other debt securities will decline in value if market interest rates rise.

**Interest Rate Swaps Risk.** The risk that yields will move in the direction opposite to the direction anticipated by a Fund, which would cause a Fund to make payments to its counterparty in the transaction that could adversely affect the Fund's performance.

**Reinvestment Risk:** If market interest rates decline, income earned from the Fund's portfolio may be reinvested at rates below that of the original bond that generated the income.

Nuveen Investments

11

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**Nuveen Real Estate Income Fund (JRS)****Performance Overview and Holding Summaries as of June 30, 2013****Average Annual Total Returns as of June 30, 2013**

|   | <b>Cumulative<br/>6-Month</b> | <b>1-Year</b> | <b>Average Annual<br/>5-Year</b> | <b>10-Year</b> |
|---|-------------------------------|---------------|----------------------------------|----------------|
| JRS at Common Share NAV                                     | 6.94%                         | 9.91%         | 4.44%                            | 6.03%          |
| JRS at Common Share Price                                   | 18.17%                        | 18.98%        | 7.59%                            | 7.07%          |
| Specialized Real Estate<br>Securities Benchmark             | 3.51%                         | 8.28%         | 10.46%                           | 9.74%          |
| Wilshire U.S. Select Real Estate<br>Securities Index (RESI) | 5.68%                         | 7.67%         | 6.82%                            | 10.77%         |
| S&P 500® Index  | 13.82%                        | 20.60%        | 7.01%                            | 7.30%          |

**Average Annual Total Returns as of June 30, 2013<sup>3</sup> (including retained gain tax credit/refund)**

|                           | <b>Cumulative<br/>6-Month</b> | <b>1-Year</b> | <b>Average Annual<br/>5-Year</b> | <b>10-Year</b> |
|---------------------------|-------------------------------|---------------|----------------------------------|----------------|
| JRS at Common Share NAV   | 6.94%                         | 9.91%         | 4.44%                            | 6.92%          |
| JRS at Common Share Price | 18.17%                        | 18.98%        | 7.59%                            | 7.87%          |

Past performance is not predictive of future results. Current performance may be higher or lower than the data shown. Returns do not reflect the deduction of taxes that shareholders may have to pay on Fund distributions or upon the sale of Fund shares. Comparative index return information is provided for the Fund's shares at NAV only. Indexes are not available for direct investment.

**Share Price Performance Weekly Closing Price**

Nuveen Investments

12

**Portfolio Composition<sup>1,2</sup>****(as a % of total investments)**

|                               |       |
|-------------------------------|-------|
| Retail                        | 28.7% |
| Specialized                   | 18.8% |
| Office                        | 16.1% |
| Residential                   | 11.6% |
| Hotels, Restaurants & Leisure | 8.3%  |
| Diversified                   | 6.0%  |
| Short-Term Investments        | 5.6%  |
| Industrial                    | 4.9%  |

**Portfolio Allocation<sup>1,2</sup>****(as a % of total investments)**

|  |       |
|--|-------|
| Real Estate Investment Trust<br>Common Stock     | 58.6% |
| Real Estate Investment Trust<br>Preferred Stocks | 29.3% |
| Convertible Preferred Securities                 | 6.5%  |
| Short-Term Investments                           | 5.6%  |

**Top Five Common Stock Issuers<sup>1,2</sup>****(as a % of total investments)**

|                                      |      |
|--------------------------------------|------|
| Simon Property Group, Inc.           | 6.4% |
| Prologis, Inc.                       | 4.2% |
| Equidity Residential                 | 3.9% |
| Public Storage, Inc.                 | 3.1% |
| Health Care Property Investors, Inc. | 3.0% |

**Top Five Preferred Stock Issuers<sup>1,2</sup>****(as a % of total investments)**

|                                   |      |
|-----------------------------------|------|
| CBL & Associates Properties, Inc. | 3.3% |
| Highwoods Properties, Inc.        | 3.2% |
| Hospitality Properties Trust      | 2.9% |
| General Growth Properties, Inc.   | 2.3% |
| Taubman Centers, Inc.             | 2.0% |

Refer to the Glossary of Terms Used in this Report for further definition of the terms used within this page.

1 Holdings are subject to change.

2 Excluding investments in derivatives.

3 As previously explained in the Common Share Information section of this report, the Fund elected to retain a portion of its realized long-term capital gains for the tax years ended December 31, 2007 and December 31, 2006, and pay required federal corporate income taxes on these amounts. These standardized total returns include the economic benefit to Common shareholders of record of this tax



credit/refund. The Fund had no retained capital gains for the tax years ended December 31, 2012 through December 31, 2008 or for the tax years ended prior to December 31, 2006.

Nuveen Investments

13

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JRS

Shareholder Meeting Report

The annual meeting of shareholders was held in the offices of Nuveen Investments on April 3, 2013; at this meeting the shareholders were asked to vote on the election of Board Members.

|  | <b>JRS</b><br>Common<br>Shares |
|--|--------------------------------|
| <b>Approval of the Board Members was reached as follows:</b> |                                |
| William C. Hunter  |                                |
| For  | 24,962,546                     |
| Withhold   | 593,706                        |
| Total  | 25,556,252                     |
| Judith M. Stockdale  |                                |
| For  | 24,956,391                     |
| Withhold   | 599,861                        |
| Total  | 25,556,252                     |
| Carole E. Stone  |                                |
| For  | 24,939,559                     |
| Withhold   | 616,693                        |
| Total  | 25,556,252                     |
| Virginia L. Stringer   |                                |
| For  | 24,979,827                     |
| Withhold   | 576,425                        |
| Total  | 25,556,252                     |

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JRS

Nuveen Real Estate Income Fund

Portfolio of Investments

June 30, 2013 (Unaudited)

| Shares  | Description (1)  | Value        |
|---------|--|--------------|
|         | <b>Real Estate Investment Trust Common Stocks 85.7% (58.6% of Total Investments)</b> |              |
|         | <b>Diversified 4.8%</b>  |              |
| 94,780  | Colonial Properties Trust  | \$ 2,286,094 |
| 167,300 | Duke Realty Corporation  | 2,608,207    |
| 121,660 | Vornado Realty Trust   | 10,079,531   |
|         | Total Diversified  | 14,973,832   |
|         | <b>Hotels, Restaurants &amp; Leisure 5.8%</b>  |              |
| 499,825 | Host Hotels & Resorts Inc.   | 8,432,045    |
| 169,900 | RLJ Lodging Trust  | 3,821,051    |
| 33,200  | Starwood Hotels & Resorts Worldwide, Inc.  | 2,097,908    |
| 290,250 | Sunstone Hotel Investors Inc., (3)   | 3,506,220    |
|         | Total Hotels, Restaurants & Leisure  | 17,857,224   |
|         | <b>Industrial 6.2%</b>   |              |
| 505,647 | Prologis Inc.  | 19,073,005   |
|         | <b>Office 12.3%</b>  |              |
| 66,850  | Alexandria Real Estate Equities Inc.   | 4,393,382    |
| 391,690 | BioMed Realty Trust Inc.   | 7,923,889    |
| 88,150  | Boston Properties, Inc.  | 9,297,181    |
| 158,450 | Douglas Emmett Inc.  | 3,953,328    |
| 232,230 | Mack-Cali Realty Corporation   | 5,687,313    |
| 76,300  | SL Green Realty Corporation  | 6,728,897    |
|         | Total Office   | 37,983,990   |
|         | <b>Residential 16.8%</b>   |              |
| 360,070 | Apartment Investment & Management Company, Class A                                   | 10,816,503   |
| 89,088  | AvalonBay Communities, Inc.  | 12,018,862   |
| 307,570 | Equity Residential   | 17,857,514   |
| 20,900  |  | 3,321,428    |

|         |   |            |
|---------|---|------------|
|         | Essex Property Trust<br>Inc.            |            |
| 309,030 | UDR, Inc.                               | 7,877,175  |
|         | Total Residential                       | 51,891,482 |
|         | <b>Retail 22.3%</b>                     |            |
| 25,650  | Federal Realty<br>Investment Trust      | 2,659,392  |
| 497,699 | General Growth<br>Properties, Inc.      | 9,889,279  |
| 314,800 | Kimco Realty<br>Corporation             | 6,746,164  |
| 176,477 | Macerich Company                        | 10,759,803 |
| 114,360 | Regency Centers<br>Corporation          | 5,810,632  |
| 183,999 | Simon Property Group,<br>Inc.           | 29,057,122 |
| 128,150 | Weingarten Realty Trust                 | 3,943,176  |
|         | Total Retail                            | 68,865,568 |
|         | <b>Specialized 17.5%</b>                |            |
| 46,350  | Extra Space Storage<br>Inc.             | 1,943,456  |
| 300,760 | Health Care Property<br>Investors, Inc. | 13,666,534 |
| 193,570 | Health Care REIT, Inc.                  | 12,974,997 |
| 90,637  | Public Storage, Inc., (2)               | 13,897,371 |
| 50,000  | Public Storage, Inc.                    | 1,250,000  |

Nuveen Investments

15

JRS

Nuveen Real Estate Income Fund (continued)

Portfolio of Investments June 30, 2013 (Unaudited)

| Shares  | Description (1)   |   |   | Value              |
|---------|---|---|---|--------------------|
|         | <b>Specialized</b> (continued)  |   |   |                    |
| 151,840 | Ventas, Inc.  |   |   | \$ 10,546,806      |
|         | Total Specialized   |   |   | 54,279,164         |
|         | <b>Total Real Estate Investment Trust Common Stocks</b><br>(cost \$193,959,405) |   |   | <b>264,924,265</b> |
| Shares  | Description (1)   | Coupon                                  | Ratings<br>(4)                            | Value              |
|         | <b>Convertible Preferred Securities</b>   | <b>9.5% (6.5% of Total Investments)</b> |   |                    |
|         | <b>Office 2.5%</b>  |   |   |                    |
| 340,306 | CommonWealth REIT   | 6.500%                                  | Ba1                                       | \$ 7,844,053       |
|         | <b>Specialized 7.0%</b>   |   |   |                    |
| 346,000 | Health Care REIT  | 6.500%                                  | Baa3                                      | 21,483,140         |
|         | <b>Total Convertible Preferred Securities</b><br>(cost \$25,209,937)            |   |   | <b>29,327,193</b>  |
| Shares  | Description (1)   | Coupon                                  |   | Value              |
|         | <b>Real Estate Investment Trust Preferred Stocks</b>                            |   | <b>43.1% (29.3% of Total Investments)</b> |                    |
|         | <b>Diversified 4.0%</b>   |   |   |                    |
| 156,000 | Duke Realty Corporation, Series K   | 6.500%                                  |   | \$ 3,893,760       |
| 111,000 | PS Business Parks, Inc.   | 6.450%                                  |   | 2,791,650          |
| 222,014 | Vornado Realty Trust  | 6.875%                                  |   | 5,727,961          |
|         | Total Diversified   |   |   | 12,413,371         |
|         | <b>Hotels, Restaurants &amp; Leisure 6.4%</b>                                   |   |   |                    |
| 522,491 | Hospitality Properties Trust  | 7.000%                                  |   | 13,171,998         |
| 139,400 | Strategic Hotel Capital Inc., Series B  | 8.250%                                  |   | 3,359,540          |
| 141,200 | Strategic Hotel Capital Inc., Series C  | 8.250%                                  |   | 3,374,680          |
|         | Total Hotels, Restaurants & Leisure   |   |   | 19,906,218         |
|         | <b>Industrial 1.0%</b>  |   |   |                    |
| 114,700 | Terreno Realty Corporation  | 7.750%                                  |   | 2,911,086          |
|         | <b>Office 8.8%</b>  |   |   |                    |
| 40,000  | Brandywine Realty Trust, Series D   | 6.900%                                  |   | 1,027,200          |
| 144,550 | CommonWealth REIT   | 7.250%                                  |   | 3,628,205          |
| 12,359  |   | 8.625%                                  |   | 14,498,652         |

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|         |   |        |            |
|---------|---|--------|------------|
|         | Highwoods Properties, Inc., Series A, (8)   |        |            |
| 303,000 | Hudson Pacific Properties Inc.              | 8.375% | 8,014,350  |
|         | Total Office                                |        | 27,168,407 |
|         | <b>Retail 19.8%</b>                         |        |            |
| 594,000 | CBL & Associates Properties Inc.            | 7.375% | 15,028,200 |
| 449,650 | General Growth Properties, (3)              | 6.375% | 10,422,887 |
| 50,964  | Glimcher Realty Trust, Series G             | 8.125% | 1,277,158  |
| 95,000  | Glimcher Realty Trust                       | 6.875% | 2,340,800  |
| 158,000 | Inland Real Estate Corporation              | 8.250% | 4,084,300  |
| 29,000  | Kimco Realty Corporation                    | 6.900% | 743,270    |
| 59,200  | Kimco Realty Corporation                    | 6.000% | 1,473,488  |
| 175,000 | Regency Centers Corporation                 | 6.625% | 4,452,000  |
| 61,120  | Saul Centers, Inc.                          | 8.000% | 1,584,230  |
| 144,000 | Saul Centers, Inc.                          | 6.875% | 3,672,000  |
| 374,200 | Taubman Centers Incorporated, Series K, (3) | 6.250% | 9,085,576  |
| 62,650  | Taubman Centers Incorporated., Series J     | 6.500% | 1,555,600  |
| 30,700  | Urstadt Biddle Properties                   | 7.125% | 794,823    |
| 185,702 | Weingarten Realty Trust                     | 6.500% | 4,662,977  |
|         | Total Retail                                |        | 61,177,309 |

Nuveen Investments



| Shares                 | Description (1)  | Coupon                                  |          | Value                 |
|------------------------|--|---|----------|-----------------------|
|                        | <b>Specialized 3.1%</b>  |   |          |                       |
| 50,000                 | Public Storage, Inc.   | 6.500%                                  |          | \$ 1,282,000          |
| 320,650                | Public Storage, Inc.   | 6.350%                                  |          | 8,192,608             |
|                        | Total Specialized  |   |          | 9,474,608             |
|                        | <b>Total Real Estate Investment Trust Preferred Stocks (cost \$132,126,772)</b>  |   |          | <b>133,050,999</b>    |
| Principal Amount (000) | Description (1)  | Coupon                                  | Maturity | Value                 |
|                        | <b>Short-Term Investments</b>  | <b>8.3% (5.6% of Total Investments)</b> |          |                       |
| \$ 25,547              | Repurchase Agreement with Fixed Income Clearing Corporation, dated 6/30/13, repurchase price \$25,547,107, collateralized by \$26,525,000 U.S. Treasury Notes, 1.000%, due 5/31/18, value \$26,060,813 | 0.010%                                  | 7/01/13  | \$ 25,547,086         |
|                        | <b>Total Short-Term Investments (cost \$25,547,086)</b>  |   |          | <b>25,547,086</b>     |
|                        | <b>Total Investments (cost \$376,843,200)</b>  |   |          | <b>452,849,543</b>    |
|                        | <b>146.6%</b>  |   |          |                       |
|                        | <b>Borrowings (44.5%) (5), (6)</b>   |   |          | <b>(137,500,000)</b>  |
|                        | <b>Other Assets Less Liabilities (2.1%) (7)</b>  |   |          | <b>(6,369,819)</b>    |
|                        | <b>Net Assets Applicable to Common Shares</b>  |   |          | <b>\$ 308,979,724</b> |
|                        | <b>100%</b>  |   |          |                       |

Investments in Derivatives as of June 30, 2013

**Swaps outstanding:**

| Counterparty | Notional Amount | Fund Pay/Receive | Floating Rate Index | Fixed Rate (Annualized) | Fixed Rate Payment Frequency (9) | Effective Date | Termination Date | Unrealized Appreciation (Depreciation) (7) |
|--------------|-----------------|------------------|---------------------|-------------------------|----------------------------------|----------------|------------------|--|
| JPMorgan     | \$ 20,727,500   | Receive          | USD-LIBOR 1-Month   | 1.412%                  | Monthly                          | 3/29/11        | 11/29/14         | \$ (186,968)                               |
| JPMorgan     | 35,761,000      | Receive          | USD-LIBOR 1-Month   | 1.255                   | Monthly                          | 12/01/11       | 12/01/18         | 1,136,008                                  |

|          |                      | 1-Month           |       |                 |                     |
|----------|----------------------|-------------------|-------|-----------------|---------------------|
| JPMorgan | 35,761,000           | Receive USD-LIBOR | 1.673 | Monthly12/01/11 | 1,881,680           |
| Morgan   |                      | 1-Month           |       | 12/01/20        |                     |
| Stanley  | 20,727,500           | Receive USD-LIBOR | 2.323 | Monthly3/29/11  | (973,984)           |
|          |                      |                   |       | 13/29/16        |                     |
|          | <b>\$112,977,000</b> |                   |       |                 | <b>\$ 1,856,736</b> |

For Fund portfolio compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications into sectors for reporting ease.

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.

(2) Investment, or portion of investment, has been pledged to collateralize the net payment obligations for investments in derivatives.

(3) Non-income producing; issuer has not declared a dividend within the past twelve months.

(4) Ratings: Using the highest of Standard & Poor's Group ("Standard & Poor's"), Moody's Investors Service, Inc. ("Moody's") or Fitch, Inc. ("Fitch") rating. Ratings below BBB by Standard & Poor's, Baa by Moody's or BBB by Fitch are considered to be below investment grade. Holdings designated N/R are not rated by any of these national rating agencies.

(5) Borrowings as a percentage of Total Investments is 30.4%.

(6) The Fund may pledge up to 100% of its eligible investments in the Portfolio of Investments as collateral for Borrowings. As of the end of the reporting period investments with a value of \$293,662,104 have been pledged as collateral for Borrowings.

(7) Other Assets Less Liabilities includes the Unrealized Appreciation (Depreciation) of derivative instruments as listed within Investments in Derivatives as of the end of the reporting period.

(8) For fair value measurement disclosure purposes, Real Estate Investment Trust Preferred Stocks categorized as Level 2. See Notes to Financial Statements, Footnote 2 Investment Valuation and Fair Value Measurements for more Information.

(9) Effective date represents the date on which both the Fund and Counterparty commence interest payment accruals on each swap contract.

REIT Real Estate Investment Trust.

USD-LIBOR United States Dollar London Inter-Bank Offered Rate.

*See accompanying notes to financial statements.*



## Statement of

## ASSETS &amp; LIABILITIES

June 30, 2013 (Unaudited)

**Assets:**

|  |                |
|--|----------------|
| Investments, at value (cost \$376,843,200) | \$ 452,849,543 |
| Unrealized appreciation on swaps, net      | 2,830,720      |
| Receivables:                               |                |
| Dividends                                  | 1,942,949      |
| Interest                                   | 21             |
| Other assets                               | 66,792         |
| Total assets                               | 457,690,025    |

**Liabilities:**

|   |                |
|---|----------------|
| Borrowings  | 137,500,000    |
| Unrealized depreciation on swaps  | 973,984        |
| Payables:   |                |
| Common share dividends  | 6,573,619      |
| Investments purchased   | 3,126,332      |
| Accrued expenses:   |                |
| Interest on borrowings  | 17,338         |
| Management fees   | 318,804        |
| Trustee fees  | 67,054         |
| Other   | 133,170        |
| Total liabilities   | 148,710,301    |
| Net assets applicable to Common shares  | \$ 308,979,724 |
| Common shares outstanding   | 28,765,794     |
| Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding) | \$ 10.74       |

**Net assets applicable to Common shares consist of:**

|  |                |
|--|----------------|
| Common shares, \$.01 par value per share                   | \$ 287,658     |
| Paid-in surplus  | 390,242,478    |
| Undistributed (Over-distribution of) net investment income | (8,763,396)    |
| Accumulated net realized gain (loss)                       | (150,650,095)  |
| Net unrealized appreciation (depreciation)                 | 77,863,079     |
| Net assets applicable to Common shares                     | \$ 308,979,724 |
| Authorized shares:   |                |
| Common   | Unlimited      |
| Preferred  | Unlimited      |

*See accompanying notes to financial statements.*

Statement of

## OPERATIONS

Six Months Ended June 30, 2013 (Unaudited)

|   |               |
|---|---------------|
| <b>Investment Income</b>  |               |
| Dividends   | \$ 7,884,892  |
| Interest  | 83,071        |
| Total investment income   | 7,967,963     |
| <b>Expenses</b>   |               |
| Management fees   | 1,923,699     |
| Interest expense on borrowings  | 758,750       |
| Shareholder servicing agent fees and expenses                                     | 1,241         |
| Custodian fees and expenses   | 38,938        |
| Trustees fees and expenses  | 5,375         |
| Professional fees   | 17,909        |
| Shareholder reporting expenses  | 54,271        |
| Stock exchange listing fees   | 2,016         |
| Investor relations expenses   | 46,903        |
| Other expenses  | 6,836         |
| Total expenses  | 2,855,938     |
| Net investment income (loss)  | 5,112,025     |
| <b>Realized and Unrealized Gain (Loss)</b>  |               |
| Net realized gain (loss) from:  |               |
| Investments and foreign currency  | 18,341,801    |
| Swaps   | (341,029)     |
| Change in net unrealized appreciation (depreciation) of:                          |               |
| Investments and foreign currency  | (5,237,772)   |
| Swaps   | 3,144,359     |
| Net realized and unrealized gain (loss)   | 15,907,359    |
| Net increase (decrease) in net assets applicable to Common shares from operations | \$ 21,019,384 |
| <i>See accompanying notes to financial statements.</i>                            |               |

Nuveen Investments

19

## Statement of

## CHANGES in NET ASSETS (Unaudited)

|   | <b>Six Months<br/>Ended<br/>6/30/13</b> | <b>Year<br/>Ended<br/>12/31/12</b> |
|---|---|------------------------------------|
| <b>Operations</b>   |   |                                    |
| Net investment income (loss)  | \$ 5,112,025                            | \$ 10,669,544                      |
| Net realized gain (loss) from:  |   |                                    |
| Investments and foreign currency  | 18,341,801                              | 17,391,495                         |
| Swaps   | (341,029)                               | (683,425)                          |
| Change in net unrealized appreciation (depreciation) of:  |   |                                    |
| Investments and foreign currency  | (5,237,772)                             | 23,061,596                         |
| Swaps   | 3,144,359                               | 334,194                            |
| Net increase (decrease) in net assets<br>applicable to Common shares<br>from operations                 | 21,019,384                              | 50,773,404                         |
| <b>Distributions to Common Shareholders</b>   |   |                                    |
| From and in excess of net investment<br>income  | (13,801,947)                            |                                    |
| From net investment income  |   | (26,384,143)                       |
| Decrease in net assets applicable to<br>Common shares from distributions<br>to Common shareholders      | (13,801,947)                            | (26,384,143)                       |
| <b>Capital Share Transactions</b>   |   |                                    |
| Net proceeds from Common shares<br>issued to shareholders due to<br>reinvestment of distributions       | 555,604                                 | 1,067,308                          |
| Net increase (decrease) in net assets<br>applicable to Common shares from<br>capital share transactions | 555,604                                 | 1,067,308                          |
| Net increase (decrease) in net assets<br>applicable to Common shares                                    | 7,773,041                               | 25,456,569                         |
| Net assets applicable to Common shares<br>at the beginning of period                                    | 301,206,683                             | 275,750,114                        |
| Net assets applicable to Common shares<br>at the end of period  | \$308,979,724                           | \$301,206,683                      |
| Undistributed (Over-distribution of) net<br>investment income at the end of period                      | \$ (8,763,396)                          | \$ (73,474)                        |
| <i>See accompanying notes to financial statements.</i>  |   |                                    |

Nuveen Investments

20

## Statement of

## CASH FLOWS

Six Months Ended June 30, 2013 (Unaudited)

|  |               |
|--|---------------|
| <b>Cash Flows from Operating Activities:</b>   |               |
| <b>Net Increase (Decrease) In Net Assets Applicable to Common Shares from Operations</b>   | \$ 21,019,384 |
| Adjustments to reconcile the net increase (decrease) in net assets applicable to Common shares from operations to net cash provided by (used in) operating activities: |               |
| Purchases of investments   | (221,692,757) |
| Proceeds from sales and maturities of investments  | 214,491,134   |
| Proceeds from (Purchases of) short-term investments, net   | (9,610,990)   |
| Proceeds from (Payments for) swap contracts, net   | (341,029)     |
| Amortization (Accretion) of premiums and discounts, net  | (4,497)       |
| (Increase) Decrease in:  |               |
| Receivable for dividends   | (271,069)     |
| Receivable for interest  | 46,232        |
| Other assets   | (2,725)       |
| Increase (Decrease) in:  |               |
| Payable for investments purchased  | 2,325,332     |
| Accrued interest on borrowings   | 533           |
| Accrued management fees  | 8,955         |
| Accrued trustees fees  | 2,928         |
| Accrued other expenses   | (6,318)       |
| Net realized (gain) loss from:   |               |
| Investments and foreign currency   | (18,341,801)  |
| Swaps  | 341,029       |
| Change in net unrealized (appreciation) depreciation of:   |               |
| Investments and foreign currency   | 5,237,772     |
| Swaps  | (3,144,359)   |
| Capital gain and return of capital distributions from investments  | 2,114,970     |
| Net cash provided by (used in) operating activities  | (7,827,276)   |
| <b>Cash Flows from Financing Activities:</b>   |               |
| Increase in borrowings   | 14,500,000    |
| Cash distributions paid to Common shareholders   | (6,672,724)   |
| Net cash provided by (used in) financing activities  | 7,827,276     |
| <b>Net Increase (Decrease) in Cash</b>   |               |
| Cash at the beginning of period  |               |
| <b>Cash at the End of Period</b>   | <b>\$</b>     |
| <b>Supplemental Disclosure of Cash Flow Information</b>  |               |

Cash paid for interest on borrowings (excluding borrowing costs) was \$758,217.

Non-cash financing activities not included herein consists of reinvestments of Common share distributions of \$555,604.

*See accompanying notes to financial statements.*







Financial

HIGHLIGHTS (Unaudited)

Selected data for a Common share outstanding throughout each period:

|                   | Beginning<br>Common<br>Share<br>Net Asset<br>Value | Net<br>Investment<br>Income<br>(Loss)(a) | Investment Operations<br>Distributions<br>from<br>Distributions<br>from Net<br>Investment<br>Income<br>to<br>Taxable<br>Auctioned<br>Preferred<br>Share-<br>holders(b) | Accumulated<br>Net<br>Realized<br>Gains<br>to<br>Taxable<br>Auctioned<br>Preferred<br>Share-<br>holders(b) | Total  | Less Distributions<br>From<br>Accum-<br>ulated<br>Net<br>Realized<br>Return of<br>Investment<br>Income to<br>Common<br>Share-<br>holders | From<br>Accum-<br>ulated<br>Net<br>Realized<br>Return of<br>Capital<br>to<br>Common<br>Share-<br>holders | Total    |
|-------------------|--|--|--|--|--------|--|--|----------|
| Year Ended 12/31: |  |  |  |  |        |  |  |          |
| 2013(g)           | \$ 10.49   | \$ .18                                   | \$ .55   | \$   | \$ .73 | \$ (.48)**   | \$   | \$ (.48) |
| 2012              | 9.64   | .37                                      | 1.40   |  | 1.77   | (.92)  |  | (.92)    |
| 2011              | 9.79   | .30                                      | .46  |  | .76    | (.91)  |  | (.91)    |
| 2010              | 8.10   | .28                                      | 2.29   |  | 2.57   | (.88)  |  | (.88)    |
| 2009              | 6.46   | .42                                      | 2.15   | *  | 2.57   | (.41)  | (.52)  | (.93)    |
| 2008              | 16.84  | .75                                      | (9.18)   | (.16)  | (8.59) | (.55)  | (1.24)   | (1.79)   |

Taxable Auctioned Preferred Shares  
at End of Period

|                   | Aggregate<br>Amount<br>Outstanding<br>(000) | Liquidation<br>Value<br>Per Share | Asset<br>Coverage<br>Per Share | Borrowings at End of Period<br>Aggregate<br>Amount<br>Outstanding<br>(000) | Asset<br>Coverage<br>Per \$1,000 |
|-------------------|---|-----------------------------------|--------------------------------|--|----------------------------------|
| Year Ended 12/31: |   |                                   |                                |  |                                  |
| 2013(g)           | \$  | \$                                | \$                             | \$ 137,500   | \$ 3,247                         |
| 2012              |   |                                   |                                | 123,000  | 3,449                            |
| 2011              |   |                                   |                                | 111,000  | 3,484                            |
| 2010              |   |                                   |                                | 64,710   | 5,313                            |
| 2009              |   |                                   |                                | 64,710   | 4,559                            |
| 2008              | 37,000                                      | 25,000                            | 148,762                        | 25,000   | 9,807                            |

(a) Per share Net Investment Income (Loss) is calculated using the average daily shares method.

(b) The amounts shown are based on Common share equivalents.

(c) Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several

days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share Net Asset Value is the combination of changes in Common share net asset value, reinvested dividend income at net asset value and reinvested capital gains distributions at net asset value, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending net asset value. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its net asset value), and therefore may be different from the price used in the calculation. Total returns are not annualized.

Nuveen Investments

22

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| Borrowing<br>Costs<br>and<br>Taxable<br>Auctioned<br>Preferred<br>Share<br>Underwriting<br>Discounts | Ending<br>Common<br>Share<br>Net<br>Asset<br>Value | Ending<br>Market<br>Value | Total Returns                     |  |  | Ratios/Supplemental Data  |   | Ratios to<br>Average Net<br>Assets                |   | Portfolio<br>Turnover<br>Rate(f) |
|--|--|---------------------------|-----------------------------------|--|--|---|---|---|---|----------------------------------|
|  |  |                           | Based<br>on<br>Market<br>Value(c) | Based<br>on<br>Share<br>Net<br>Asset<br>Value(c) | Ending<br>Net<br>Assets<br>Applicable<br>to<br>Common<br>Shares<br>(000) | Ratios to Average<br>Net Assets<br>Applicable to<br>Common Shares<br>Before<br>Reimbursement(d) | Ratios to<br>Average Net<br>Assets<br>Applicable to<br>Common Shares<br>After<br>Reimbursement(d) | Net<br>Investment<br>Income<br>(Loss)<br>Expenses | Net<br>Investment<br>Income<br>(Loss)<br>Expenses |                                  |
| Year Ended 12/31:  |  |                           |                                   |  |  |   |   |   |   |                                  |
| 2013(g) \$   | \$10.74  | \$11.90                   | 18.17%                            | 6.94%  | \$308,980  | 1.80%**   | 3.22%**   | N/A   | N/A   | 54%                              |
| 2012   | 10.49  | 10.48                     | 9.25                              | 18.63  | 301,207  | 1.90  | 3.56  | N/A   | N/A   | 54                               |
| 2011   | 9.64   | 10.44                     | 13.11                             | 8.18   | 275,750  | 1.74  | 2.95  | 1.65%   | 3.04%   | 49                               |
| 2010   | 9.79   | 10.11                     | 37.51                             | 32.98  | 279,071  | 1.60  | 2.95  | 1.48  | 3.07  | 58                               |
| 2009   | 8.10   | 8.08                      | 87.05                             | 46.80  | 230,325  | 1.66  | 6.61  | 1.47  | 6.79  | 74                               |
| 2008   | * 6.46   | 5.08                      | (62.13)                           | (55.79)  | 183,168  | 2.55  | 5.03  | 2.24  | 5.33  | 20                               |

(d) • Ratios do not reflect the effect of dividend payments to Taxable Auctioned Preferred shareholders, where applicable.

• Net Investment Income (Loss) ratios reflect income earned and expenses incurred on assets attributable to Taxable Auctioned Preferred shares and/or borrowings, where applicable.

• Each ratio includes the effect of all interest expense paid and other costs related to borrowings as follows:

Ratios of Borrowings Interest Expense to  
Average Net Assets Applicable to Common  
Shares

| Year Ended 12/31: |        |
|-------------------|--------|
| 2013(g)           | .48%** |
| 2012              | .56    |
| 2011              | .42    |
| 2010              | .35    |
| 2009              | .41    |
| 2008              | .91    |

(e) After expense reimbursement from the Adviser, where applicable. As of November 30, 2011, the Adviser is no longer reimbursing the Fund for any fees or expenses.

(f) Portfolio Turnover Rate is calculated based on the lesser of long-term purchases or sales (as disclosed in Footnote 5 Investment Transactions) divided by the average long-term market value during the period.

(g) For the six months ended June 30, 2013.

\* Rounds to less than \$.01 per share.

\*\* Annualized.

\*\*\* Represents distributions paid "From and in excess of net investment income" for the six months ended June 30, 2013.

N/A Fund no longer has a contractual reimbursement agreement with the Adviser.

*See accompanying notes to financial statements.*

Nuveen Investments

23

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Notes to

FINANCIAL STATEMENTS (Unaudited)

## **1. General Information and Significant Accounting Policies**

### **General Information**

Nuveen Real Estate Income Fund (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a diversified closed-end registered investment company. The Fund's Common shares are listed on the NYSE MKT and trade under the ticker symbol "JRS." The Fund was organized as a Massachusetts business trust on August 27, 2001.

The Fund's investment adviser is Nuveen Fund Advisors, LLC (the "Adviser"), a wholly-owned subsidiary of Nuveen Investments, Inc. ("Nuveen"). The Adviser is responsible for the Fund's overall investment strategy and asset allocation decisions. The Adviser has entered into a sub-advisory agreement with Security Capital Research & Management Incorporated ("Security Capital"). Security Capital manages the Fund's investment portfolio, while the Adviser manages the Fund's investments in swap contracts.

The Fund seeks to provide high current income and capital appreciation by investing at least 90% of its total assets in income producing common stocks, preferred stocks, convertible preferred stocks and debt securities issued by real estate companies. The Fund will invest at least 80% of its total assets in income producing equity securities issued by Real Estate Investment Trusts ("REITs"), and will not invest more than 25% of its total assets in non-investment grade preferred stocks, convertible preferred stocks and debt securities.

### **Significant Accounting Policies**

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

#### *Investment Transactions*

Investment transactions are recorded on a trade date basis. Realized gains and losses from transactions are determined on the specific identification method, which is the same basis used for federal income tax purposes. Investments purchased on a when-issued/delayed delivery basis may have extended settlement periods. Any investments so purchased are subject to market fluctuation during this period. The Fund has instructed the custodian to earmark securities in the Fund's portfolio with a current value at least equal to the amount of the when-issued/delayed delivery purchase commitments. As of June 30, 2013, the Fund had no such outstanding purchase commitments.

#### *Investment Income*

Dividend income is recorded on the ex-dividend date or, for foreign securities, when information is available. Interest income, which reflects the amortization of premiums and includes accretion of discounts for financial reporting purposes, is recorded on an accrual basis. Interest income also reflects paydown gains and losses, if any.

#### *Professional Fees*

Professional fees presented on the Statement of Operations consist of legal fees incurred in the normal course of operations, audit fees, tax consulting fees and, in some cases, workout expenditures. Workout expenditures are incurred in an attempt to protect or enhance an investment or to pursue other claims or legal actions on behalf of Fund shareholders. Should the Fund receive a refund of workout expenditures paid in a prior reporting period, such amounts will be recognized as "Legal fee refund" on the Statement of Operations.

*Dividends and Distributions to Common Shareholders*

Distributions to Common shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from U.S. GAAP.

The Fund makes quarterly cash distributions to Common shareholders of a stated dollar amount per share. Subject to approval and oversight by the Fund's Board of Trustees, the Fund seeks to maintain a stable distribution level designed to deliver the long-term return potential of the Fund's investment strategy through regular quarterly distributions (a "Managed Distribution Program"). Total distributions during a calendar year generally will be made from the Fund's net investment income, net realized capital gains and net unrealized capital gains in the Fund's portfolio, if any. The portion of distributions paid attributed to net unrealized gains, if any, is distributed from the Fund's assets and is treated by shareholders as a non-taxable distribution ("Return of Capital") for tax purposes. In the event that total distributions during a calendar year exceed the Fund's total return on net asset value, the difference will reduce net asset value per share. If the Fund's total return on net asset value exceeds total distributions during a calendar year, the excess will be reflected as an increase in net asset value per share. The final determination of the source and character of all distributions for the fiscal year are made after the end of the fiscal year and are reflected in the financial statements contained in the annual report as of December 31 each year.



REIT distributions received by the Fund are generally comprised of ordinary income, long-term capital gains, and a return of REIT capital. The actual character of amounts received during the period are not known until after the fiscal year-end. For the fiscal year ended December 31, 2012, the character of distributions to the Fund from the REITs was 78.85% ordinary income, 13.13% long-term capital gains and 8.02% return of REIT capital.

For the fiscal year ended December 31, 2012, the Fund applied the actual character of distributions reported by the REITs in which the Fund invests to its receipts from the REITs. If a REIT held in the portfolio of investments did not report the actual character of its distributions during the period, the Fund treated the distributions as ordinary income.

For the six months ended June 30, 2013, the Fund applied the actual percentages for the fiscal year ended December 31, 2012, described above, to its receipts from the REITs and treated as income on the Statement of Operations only the amount of ordinary income so calculated. The Fund adjusts that estimated breakdown of income type (and consequently its net investment income) as necessary early in the following calendar year when the REITs inform their shareholders of the actual breakdown of income type.

The actual character of distributions made by the Fund during the fiscal year ended December 31, 2012, is reflected in the accompanying financial statements.

The distributions made by the Fund during the six months ended June 30, 2013, are provisionally classified as being "From and in excess of net investment income," and those distributions will be classified as being from net investment income, net realized capital gains and/or a return of capital for tax purposes after the fiscal year end. For purposes of calculating "Undistributed (Overdistribution of) net investment income" as of June 30, 2013, the distribution amounts provisionally classified as "From and in excess of net investment income" were treated as being entirely from net investment income. Consequently, the financial statements at June 30, 2013, reflect an over-distribution of net investment income.

#### *Taxable Auctioned Preferred Shares*

The Fund is authorized to issue auction rate preferred ("Taxable Auctioned Preferred") shares. During prior fiscal periods, the Fund redeemed all of its outstanding Taxable Auctioned Preferred shares, at liquidation value.

#### *Indemnifications*

Under the Fund's organizational documents, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business, the Fund enters into contracts that provide general indemnifications to other parties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

#### *Netting Agreements*

In the ordinary course of business, the Fund has entered into transactions subject to enforceable netting agreements or other similar arrangements ("netting agreements"). Generally, the right to offset in netting agreements allows the Fund to offset any exposure to a specific counterparty with any collateral received or delivered to that counterparty based on the terms of the agreements. Generally, the Fund manages its cash

collateral and securities collateral on a counterparty basis. As of June 30, 2013, the Fund was not invested in any portfolio securities or derivatives, other than the swap contracts further described in Footnote 3 Portfolio Securities and Investments in Derivatives, with gross exposures on the Statement of Assets and Liabilities that could be netted subject to netting agreements.

### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets applicable to Common shares from operations during the reporting period. Actual results may differ from those estimates.

## **2. Investment Valuation and Fair Value Measurements**

### **Investment Valuation**

Common stocks and other equity-type securities are valued at the last sales price on the securities exchange on which such securities are primarily traded and are generally classified as Level 1 for fair value measurement purposes. Securities primarily traded on the NASDAQ National Market ("NASDAQ") are valued, except as indicated below, at the NASDAQ Official Closing Price and are generally classified as Level 1. However, securities traded on a securities exchange or NASDAQ for which there were no transactions on a given day or securities not listed on a securities exchange or NASDAQ are valued at the quoted bid price and are generally classified as Level 2.

Prices of fixed-income securities and swap contracts are provided by a pricing service approved by the Fund's Board of Trustees. These securities are generally classified as Level 2. The pricing service establishes a security's fair value using methods that may include consideration of the following: yields or prices of investments of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from security dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor's credit characteristics considered relevant. In pricing certain securities, particularly less liquid and lower quality securities, the pricing service may consider

Notes to

FINANCIAL STATEMENTS (Unaudited) (continued)

information about a security, its issuer, or market activity provided by the Adviser. These securities are generally classified as Level 2 or Level 3 depending on the priority of the significant inputs.

Repurchase agreements are valued at contract amount plus accrued interest, which approximates market value. These securities are generally classified as Level 2.

Certain securities may not be able to be priced by the pre-established pricing methods as described above. Such securities may be valued by the Fund's Board of Trustees or its designee at fair value. These securities generally include, but are not limited to, restricted securities (securities which may not be publicly sold without registration under the Securities Act of 1933, as amended) for which a pricing service is unable to provide a market price; securities whose trading has been formally suspended; debt securities that have gone into default and for which there is no current market quotation; a security whose market price is not available from a pre-established pricing source; a security with respect to which an event has occurred that is likely to materially affect the value of the security after the market has closed but before the calculation of a Fund's net asset value (as may be the case in non-U.S. markets on which the security is primarily traded) or make it difficult or impossible to obtain a reliable market quotation; and a security whose price, as provided by the pricing service, is not deemed to reflect the security's fair value. As a general principle, the fair value of a security would appear to be the amount that the owner might reasonably expect to receive for it in a current sale. A variety of factors may be considered in determining the fair value of such securities, which may include consideration of the following: yields or prices of investments of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from security dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor's credit characteristics considered relevant. These securities are generally classified as Level 2 or Level 3 depending on the priority of the significant inputs. Regardless of the method employed to value a particular security, all valuations are subject to review by the Fund's Board of Trustees or its designee.

### **Fair Value Measurements**

Fair value is defined as the price that the Fund would receive upon selling an investment or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. A three-tier hierarchy is used to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability. Observable inputs are based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are based on the best information available in the circumstances. The following is a summary of the three-tiered hierarchy of valuation input levels.

**Level 1** Inputs are unadjusted and prices are determined using quoted prices in active markets for identical securities.

**Level 2** Prices are determined using other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 Prices are determined using significant unobservable inputs (including management's assumptions in determining the fair value of investments).

The inputs or methodologies used for valuing securities are not an indication of the risks associated with investing in those securities. The following is a summary of the Fund's fair value measurements as of the end of the reporting period:

|                                | Level 1              | Level 2             | Level 3   | Total                |
|--------------------------------|----------------------|---------------------|-----------|----------------------|
| <b>Long-Term Investments*:</b> |                      |                     |           |                      |
| Real Estate                    |                      |                     |           |                      |
| Investment Trust               |                      |                     |           |                      |
| Common Stocks                  | \$264,924,265        | \$                  | \$        | \$264,924,265        |
| Convertible                    |                      |                     |           |                      |
| Preferred                      |                      |                     |           |                      |
| Securities                     | 29,327,193           |                     |           | 29,327,193           |
| Real Estate                    |                      |                     |           |                      |
| Investment Trust               |                      |                     |           |                      |
| Preferred Stocks               | 118,552,347          | 14,498,652          |           | 133,050,999          |
| <b>Short-Term Investments:</b> |                      |                     |           |                      |
| Repurchase                     |                      |                     |           |                      |
| Agreements                     |                      | 25,547,086          |           | 25,547,086           |
| <b>Derivatives:</b>            |                      |                     |           |                      |
| Swaps**                        |                      | 1,856,736           |           | 1,856,736            |
| <b>Total</b>                   | <b>\$412,803,805</b> | <b>\$41,902,474</b> | <b>\$</b> | <b>\$454,706,279</b> |

\* Refer to the Fund's Portfolio of Investments for industry classifications and breakdown of Real Estate Investment Trust Preferred Stocks classified as Level 2.

\*\* Represents net unrealized appreciation (depreciation) as reported in the Fund's Portfolio of Investments.

The Nuveen funds' Board of Directors/Trustees is responsible for the valuation process and has delegated the oversight of the daily valuation process to the Adviser's Valuation Committee. The Valuation Committee, pursuant to the valuation policies and procedures adopted by the Board of Directors/Trustees, is responsible for making fair value determinations, evaluating the effectiveness of the funds' pricing policies, and reporting to the Board of Directors/Trustees. The Valuation Committee is aided in its efforts by the Adviser's dedicated Securities Valuation Team, which is responsible

for administering the daily valuation process and applying fair value methodologies as approved by the Valuation Committee. When determining the reliability of independent pricing services for investments owned by the funds, the Valuation Committee, among other things, conducts due diligence reviews of the pricing services and monitors the quality of security prices received through various testing reports conducted by the Securities Valuation Team.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making a fair value determination, based on the facts and circumstances specific to the portfolio instrument. Fair value determinations generally will be derived as follows, using public or private market information:

- (i.) If available, fair value determinations shall be derived by extrapolating from recent transactions or quoted prices for identical or comparable securities.
- (ii.) If such information is not available, an analytical valuation methodology may be used based on other available information including, but not limited to: analyst appraisals, research reports, corporate action information, issuer financial statements and shelf registration statements. Such analytical valuation methodologies may include, but are not limited to: multiple of earnings, discount from market value of a similar freely-traded security, discounted cash flow analysis, book value or a multiple thereof, risk premium/yield analysis, yield to maturity and/or fundamental investment analysis.

The purchase price of a portfolio instrument will be used to fair value the instrument only if no other valuation methodology is available or deemed appropriate, and it is determined that the purchase price fairly reflects the instrument's current value.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Directors/Trustees, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such testing and fair valuation occurrences are reported to the Board of Directors/Trustees.

### **3. Portfolio Securities and Investments in Derivatives**

#### **Portfolio Securities**

##### *Foreign Currency Transactions*

To the extent that the Fund invests in securities and/or contracts that are denominated in a currency other than U.S. dollars, the Fund will be subject to currency risk, which is the risk that an increase in the U.S. dollar relative to the foreign currency will reduce returns or portfolio value. Generally, when the U.S. dollar rises in value against a foreign currency, the Fund's investments denominated in that currency will lose value because its currency is worth fewer U.S. dollars; the opposite effect occurs if the U.S. dollar falls in relative value. Investments and other assets and liabilities denominated in foreign currencies are converted into U.S. dollars on a spot (i.e. cash) basis at the spot rate prevailing in the foreign currency exchange market at the time of valuation. Purchases and sales of investments and income denominated in foreign currencies are translated into U.S. dollars on the respective dates of such transactions.

The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, assets and liabilities are translated into U.S. dollars at 4:00 p.m. Eastern Time. Investment transactions, income and expenses are translated on the respective dates of such transactions. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of the transactions, foreign currency transactions, and the difference between the

amounts of interest and dividends recorded on the books of the Fund and the amounts actually received.

The realized gains and losses resulting from changes in foreign currency exchange rates and changes in foreign exchange rates associated with other assets and liabilities on investments are recognized as a component of "Net realized gain (loss) from investments and foreign currency," on the Statement of Operations, when applicable.

The unrealized gains and losses resulting from changes in foreign currency exchange rates and changes in foreign exchange rates associated with other assets and liabilities on investments are recognized as a component of "Change in net unrealized appreciation (depreciation) of investments and foreign currency," on the Statement of Operations, when applicable. The unrealized gains and losses resulting from changes in foreign exchange rates associated with forward foreign currency exchange contracts, futures, options purchased, options written and swaps are recognized as a component of "Change in net unrealized appreciation (depreciation) of forward foreign currency exchange contracts, futures, options purchased, options written and swap contracts," respectively, on the Statement of Operations, when applicable.

#### *Repurchase Agreements*

In connection with transactions in repurchase agreements, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. If the counterparty defaults, and the fair value of the collateral declines, realization of the collateral may be delayed or limited.

Notes to

FINANCIAL STATEMENTS (Unaudited) (continued)

### Investments in Derivatives

The Fund is authorized to invest in certain derivative instruments, such as futures, options and swap contracts. The Fund will limit its investments in futures, options on futures and swap contracts to the extent necessary for the Adviser to claim the exclusion from regulation by the Commodity Futures Trading Commission as a commodity pool operator with respect to the Fund. The Fund records derivative instruments at fair value, with changes in fair value recognized on the Statement of Operations, when applicable. Even though the Fund's investments in derivatives may represent economic hedges, they are not considered to be hedge transactions for financial reporting purposes.

#### *Swap Contracts*

Forward interest rate swap transactions involve the Fund's agreement with a counterparty to pay, in the future, a fixed or variable rate payment in exchange for the counterparty paying the Fund a variable or fixed rate payment, the accruals for which would begin at a specified date in the future (the "effective date"). Interest rate swap contracts involve the Fund's agreement with the counterparty to pay or receive a fixed rate payment in exchange for the counterparty receiving or paying a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on any variable rate borrowing. The payment obligation is based on the notional amount of the swap contract. Swap contracts do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the net amount of interest payments that the Fund is to receive. Swap contracts are valued daily. Upon entering into an interest rate swap (and beginning on the effective date for a forward interest rate swap), the Fund accrues the fixed rate payment expected to be paid or received and the variable rate payment expected to be received or paid on the swap contracts on a daily basis, and recognizes the daily change in the fair value of the Fund's contractual rights and obligations under the contracts. The net amount recorded for these transactions for each counterparty is recognized on the Statement of Assets and Liabilities as a component of "Unrealized appreciation or depreciation on swaps (, net)" with the change during the fiscal period recognized on the Statement of Operations as a component of "Change in net unrealized appreciation (depreciation) of swaps." Income received or paid by the Fund is recognized as a component of "Net realized gain (loss) from swaps" on the Statement of Operations, in addition to the net realized gains or losses recognized upon the termination of the swap contracts and are equal to the difference between the Fund's basis in the swap and the proceeds from (or cost of) the closing transaction. Payments received or made at the beginning of the measurement period are recognized as a component of "Swap premiums paid and/or received" on the Statement of Assets and Liabilities, when applicable. For tax purposes, periodic payments are treated as ordinary income or expense.

During the six months ended June 30, 2013, the Fund continued to use swap contracts in order to hedge future leverage costs, which the Fund uses through the use of bank borrowings.

The average notional amount of swaps contracts outstanding during the six months ended June 30, 2013, was as follows:

|  |               |
|--|---------------|
| Average notional amount of swap contracts outstanding* | \$112,977,000 |
|--|---------------|

\* The average notional amount is calculated based on the outstanding notional amount at the beginning of the fiscal year and at the end of each fiscal quarter within the current fiscal year.

The following table presents the fair value of all swap contracts held by the Fund as of June 30, 2013, the location of these instruments on the Statement of Assets and Liabilities and the primary underlying risk exposure.

| Underlying Risk Exposure | Derivative Instrument | Location on the Statements of Assets and Liabilities |                    |                                  |                    |
|--------------------------|-----------------------|--|--------------------|----------------------------------|--------------------|
|                          |                       | Asset Derivatives                                    |                    | (Liability) Derivatives          |                    |
|                          |                       | Location   | Value              | Location                         | Value              |
| Interest rate            | Swaps                 | Unrealized appreciation on swaps, net                | \$3,017,688        | Unrealized depreciation on swaps | \$(973,984)        |
| Interest rate            | Swaps                 | Unrealized appreciation on swaps, net                | (186,968)          |                                  |                    |
| <b>Total</b>             |                       |  | <b>\$2,830,720</b> |                                  | <b>\$(973,984)</b> |

The following table presents the swap contacts, which are subject to netting agreements, as well as the collateral delivered related to those swap contracts.

| Counterparty   | Gross Unrealized Appreciation on Swaps* | Gross Unrealized (Depreciation) on Swaps* | Amounts Netted on Statement of Assets and Liabilities | Net Unrealized Appreciation (Depreciation) on Swaps | Collateral Pledged to Counterparty | Net Exposure       |
|----------------|---|---|---|---|------------------------------------|--------------------|
| JPMorgan       | \$3,017,688                             | \$(186,968)                               | \$(186,968)   | \$2,830,720   | \$                                 | \$2,830,720        |
| Morgan Stanley |   | (973,984)                                 |   | (973,984)   | 973,984                            |                    |
| <b>Total</b>   | <b>\$3,017,688</b>                      | <b>\$(1,160,952)</b>                      | <b>\$(186,968)</b>                                    | <b>\$1,856,736</b>                                  | <b>\$973,984</b>                   | <b>\$2,830,720</b> |

\* Represents gross unrealized appreciation (depreciation) for the counterparty as reported in the Fund's Portfolio of Investments.



The following table presents the amount of net realized gain (loss) and change in net unrealized appreciation (depreciation) recognized on swap contracts for the six months ended June 30, 2013, and the primary underlying risk exposure.

| <b>Underlying Risk Exposure</b>            | <b>Derivative Instrument</b> | <b>Net Realized Gain (Loss)</b> | <b>Change in Net Unrealized Appreciation (Depreciation)</b> |
|--|------------------------------|---------------------------------|---|
| Interest rate                              | Swaps                        | \$ (341,029)                    | \$3,144,359   |
| <i>Market and Counterparty Credit Risk</i> |                              |                                 |   |

In the normal course of business the Fund may invest in financial instruments and enter into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the other party to the transaction to perform (counterparty credit risk). The potential loss could exceed the value of the financial assets recorded on the financial statements. Financial assets, which potentially expose the Fund to counterparty credit risk, consist principally of cash due from counterparties on forward, option and swap transactions, when applicable. The extent of the Fund's exposure to counterparty credit risk in respect to these financial assets approximates its carrying value as recorded on the Statement of Assets and Liabilities. Credit risk is generally higher when a non-exchange-traded financial instrument is involved because the counterparty for exchange-traded instruments is the exchange's clearinghouse.

The Fund helps manage counterparty credit risk by entering into agreements only with counterparties the Adviser believes have the financial resources to honor their obligations and by having the Adviser monitor the financial stability of the counterparties. Additionally, counterparties may be required to pledge collateral daily (based on the daily valuation of the financial asset) on behalf of the Fund with a value approximately equal to the amount of any unrealized gain above a pre-determined threshold. Reciprocally, when the Fund has an unrealized loss, the Fund has instructed the custodian to pledge assets of the Fund as collateral with a value approximately equal to the amount of the unrealized loss above a pre-determined threshold. Collateral pledges are monitored and subsequently adjusted if and when the valuations fluctuate, either up or down, by at least the pre-determined threshold amount.

#### 4. Fund Shares

##### *Common Shares*

Since the inception of the Fund's repurchase program, the Fund has not repurchased any of its outstanding Common shares.

Transactions in Common shares were as follows:

|   | <b>Six Month Ended 6/30/13</b> | <b>Year Ended 12/31/12</b> |
|---|--------------------------------|----------------------------|
| Common shares issued to shareholders due to reinvestment of distributions | 49,758                         | 100,661                    |

#### 5. Investment Transactions

Purchases and sales (including maturities but excluding short-term investments and derivative transactions) during the six months ended June 30, 2013, aggregated \$221,692,757 and \$214,491,134, respectively.

## 6. Income Tax Information

The Fund intends to distribute substantially all of its investment company taxable income to shareholders and to otherwise comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies. In any year when the Fund realizes net capital gains, the Fund may choose to distribute all or a portion of its net capital gains to shareholders, or alternatively, to retain all or a portion of its net capital gains and pay federal corporate income taxes on such retained gains.

For all open tax years and all major taxing jurisdictions, management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Open tax years are those that are open for examination by taxing authorities (i.e., generally the last four tax year ends and the interim tax period since then). Furthermore, management of the Fund is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to timing differences in recognizing certain gains and losses on investment transactions. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts as detailed below. Temporary differences do not require reclassification. Temporary and permanent differences do not impact the net asset value of the Fund.

Nuveen Investments  
29

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## Notes to

## FINANCIAL STATEMENTS (Unaudited) (continued)

As of June 30, 2013, the cost and unrealized appreciation (depreciation) of investments (excluding investments in derivatives), as determined on a federal income tax basis, were as follows:

|   |               |
|---|---------------|
| Cost of investments                                       | \$380,375,620 |
| Gross unrealized:   |               |
| Appreciation  | \$ 79,661,879 |
| Depreciation  | (7,187,956)   |
| Net unrealized appreciation (depreciation) of investments | \$ 72,473,923 |

Permanent differences, primarily due to tax basis earnings and profits adjustments and treatment of notional principal contracts, resulted in reclassifications among the Fund's components of common share net assets at December 31, 2012, the Fund's last tax year end, as follows:

|  |                |
|--|----------------|
| Paid-in surplus  | \$(16,431,726) |
| Undistributed (Over-distribution of) net investment income | 15,748,302     |
| Accumulated net realized gain (loss)                       | 683,424        |

The tax components of undistributed net ordinary income and net long-term capital gains at December 31, 2012, the Fund's last tax year end, were as follows:

|   |    |
|---|----|
| Undistributed net ordinary income         | \$ |
| Undistributed net long-term capital gains |    |

The tax character of distributions paid during the Fund's last tax year ended December 31, 2012, was designated for purposes of the dividends paid deduction as follows:

|   |              |
|---|--------------|
| Distributions from net ordinary income <sup>1</sup> | \$26,384,143 |
| Distributions from net long-term capital gains      |              |

<sup>1</sup> Net ordinary income consists of net taxable income derived from dividends and interest, and current year earnings and profits attributable to realized gains.

At December 31, 2012, the Fund's last tax year end, the Fund had unused capital loss carryforwards available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire as follows:

|                               |               |
|-------------------------------|---------------|
| Expiration: December 31, 2017 | \$165,118,447 |
|-------------------------------|---------------|

During the Fund's last tax year ended December 31, 2012, the Fund utilized \$17,232,176 of its capital loss carryforwards.

Under the Regulated Investment Company Modernization Act of 2010, capital losses incurred by the Fund after December 31, 2010 will not be subject to expiration. During the Fund's last tax year ended December 31, 2012, there were no post-enactment capital losses generated.

## 7. Management Fees and Other Transactions with Affiliates

The Fund's management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. Security Capital is compensated for its services to the Fund from the

management fees paid to the Adviser.

The Fund's management fee consists of two components a fund-level fee, based only on the amount of assets within the Fund, and a complex-level fee, based on the aggregate amount of all eligible fund assets managed by the Adviser. This pricing structure enables Fund shareholders to benefit from growth in the assets within the Fund as well as from growth in the amount of complex-wide assets managed by the Adviser.

The annual fund-level fee, payable monthly, is calculated according to the following schedule:

| <b>Average Daily Managed Assets*</b> | <b>Fund-Level Fee Rate</b> |
|--------------------------------------|----------------------------|
| For the first \$500 million          | .7000%                     |
| For the next \$500 million           | .6750                      |
| For the next \$500 million           | .6500                      |
| For the next \$500 million           | .6250                      |
| For managed assets over \$2 billion  | .6000                      |

Nuveen Investments  
30

The annual complex-level fee, payable monthly, is calculated according to the following schedule:

| <b>Complex-Level Managed Asset Breakpoint Level*</b> | <b>Effective Rate at Breakpoint Level</b> |
|--|---|
| \$55 billion   | .2000%                                    |
| \$56 billion   | .1996                                     |
| \$57 billion   | .1989                                     |
| \$60 billion   | .1961                                     |
| \$63 billion   | .1931                                     |
| \$66 billion   | .1900                                     |
| \$71 billion   | .1851                                     |
| \$76 billion   | .1806                                     |
| \$80 billion   | .1773                                     |
| \$91 billion   | .1691                                     |
| \$125 billion  | .1599                                     |
| \$200 billion  | .1505                                     |
| \$250 billion  | .1469                                     |
| \$300 billion  | .1445                                     |

\* For the fund-level and complex-level fees, managed assets include closed-end fund assets managed by the Adviser that are attributable to financial leverage. For these purposes, financial leverage includes the funds' use of preferred stock and borrowings and certain investments in the residual interest certificates (also called inverse floating rate securities) in tender option bond (TOB) trusts, including the portion of assets held by a TOB trust that has been effectively financed by the trust's issuance of floating rate securities, subject to an agreement by the Adviser as to certain funds to limit the amount of such assets for determining managed assets in certain circumstances. The complex-level fee is calculated based upon the aggregate daily managed assets of all Nuveen Funds that constitute "eligible assets." Eligible assets do not include assets attributable to investments in other Nuveen Funds and assets in excess of \$2 billion added to the Nuveen Fund complex in connection with the Adviser's assumption of the management of the former First American Funds effective January 1, 2011. As of June 30, 2013, the complex-level fee rate for the Fund was .1679%.

The Fund pays no compensation directly to those of its trustees who are affiliated with the Adviser or to its officers, all of whom receive remuneration for their services to the Fund from the Adviser or its affiliates. The Board of Trustees has adopted a deferred compensation plan for independent trustees that enables trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from certain Nuveen-advised funds. Under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of select Nuveen-advised funds.

## **8. Borrowing Arrangements**

The Fund has entered into a \$140 million (maximum commitment amount), prime brokerage facility ("Borrowings") with BNP Paribas Prime Brokerage, Inc. ("BNP") as a means of financial leverage. As of June 30, 2013, the outstanding balance on these Borrowings was \$137.5 million. During the six months ended June 30, 2013, the average daily balance outstanding and interest rate on these Borrowings were \$127,806,630 million and 1.13%, respectively.

In order to maintain these Borrowings, the Fund must meet certain collateral, asset coverage and other requirements. Borrowings outstanding are fully secured by securities held in the Fund's portfolio of investments. Interest is charged on these Borrowings at 3-Month LIBOR (London Inter-bank Offered Rate) plus .85% on the amount borrowed and .50% on the undrawn balance.

Borrowings outstanding are recognized as "Borrowings" on the Statement of Assets and Liabilities. Interest expense incurred on the borrowed amount and undrawn balance are recognized as a component of "Interest expense on borrowings" on the Statement of Operations.

Nuveen Investments

31

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Annual Investment Management  
Agreement Approval Process (Unaudited)

The Board of Trustees (the "*Board*" and each Trustee, a "*Board Member*") of the Fund, including the Board Members who are not parties to the Fund's advisory or sub-advisory agreement or "interested persons" of any such parties (the "*Independent Board Members*"), is responsible for approving the advisory agreement (the "*Investment Management Agreement*") between the Fund and Nuveen Fund Advisors, LLC (the "*Advisor*") and the sub-advisory agreement (the "*Sub-Advisory Agreement*") between the Advisor and Security Capital Research & Management Incorporated (the "*Sub-Advisor*") (the Investment Management Agreement and the Sub-Advisory Agreement are referred to collectively as the "*Advisory Agreements*") and their periodic continuation. Pursuant to the Investment Company Act of 1940, as amended (the "*1940 Act*"), the Board is required to consider the continuation of the Advisory Agreements on an annual basis. Accordingly, at an in-person meeting held on May 20-22, 2013 (the "*May Meeting*"), the Board, including a majority of the Independent Board Members, considered and approved the continuation of the Advisory Agreements for the Fund for an additional one-year period.

In preparation for its considerations at the May Meeting, the Board requested and received extensive materials prepared in connection with the review of the Advisory Agreements. The materials provided a broad range of information regarding the Fund, the Advisor and the Sub-Advisor (the Advisor and the Sub-Advisor are collectively, the "*Fund Advisers*" and each, a "*Fund Adviser*"). As described in more detail below, the information provided included, among other things, a review of Fund performance, including Fund investment performance assessments against peer groups and appropriate benchmarks; a comparison of Fund fees and expenses relative to peers; a description and assessment of shareholder service levels for the Fund; a summary of the performance of certain service providers; a review of product initiatives and shareholder communications; and an analysis of the Advisor's profitability with comparisons to comparable peers in the managed fund business. As part of its annual review, the Board also held a separate meeting on April 17-18, 2013, to review the Fund's investment performance and consider an analysis provided by the Advisor of the Sub-Advisor which generally evaluated the Sub-Advisor's investment team, investment mandate, organizational structure and history, investment philosophy and process, performance of the Fund, and significant changes to the foregoing. As a result of its review of the materials and discussions, the Board presented the Advisor with questions and the Advisor responded.

The materials and information prepared in connection with the annual review of the Advisory Agreements supplement the information and analysis provided to the Board during the year. In this regard, throughout the year, the Board, acting directly or through its committees, regularly reviews the performance and various services provided by the Advisor and the Sub-Advisor. The Board meets at least quarterly as well as at other times as the need arises. At its quarterly meetings, the Board reviews reports by the Advisor regarding, among other things, fund performance, fund expenses, premium and discount levels of closed-end funds, the performance of the investment teams, and compliance, regulatory and risk management matters. In addition to regular reports, the Advisor provides special reports to the Board or a committee thereof from time to time to enhance the Board's understanding of various topics that impact some or all the Nuveen funds (such as accounting and financial statement presentations of the various forms of leverage that may be used by a closed-end fund or an update on the valuation policies and procedures), to update the Board on regulatory developments impacting the investment company industry or to update the Board on the business plans or other matters impacting the Advisor. The Board also meets with key investment personnel managing the fund portfolios during the year. In October 2011, the Board also created two standing committees (the Open-End Fund Committee and the Closed-End Fund Committee) to assist the full Board in monitoring and gaining a deeper insight into the distinctive business practices of open-end and closed-end funds. These Committees meet prior to each quarterly Board



meeting, and the Advisor provides presentations to these Committees permitting them to delve further into specific matters or initiatives impacting the respective product line.

Nuveen Investments

32

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In addition, the Board continues its program of seeking to have the Board Members or a subset thereof visit each sub-advisor to the Nuveen funds at least once over a multiple year rotation, meeting with key investment and business personnel. In this regard, the Sub-Advisor made a presentation to the Board. In addition, the ad hoc Securities Lending Committee of the Board met with certain service providers and the Audit Committee of the Board made a site visit to three pricing service providers.

The Board considers the information provided and knowledge gained at these meetings and visits during the year when performing its annual review of the Advisory Agreements. The Independent Board Members also are assisted throughout the process by independent legal counsel. Counsel provided materials describing applicable law and the duties of directors or trustees in reviewing advisory contracts. During the course of the year and during their deliberations regarding the review of advisory contracts, the Independent Board Members met with independent legal counsel in executive sessions without management present. In addition, it is important to recognize that the management arrangements for the Nuveen funds are the result of many years of review and discussion between the Independent Board Members and fund management and that the Board Members' conclusions may be based, in part, on their consideration of fee arrangements and other factors developed in previous years.

The Board considered all factors it believed relevant with respect to the Fund, including among other factors: (a) the nature, extent and quality of the services provided by the Fund Advisers, (b) the investment performance of the Fund and Fund Advisers, (c) the advisory fees and costs of the services to be provided to the Fund and the profitability of the Fund Advisers, (d) the extent of any economies of scale, (e) any benefits derived by the Fund Advisers from the relationship with the Fund and (f) other factors. Each Board Member may have accorded different weight to the various factors in reaching his or her conclusions with respect to the Fund's Advisory Agreements. The Independent Board Members did not identify any single factor as all important or controlling. The Independent Board Members' considerations were instead based on a comprehensive consideration of all the information presented. The principal factors considered by the Board and its conclusions are described below.

#### **A. Nature, Extent and Quality of Services**

In considering renewal of the Advisory Agreements, the Independent Board Members considered the nature, extent and quality of the Fund Adviser's services, including advisory services and the resulting Fund performance and administrative services. The Independent Board Members further considered the overall reputation and capabilities of the Advisor and its affiliates, the commitment of the Advisor to provide high quality service to the Fund, their overall confidence in the capability and integrity of the Advisor and its staff and the Advisor's responsiveness to questions and concerns raised by them. The Independent Board Members reviewed materials outlining, among other things, the Fund Adviser's organization and business; the types of services that the Fund Adviser or its affiliates provide to the Fund; the performance record of the Fund (as described in further detail below); and any applicable initiatives Nuveen had taken for the closed-end fund product line.

In considering advisory services, the Board recognized that the Advisor provides various oversight, administrative, compliance and other services for the Fund and the Sub-Advisor generally provides the portfolio investment management services to the Fund. In reviewing the portfolio management services provided to the Fund, the Board reviewed the materials provided by the Nuveen Investment Services Oversight Team analyzing, among other things, the Sub-Advisor's investment team and changes thereto, organization and history, assets under management, the investment team's philosophy and strategies in managing the Fund, developments affecting the Sub-Advisor or Fund and Fund performance. The Independent Board Members also reviewed portfolio manager compensation arrangements to evaluate each Fund Adviser's ability to attract and retain high quality investment personnel, preserve stability, and

reward performance but not provide an inappropriate incentive to take undue risks. In addition, the Board considered the Advisor's execution of its oversight responsibilities over the Sub-Advisor. Given the importance of compliance, the

Nuveen Investments

33

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Annual Investment Management Agreement  
Approval Process (Unaudited) (continued)

Independent Board Members also considered Nuveen's compliance program, including the report of the chief compliance officer regarding the Fund's compliance policies and procedures; the resources dedicated to compliance; and the record of compliance with the policies and procedures. Given the Advisor's emphasis on business risk, the Board also appointed an Independent Board Member as a point person to review and keep the Board apprised of developments in this area during the year.

In addition to advisory services, the Board considered the quality and extent of administrative and other non-investment advisory services the Advisor and its affiliates provide to the Fund, including product management, investment services (such as oversight of investment policies and procedures, risk management, and pricing), fund administration, oversight of service providers, shareholder services and communications, administration of Board relations, regulatory and portfolio compliance, legal support, managing leverage and promoting an orderly secondary market for common shares. The Board further recognized Nuveen's additional investments in personnel, including in compliance and risk management.

In reviewing the services provided, the Board considered the new services and service enhancements that the Advisor has implemented since the various advisory agreements were last reviewed. In reviewing the activities of 2012, the Board recognized the Advisor's focus on product rationalization for both closed-end and open-end funds during the year, consolidating certain Nuveen funds through mergers that were designed to improve efficiencies and economies of scale for shareholders, repositioning various Nuveen funds through updates in their investment policies and guidelines with the expectation of bringing greater value to shareholders, and liquidating certain Nuveen funds. The Board recognized the Advisor's significant investment in technology initiatives to, among other things, create a central repository for fund and other Nuveen product data, develop a group within the Advisor designed to handle and analyze fund performance data, and implement a data system to support the risk oversight group. The Board also recognized the enhancements in the valuation group within the Advisor, including upgrading the team and process and automating certain basic systems, and in the compliance group with the addition of personnel, particularly within the testing group. With the advent of the Open-End Fund Committee and Closed-End Fund Committee, the Board also noted the enhanced support and comprehensive in-depth presentations provided by the Advisor to these committees.

In addition to the foregoing actions, the Board also considered other initiatives related to the Nuveen closed-end funds, including the significant level of oversight and administration necessary to manage leverage that has become increasingly varied and complex and the ongoing redesign of technology systems to manage and track the various forms of leverage; continued capital management services, including developing shelf offering programs for various funds; the implementation of projects designed to enhance data integrity for information published on the web and to increase the use of data received from third parties to gain market intelligence; and the continued communication efforts with shareholders, fund analysts and financial advisers. With respect to the latter, the Independent Board Members noted Nuveen's continued commitment to supporting the secondary market for the common shares of its closed-end funds through a comprehensive secondary market communication program and campaigns designed to raise investor and analyst awareness and understanding of closed-end funds. Nuveen's support services included, among other things: developing materials covering the Nuveen closed-end fund product line and educational materials regarding closed-end funds; designing and executing various marketing campaigns; supporting and promoting the alternative minimum tax (AMT)-free funds; sponsoring and participating in conferences; communicating with closed-end fund analysts and financial advisors throughout the year; providing marketing and product updates for the closed-end funds; and maintaining and enhancing a closed-end fund website.

Based on their review, the Independent Board Members found that, overall, the nature, extent and quality of services provided to the Fund under each Advisory Agreement were satisfactory.

Nuveen Investments

34

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## **B. The Investment Performance of the Fund and Fund Advisers**

The Board, including the Independent Board Members, considered the performance history of the Fund over various time periods. The Board reviewed reports, including an analysis of the Fund's performance and the applicable investment team. In general, in considering a fund's performance, the Board recognized that a fund's performance can be reviewed through various measures including the fund's absolute return, the fund's return compared to the performance of other peer funds, and the fund's performance compared to its respective benchmark. Accordingly, the Board reviewed, among other things, the Fund's historic investment performance as well as information comparing the Fund's performance information with that of other funds (the "*Performance Peer Group*") and with recognized and/or customized benchmarks (i.e., benchmarks derived from multiple recognized benchmarks) for the quarter, one-, three- and five-year periods ending December 31, 2012 as well as performance information reflecting the first quarter of 2013. In addition, with respect to closed-end funds (such as the Fund), the Independent Board Members also reviewed historic premium and discount levels, including a summary of actions taken to address or discuss other developments affecting the secondary market discounts of various funds. This information supplemented the fund performance information provided to the Board at each of its quarterly meetings.

In evaluating performance, the Board recognized several factors that may impact the performance data as well as the consideration given to particular performance data. The Board recognized that the performance data reflects a snapshot of time, in this case as of the end of the most recent calendar year or quarter. The Board noted that selecting a different performance period could derive significantly different results. Further, the Board recognized that it is possible that long-term performance can be adversely affected by even one period of significant underperformance so that a single investment decision or theme has the ability to disproportionately affect long-term performance. The Independent Board Members also noted that the investment experience of a particular shareholder in the Nuveen funds will vary depending on when such shareholder invests in the applicable fund, the class held (if multiple classes are offered in a fund) and the performance of the fund (or respective class) during that shareholder's investment period.

With respect to the comparative performance information, the Board recognized that the usefulness of comparative performance data as a frame of reference to measure a fund's performance may be limited because the Performance Peer Group, among other things, does not adequately reflect the objectives and strategies of the fund, has a different investable universe, or the composition of the peer set may be limited in size or number as well as other factors. In this regard, the Board noted that the Advisor classified, in relevant part, the Performance Peer Groups of certain funds as having significant differences from the funds but to still be somewhat relevant (such as the Fund) while the Performance Peer Groups of other funds were classified as having such significant differences as to be irrelevant. Accordingly, while the Board is cognizant of the relative performance of a fund's peer set and/or benchmark(s), the Board evaluated fund performance in light of the respective fund's investment objectives, investment parameters and guidelines and considered that the variations between the objectives and investment parameters or guidelines of the funds with their peers and/or benchmarks result in differences in performance results. In addition, with respect to any Nuveen funds for which the Board has identified performance concerns, the Board monitors such funds closely until performance improves, discusses with the Advisor the reasons for such results, considers those steps necessary or appropriate to address such issues, and reviews the results of any efforts undertaken.

In considering the performance data for the Fund, the Independent Board Members determined that the Fund had satisfactory performance compared to its peers, performing in the second or third quartile over various periods. Further, although the Fund underperformed its benchmark in the five-year period, it outperformed its benchmark in the one- and three-year periods.

Based on their review, the Independent Board Members determined that the Fund's investment performance had been satisfactory.

Nuveen Investments

35

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Annual Investment Management Agreement  
Approval Process (Unaudited) (continued)

**C. Fees, Expenses and Profitability**

**1. Fees and Expenses**

The Board evaluated the management fees and expenses of the Fund reviewing, among other things, the Fund's gross management fee, net management fee and net expense ratio in absolute terms as well as compared to the fees and expenses of a comparable universe of funds provided by an independent fund data provider (the "*Peer Universe*") and any expense limitations.

The Independent Board Members further reviewed the methodology regarding the construction of the applicable Peer Universe. In reviewing the comparisons of fee and expense information, the Independent Board Members took into account that in certain instances various factors such as: the limited size and particular composition of the Peer Universe (including the inclusion of other Nuveen funds in the peer set); expense anomalies; changes in the funds comprising the Peer Universe from year to year; levels of reimbursement or fee waivers; the timing of information used; and the differences in the type and use of leverage may impact the comparative data, thereby limiting somewhat the ability to make a meaningful comparison with peers.

In reviewing the fee schedule for the Fund, the Independent Board Members also considered the fund-level and complex-wide breakpoint schedules (described in further detail below) and any fee waivers and reimbursements provided by Nuveen. In reviewing fees and expenses (excluding leverage costs and leveraged assets, as applicable), the Board considered the expenses and fees to be higher if they were over 10 basis points higher, slightly higher if they were approximately 6 to 10 basis points higher, in line if they were within approximately 5 basis points higher than the peer average and below if they were below the peer average of the Peer Universe. In reviewing the reports, the Board noted that the majority of the Nuveen funds were at, close to or below their peer set average based on the net total expense ratio.

The Independent Board Members noted that the Fund had a net management fee higher and a net expense ratio slightly higher than its peer averages. In this regard, the Fund's higher relative expense ratio was generally due to the expiration of certain fee waivers and the issuance of incremental leverage.

Based on their review of the fee and expense information provided, the Independent Board Members determined that the Fund's management fees were reasonable in light of the nature, extent and quality of services provided to it.

**2. Comparisons with the Fees of Other Clients**

The Board recognized that all Nuveen funds have a sub-advisor (which, in the case of the Fund, is a non-affiliated sub-advisor), and therefore, the overall fund management fee can be divided into two components, the fee retained by the Advisor and the fee paid to the sub-advisor. In general terms, the fee to the Advisor reflects the administrative services it provides to support the funds, and while some administrative services may occur at the sub-advisor level, the fee generally reflects the portfolio management services provided by the sub-advisor. The Independent Board Members reviewed information regarding the nature of services provided by the Advisor (including through its affiliated sub-advisors), and the range of fees and average fee such sub-advisors assessed for such services to other clients. Such other clients include separately managed accounts (both retail and institutional accounts), hedge funds, foreign investment funds offered by Nuveen and funds that are not offered by Nuveen but are sub-advised



by one of Nuveen's investment management teams. In evaluating the comparisons of fees, the Independent Board Members noted that the fee rates charged to the Fund and other clients vary, among other things, because of the different services involved and the additional regulatory and compliance requirements associated with registered investment companies, such as the Fund. Accordingly, the Independent Board Members considered the differences in the product types, including, but not limited to, the services provided, the structure and operations, product distribution and costs thereof, portfolio investment policies, investor profiles, account sizes and regulatory requirements. The Independent Board Members noted, in particular, that the range of services provided to the Fund (as

Nuveen Investments

36

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discussed above) is much more extensive than that provided to separately managed accounts. Many of the additional administrative services provided by the Advisor are not required for institutional clients. The Independent Board Members further noted that the management fee rates of the foreign funds advised by the Advisor may vary due to, among other things, differences in the client base, governing bodies, operational complexities and services covered by the management fee. Given the inherent differences in the various products, particularly the extensive services provided to the Fund, the Independent Board Members believe such facts justify the different levels of fees.

In considering the fees of the Sub-Advisor, the Independent Board Members also considered the pricing schedule or fees that the Sub-Advisor charges for other clients. The Independent Board Members noted that the Fund's sub-advisory fees were the result of arm's-length negotiations. The Independent Board Members further noted that the fees paid to the Sub-Advisor for its sub-advisory services were below its average fees earned.

### **3. Profitability of Fund Advisers**

In conjunction with their review of fees, the Independent Board Members also considered the profitability of Nuveen for its advisory activities and its financial condition. The Independent Board Members reviewed the revenues and expenses of Nuveen's advisory activities for the last two calendar years, the allocation methodology used in preparing the profitability data and an analysis of the key drivers behind the changes in revenues and expenses that impacted profitability in 2012. The Independent Board Members noted this information supplemented the profitability information requested and received during the year to help keep them apprised of developments affecting profitability (such as changes in fee waivers and expense reimbursement commitments). In this regard, the Independent Board Members noted that they have an Independent Board Member serve as a point person to review and keep them apprised of changes to the profitability analysis and/or methodologies during the year. The Independent Board Members also considered Nuveen's revenues for advisory activities, expenses, and profit margin compared to that of various unaffiliated management firms with comparable assets under management (based on asset size and asset composition).

In reviewing profitability, the Independent Board Members recognized the Advisor's continued investment in its business to enhance its services, including capital improvements to investment technology, updated compliance systems, and additional personnel. In addition, in evaluating profitability, the Independent Board Members also recognized the subjective nature of determining profitability which may be affected by numerous factors including the allocation of expenses and that various allocation methodologies may each be reasonable but yield different results. Further, the Independent Board Members recognized the difficulties in making comparisons as the profitability of other advisers generally is not publicly available and the profitability information that is available for certain advisers or management firms may not be representative of the industry and may be affected by, among other things, the adviser's particular business mix, capital costs, types of funds managed and expense allocations. Notwithstanding the foregoing, the Independent Board Members reviewed Nuveen's methodology and assumptions for allocating expenses across product lines to determine profitability. Based on their review, the Independent Board Members concluded that the Advisor's level of profitability for its advisory activities was reasonable in light of the services provided.

The Independent Board Members also considered the Sub-Advisor's revenues, expenses and profitability margins for its advisory activities with the Fund. Based on their review, the Independent Board Members were satisfied that the Sub-Advisor's level of profitability was reasonable in light of the services provided.

In evaluating the reasonableness of the compensation, the Independent Board Members also considered other amounts paid to a Fund Adviser by the Fund as well as indirect benefits (such as soft dollar arrangements), if any, the Fund Adviser and its affiliates receive, or are expected to receive, that are directly attributable to the management of the Fund. See Section E below for additional information on indirect benefits a Fund Adviser may receive as a

Nuveen Investments

37

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Annual Investment Management Agreement  
Approval Process (Unaudited) (continued)

result of its relationship with the Fund. Based on their review of the overall fee arrangements of the Fund, the Independent Board Members determined that the advisory fees and expenses of the Fund were reasonable.

**D. Economies of Scale and Whether Fee Levels Reflect These Economies of Scale**

With respect to economies of scale, the Independent Board Members have recognized the potential benefits resulting from the costs of a fund being spread over a larger asset base, although economies of scale are difficult to measure and predict with precision, particularly on a fund-by-fund basis. One method to help ensure the shareholders share in these benefits is to include breakpoints in the advisory fee schedule. Generally, management fees for funds in the Nuveen complex are comprised of a fund-level component and a complex-level component, subject to certain exceptions. Accordingly, the Independent Board Members reviewed and considered the applicable fund-level breakpoints in the advisory fee schedules that reduce advisory fees as asset levels increase. Further, the Independent Board Members noted that although closed-end funds may from time-to-time make additional share offerings, the growth of their assets will occur primarily through the appreciation of such funds' investment portfolio.

In addition to fund-level advisory fee breakpoints, the Board also considered the Fund's complex-wide fee arrangement. Pursuant to the complex-wide fee arrangement, the fees of the funds in the Nuveen complex are generally reduced as the assets in the fund complex reach certain levels. The complex-wide fee arrangement seeks to provide the benefits of economies of scale to fund shareholders when total fund complex assets increase, even if assets of a particular fund are unchanged or have decreased. The approach reflects the notion that some of Nuveen's costs are attributable to services provided to all its funds in the complex and therefore all funds benefit if these costs are spread over a larger asset base. In addition, with the acquisition of the funds previously advised by FAF Advisors, Inc. at the end of 2010, the Board noted that a portion of such funds' assets at the time of acquisition were deemed eligible to be included in the complex-wide fee calculation in order to deliver fee savings to shareholders in the combined complex and such funds were subject to differing complex-level fee rates.

Based on their review, the Independent Board Members concluded that the breakpoint schedules and complex-wide fee arrangement were acceptable and reflect economies of scale to be shared with shareholders when assets under management increase.

**E. Indirect Benefits**

In evaluating fees, the Independent Board Members received and considered information regarding potential "fall out" or ancillary benefits the respective Fund Adviser or its affiliates may receive as a result of its relationship with the Fund. In this regard, the Independent Board Members considered any revenues received by affiliates of the Advisor for serving as co-manager in initial public offerings of new closed-end funds as well as revenues received in connection with secondary offerings.

In addition to the above, the Independent Board Members considered whether the Fund Advisers received any benefits from soft dollar arrangements whereby a portion of the commissions paid by the Fund for brokerage may be used to acquire research that may be useful to the Fund Adviser in managing the assets of the Fund and other clients. The Fund's portfolio transactions are determined by the Sub-Advisor. Accordingly, the Independent Board Members considered that the Sub-Advisor may benefit from its soft dollar arrangements pursuant to which it receives research from brokers that execute the Fund's portfolio

transactions. With respect to fixed income securities, however, the Board recognized that such securities generally trade on a principal basis that does not generate soft dollar credits. Nevertheless, the Sub-Advisor may also engage in soft dollar arrangements on behalf of other clients, and the Fund as well as the Sub-Advisor may benefit from the research or other services received. Similarly, the Board recognized that the research received pursuant to soft dollar arrangements by the Sub-Advisor may also benefit the Fund and shareholders to the extent the research enhances the ability of the Sub-Advisor to manage the Fund. The Independent Board Members

Nuveen Investments

38

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noted that the Sub-Advisor's profitability may be somewhat lower if it did not receive the research services pursuant to the soft dollar arrangements and had to acquire such services directly.

Based on their review, the Independent Board Members concluded that any indirect benefits received by a Fund Adviser as a result of its relationship with the Fund were reasonable and within acceptable parameters.

**F. Other Considerations**

The Independent Board Members did not identify any single factor discussed previously as all-important or controlling. The Board Members, including the Independent Board Members, unanimously concluded that the terms of each Advisory Agreement are fair and reasonable, that the respective Fund Adviser's fees are reasonable in light of the services provided to the Fund and that the Advisory Agreements be renewed.

Nuveen Investments  
39

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Reinvest Automatically,  
Easily and Conveniently

Nuveen makes reinvesting easy. A phone call is all it takes to set up your reinvestment account.

### **Nuveen Closed-End Funds Automatic Reinvestment Plan**

Your Nuveen Closed-End Fund allows you to conveniently reinvest distributions in additional Fund shares.

By choosing to reinvest, you'll be able to invest money regularly and automatically, and watch your investment grow through the power of compounding. Just like distributions in cash, there may be times when income or capital gains taxes may be payable on distributions that are reinvested.

It is important to note that an automatic reinvestment plan does not ensure a profit, nor does it protect you against loss in a declining market.

### **Easy and convenient**

To make recordkeeping easy and convenient, each quarter you'll receive a statement showing your total distributions, the date of investment, the shares acquired and the price per share, and the total number of shares you own.

### **How shares are purchased**

The shares you acquire by reinvesting will either be purchased on the open market or newly issued by the Fund. If the shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the greater of the net asset value or 95% of the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. If the Plan Agent begins purchasing Fund shares on the open market while shares are trading below net asset value, but the Fund's shares subsequently trade at or above their net asset value before the Plan Agent is able to complete its purchases, the Plan Agent may cease open-market purchases and may invest the uninvested portion of the distribution in newly-issued Fund shares at a price equal to the greater of the shares' net asset value or 95% of the shares' market value on the last business day immediately prior to the purchase date. Distributions received to purchase shares in the open market will normally be invested shortly after the distribution payment date. No interest will be paid on distributions awaiting reinvestment. Because the market price of the shares may increase before purchases are completed, the average purchase price per share may exceed the market price at the time of valuation, resulting in the acquisition of fewer shares than if the distribution had been paid in shares issued by the Fund. A pro rata portion of any applicable brokerage commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

### **Flexible**

You may change your distribution option or withdraw from the Plan at any time, should your needs or situation change.

You can reinvest whether your shares are registered in your name, or in the name of a brokerage firm, bank, or other nominee. Ask your investment advisor if his or her firm will participate on your behalf. Participants whose shares are registered in the name of one firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

The Fund reserves the right to amend or terminate the Plan at any time. Although the Fund reserves the right to amend the Plan to include a service charge payable by the participants, there is no direct service charge to participants in the Plan at this time.

**Call today to start reinvesting distributions**

For more information on the Nuveen Automatic Reinvestment Plan or to enroll in or withdraw from the Plan, speak with your financial advisor or call us at (800) 257-8787.

Nuveen Investments

40

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Glossary of Terms  
Used in this Report

- **Average Annual Total Return:** This is a commonly used method to express an investment's performance over a particular, usually multi-year time period. It expresses the return that would have been necessary each year to equal the investment's actual cumulative performance (including change in NAV or market price and reinvested dividends and capital gains distributions, if any) over the time period being considered.
- **Current Distribution Rate:** An investment's current annualized distribution divided by its current market price.
- **Effective Leverage:** Effective leverage is a Fund's effective economic leverage, and includes both Regulatory Leverage (see below) and the leverage effects of certain derivative investments in the Fund's portfolio that increase the Fund's investment exposure.
- **Gross Domestic Product (GDP):** The total market value of all final goods and services produced in a country/region in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.
- **Leverage:** Using borrowed money to invest in securities or other assets, seeking to increase the return of an investment or portfolio.
- **Net Asset Value (NAV):** The net market value of all securities held in a portfolio.
- **Net Asset Value (NAV) Per Share:** The market value of one share of a mutual fund or closed-end fund. For a Fund, the NAV is calculated daily by taking the Fund's total assets (securities, cash, and accrued earnings), subtracting the Fund's liabilities, and dividing by the number of shares outstanding.
- **Regulatory Leverage:** Regulatory leverage consists of preferred shares issued by or borrowings of a Fund. Both of these are part of a Fund's capital structure. Regulatory leverage is sometimes referred to as "40 Act Leverage" and is subject to asset coverage limits set in the Investment Company Act of 1940.
- **S&P 500® Index:** An unmanaged index generally considered representative of the U.S. stock market. Index returns assume reinvestment of distributions, but do not reflect any applicable sales charges or management fees.
- **Specialized Real Estate Securities Benchmark:** A measure based on the return of the preferred stock and highest 50% yielding (based on market capitalization) common stock securities in the SNL Financial LC real estate database through 6/30/2007. Beginning in July 2007, the benchmark is based on preferred and all common stocks in the database. Returns are computed from this database by a third party provider. Returns do not include the effects of any sales charges or management fees.
- **Wilshire U.S. Select Real Estate Securities Index (RESI):** A float-adjusted market capitalization index that is reviewed quarterly. This index is designed to measure the performance of publicly traded real estate securities and to serve as a proxy for direct real estate investments. Index returns assume reinvestment of distributions, but do not reflect any applicable sales charges.



Notes

Nuveen Investments

42

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Additional Fund Information

**Board of Trustees**

John P. Amboian  
Robert P. Bremner  
Jack B. Evans  
William C. Hunter  
David J. Kundert  
William J. Schneider  
Judith M. Stockdale  
Carole E. Stone  
Virginia L. Stringer  
Terence J. Toth

**Fund Manager**

Nuveen Fund Advisors, LLC  
333 West Wacker Drive  
Chicago, IL 60606

**Custodian**

State Street Bank & Trust Company  
Boston, MA

**Transfer Agent and  
Shareholder Services**

State Street Bank & Trust Company  
Nuveen Funds  
P.O. Box 43071  
Providence, RI 02940-3071  
(800) 257-8787

**Legal Counsel**

Chapman and Cutler LLP  
Chicago, IL

**Independent Registered  
Public Accounting Firm**

Ernst & Young LLP  
Chicago, IL

**Quarterly Form N-Q Portfolio of Investments Information**

The Fund is required to file its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. You may obtain this

information directly from the SEC. Visit the SEC on-line at <http://www.sec.gov> or in person at the SEC's Public Reference Room in Washington, D.C. Call the SEC toll-free at (800) SEC -0330 for room hours and operation.

### **Nuveen Funds' Proxy Voting Information**

You may obtain (i) information regarding how each fund voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, without charge, upon request, by calling Nuveen Investments toll-free at (800) 257-8787 or on Nuveen's website at [www.nuveen.com](http://www.nuveen.com) and (ii) a description of the policies and procedures that each fund used to determine how to vote proxies relating to portfolio securities without charge, upon request, by calling Nuveen Investments toll free at (800) 257-8787. You may also obtain this information directly from the SEC. Visit the SEC on-line at <http://www.sec.gov>.

### **CEO Certification Disclosure**

The Fund's Chief Executive Officer has submitted to the New York Stock Exchange (NYSE) the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

The Fund has filed with the SEC the certification of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act.

### **Common Share Information**

The Fund intends to repurchase shares of its own common stock in the future at such times and in such amounts as is deemed advisable. During the period covered by this report, the Fund repurchased shares of its common stock as shown in the accompanying table.

|  | <b>Common<br/>Shares<br/>Repurchased</b> |
|--|--|
|--|--|

|     |  |
|-----|--|
| JRS |  |
|-----|--|

Any future repurchases will be reported to shareholders in the next annual or semi-annual report.

Nuveen Investments

Nuveen Investments:  
Serving Investors for Generations

Since 1898, financial advisors and their clients have relied on Nuveen Investments to provide dependable investment solutions through continued adherence to proven, long-term investing principles. Today, we offer a range of high quality equity and fixed-income solutions designed to be integral components of a well-diversified core portfolio.

**Focused on meeting investor needs.**

Nuveen Investments provides high-quality investment services designed to help secure the long-term goals of institutional and individual investors as well as the consultants and financial advisors who serve them. Nuveen Investments markets a wide range of specialized investment solutions which provide investors access to capabilities of its high-quality boutique investment affiliates Nuveen Asset Management, Symphony Asset Management, NWQ Investment Management Company, Santa Barbara Asset Management, Tradewinds Global Investors, Winslow Capital Management and Gresham Investment Management. In total, Nuveen Investments managed approximately \$216 billion as of June 30, 2013.

**Find out how we can help you.**

To learn more about how the products and services of Nuveen Investments may be able to help you meet your financial goals, talk to your financial advisor, or call us at **(800) 257-8787**. Please read the information provided carefully before you invest. Investors should consider the investment objective and policies, risk considerations, charges and expenses of any investment carefully. Where applicable, be sure to obtain a prospectus, which contains this and other relevant information. To obtain a prospectus, please contact your securities representative or **Nuveen Investments, 333 W. Wacker Dr., Chicago, IL 60606**. Please read the prospectus carefully before you invest or send money.

Learn more about Nuveen Funds at: [www.nuveen.com/cef](http://www.nuveen.com/cef)

Distributed by  
Nuveen Securities, LLC  
333 West Wacker Drive  
Chicago, IL 60606  
[www.nuveen.com/cef](http://www.nuveen.com/cef)

ESA-A-0613D

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ITEM 2. CODE OF ETHICS.

Not applicable to this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this filing.

ITEM 6. SCHEDULE OF INVESTMENTS.

(a) See Portfolio of Investments in Item 1.

(b) Not applicable.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this filing.



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ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this filing.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board implemented after the registrant last provided disclosure in response to this Item.

ITEM 11. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (17 CFR 240.13a-15(b) or 240.15d-15(b)).

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form.

(a)(1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Not applicable to this filing.

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(a)(2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)) in the exact form set forth below: See Ex-99.CERT attached hereto.

(a)(3) Any written solicitation to purchase securities under Rule 23c-1 under the 1940 Act (17 CFR 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons: Not applicable.

(b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the 1940 Act (17 CFR 270.30a-2(b)); Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed filed for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference: See Ex-99.906 CERT attached hereto.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Nuveen Real Estate Income Fund

By (Signature and Title)     /s/ Kevin J. McCarthy  
                                    Kevin J. McCarthy  
                                    (Vice President and Secretary)

Date: September 5, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)     /s/ Gifford R. Zimmerman  
                                    Gifford R. Zimmerman  
                                    Chief Administrative Officer  
                                    (principal executive officer)

Date: September 5, 2013

By (Signature and Title)     /s/ Stephen D. Foy  
                                    Stephen D. Foy  
                                    Vice President and Controller  
                                    (principal financial officer)

Date: September 5, 2013

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