

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

NUVEEN REAL ESTATE INCOME FUND
Form N-CSR
July 08, 2003

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)

Jessica R. Droeger
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: October 31st

Date of reporting period: April 30th

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.

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.

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

ITEM 1. REPORTS TO STOCKHOLDERS.

SEMIANNUAL REPORT April 30, 2003

Nuveen
Closed-End
Exchange-Traded
Funds

NUVEEN
REAL ESTATE
INCOME FUND
JRS

PHOTO OF: WOMAN AND GIRL LOOKING AT A STARFISH.
PHOTO OF: CHILD PLAYING VIOLIN.

HIGH CURRENT INCOME
FROM A PORTFOLIO OF
COMMERCIAL REAL ESTATE
INVESTMENTS

Logo: NUVEEN Investments

FASTER INFORMATION
RECEIVE YOUR
NUVEEN FUND REPORT
ELECTRONICALLY

By registering for electronic delivery, you will receive an e-mail as soon as your Nuveen Fund information is available. Click on the link and you will be taken directly to the report. Your Fund report can be viewed and saved on your computer. Your report will arrive faster via e-mail than by traditional mail.

Registering is easy and only takes a few minutes (see instructions at right).

SOME COMMON CONCERNS:

WILL MY E-MAIL ADDRESS BE DISTRIBUTED TO OTHER COMPANIES?

No, your e-mail address is strictly confidential and will not be used for anything other than notification of shareholder information.

WHAT IF I CHANGE MY MIND AND WANT TO RECEIVE INVESTOR MATERIALS THROUGH REGULAR MAIL DELIVERY AGAIN?

If you decide you do not like receiving your reports electronically, it's a simple process to go back to regular mail delivery.

IF YOUR NUVEEN FUND DIVIDENDS AND STATEMENTS

COME FROM YOUR FINANCIAL ADVISOR OR BROKERAGE ACCOUNT,

FOLLOW THE STEPS OUTLINED BELOW:

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

- 1 Go to WWW.INVESTORDELIVERY.COM
- 2 Refer to the address sheet that accompanied this report. Enter the personal 13-CHARACTER ENROLLMENT NUMBER imprinted near your name.
- 3 You'll be taken to a page with several options. Select the NEW ENROLLMENT-CREATE screen. Once there, enter your e-mail address (e.g. yourID@providerID.com), and a personal, 4-digit PIN number of your choice. (Pick a number that's easy to remember.)
- 4 Click Submit. Confirm the information you just entered is correct, then click Submit again.
- 5 You should get a confirmation e-mail within 24 hours. If you do not, go back through these steps to make sure all the information is correct.
- 6 Use this same process if you need to change your registration information or cancel internet viewing.

IF YOUR NUVEEN FUND DIVIDENDS AND STATEMENTS

COME DIRECTLY TO YOU FROM NUVEEN,

FOLLOW THE STEPS OUTLINED BELOW:

- 1 Go to WWW.NUVEEN.COM
- 2 Select ACCESS YOUR ACCOUNT. Select the E-REPORT ENROLLMENT section. Click on Enrollment Today.
- 3 You'll be taken to a screen that asks for your Social Security number and e-mail address. Fill in this information, then click Enroll.
- 4 You should get a confirmation e-mail within 24 hours. If you do not, go back through these steps to make sure all the information is correct.
- 5 Use this same process if you need to change your registration information or cancel internet viewing.

Logo: NUVEEN Investments

Photo of: Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

Sidebar text: "NO ONE KNOWS WHAT THE FUTURE WILL BRING, WHICH IS WHY WE THINK A WELL-BALANCED PORTFOLIO IS AN IMPORTANT COMPONENT IN ACHIEVING YOUR LONG-TERM FINANCIAL GOALS."

Dear
SHAREHOLDER

Once again, I am pleased to report that over the most recent reporting period your Fund continued to provide you with attractive monthly income. For more specific information about the performance of your Fund, please see the Portfolio Manager's Comments and Performance Overview sections of this report.

With interest rates at historically low levels, many have begun to wonder how

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

real estate investments will perform if interest rates begin to rise. No one knows what the future will bring, which is why we think a well-balanced portfolio that is structured and carefully monitored with the help of an investment professional is an important component in achieving your long-term financial goals. A well-diversified portfolio may actually help to reduce your overall investment risk, and we believe that a real estate investment like your Fund can be an important building block in a portfolio crafted to perform well through a variety of market conditions.

I'd also like to direct your attention to the inside front cover of this report, which explains the quick and easy process to begin receiving Fund reports like this via e-mail and the internet. Thousands of Nuveen Fund shareholders already have signed-up, and they are getting their Fund information faster and more conveniently than ever. I urge you to consider joining them.

Since 1898, Nuveen Investments has offered financial products and solutions that incorporate careful research, diversification, and the application of conservative risk-management principles. We are grateful that you have chosen us as a partner as you pursue your financial goals. We look forward to continuing to earn your trust in the months and years ahead.

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

June 16, 2003

1

Nuveen Real Estate Income Fund
(JRS)

Manager's
PERSPECTIVE

The Fund is managed by a team of real estate investment professionals at Security Capital Research & Management Incorporated, a wholly-owned subsidiary of General Electric Capital Services, Inc. Tony Manno and Ken Statz, who each have more than 21 years' experience in managing real estate investments, lead the team. Here they review the economic environment and performance of the Fund.

WHAT WERE THE MAJOR ECONOMIC DRIVERS OF THE REAL ESTATE AND REIT MARKETS DURING THE TWELVE-MONTH PERIOD ENDED APRIL 30, 2003?

During this reporting period, there was a continuation, and in some cases a sharpening, of several existing general trends and conditions. These included a sluggish U.S. economy, a historically low interest rate environment and a general sense of investor wariness brought on by corporate and securities industry scandals, geopolitical uncertainties and global health issues.

In our opinion, all of these factors combined to enhance the desirability and prominence of real estate assets in the portfolios of all types of investors. Indeed, the period ended April 30, 2003, was noteworthy for its very active and liquid market for private real estate assets, as well as a steady flow of capital into the publicly traded securities of REITs and other real estate operating companies ("REOCs").

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

At the same time, many of the economic forces that drove the public and private real estate investment markets also led to a difficult environment for real estate operators. The absence of a strong, sustained economic recovery continued to dampen the demand for most types of real estate space. With the notable exceptions of malls and shopping centers, this has led to further declines in occupancy levels and, in turn, to downward pressure on rents for newly signed leases. None of this came as a surprise to many industry observers, since real estate fundamentals often lag changes in the macro-economy. However, these effects were unevenly distributed among the major property categories:

- o Apartment rentals continued to face sluggish demand due to a weak job market and heightened competition from home-ownership brought on by low mortgage rates. Compounding matters, construction of new units nationwide has continued at a relatively fast pace, leaving many operators with little choice but to compete aggressively on price.
- o Office rents and occupancy levels also remained under pressure due to stagnant demand. Industries that typically employ office workers and need office space have not been adding significantly to their payrolls.
- o Bucking this trend, shopping malls and other types of retail centers remained a beacon of strength. Leasing activity in these sectors was bolstered by a sustained consumer appetite for goods, and by retailers' continued demand for new stores. The strength of this sector also has helped it absorb some major chain store closures (KMart is the notable example).

WHAT WERE THE KEY STRATEGIES AND TACTICS USED TO MANAGE JRS OVER THE PERIOD ENDED APRIL 30, 2003?

During the reporting period, we continued to focus on those preferred and common securities that we believed were best positioned to generate sustainable income and potential price appreciation. In managing the portfolio, we sought to structure as diversified a portfolio as possible while taking into account company credit quality issues, sector and geographic exposure and security-type allocations. Every decision was based on a multi-layered analysis of the company, the real estate it owns, its management, and the relative price of the security.

One important tool we employed in attempting to manage JRS for income and long-term capital appreciation was the ability to shift the portfolio's allocation between preferred and common stocks

2

based upon the relative attractiveness of these two distinct markets. As of October 31, 2002, the portfolio was split nearly evenly between preferred and common stock (48% and 52%, respectively, excluding cash equivalents). Such an allocation had been achieved to take advantage of the relative value and inherent stability of preferreds during a deteriorating market environment. Gradually, as market pricing mechanisms adjusted over the subsequent six months, we tilted the portfolio moderately toward common stocks. As of April 30, 2003, the portfolio allocations were 41% preferred and 59% common stock (excluding cash equivalents). This shift was principally undertaken to exploit specific emergent opportunities among common stocks, and in recognition that many preferred securities had reached or exceeded our target valuations. It also exemplified the value of having such security-type flexibility - over this six month period, many widely followed real estate common stock benchmarks handily outperformed those measuring real estate preferreds.

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

WERE THERE ANY SPECIFIC AREAS OR TYPES OF PROPERTIES YOU FOCUSED ON IN PARTICULAR?

Throughout the reporting period, we believed the portfolio was well diversified by property type, geography, and issuer, and that this diversification dampened the Fund's exposure to an adverse event that might affect one or a small group of issuers. Here again, JRS's ability to invest in preferred securities allowed us to capture attractive cash flows by assuming a priority position in the capital structure of cyclically depressed property types and issuers. A good example of how this flexibility benefited JRS was our investment in apartment companies, many of which, as mentioned, were under significant operating stress. By adjusting the Fund's allocation to apartments mainly through preferred stock holdings - which ranged between 57% and 79% of the allocation - we were able to be much more selective in our common stock investments, and still participate commensurately in the cash flows of this important component of the real estate industry. A similar strategy was employed for office companies (38% to 48% of the portfolio's office allocation is in preferreds) and hotels (100% in preferreds). We believe this extra layer of strategic flexibility enabled us to better diversify the portfolio by property type and issuer, without adding undue risks.

HOW DID THE FUND PERFORM OVER THE TWELVE MONTHS ENDED APRIL 30, 2003?

For the twelve months ended April 30, 2003, the Fund produced a 5.52% total return on net asset value. This compares with a -1.53% return over the same period for the Wilshire Real Estate Securities Index, an unmanaged index comprised of publicly-traded REITs and REOCs.

A significant portion of the performance difference between the Fund and this index is explained by the Fund's active program of investing in preferred stocks, which are not included in the index.

Over the twelve-month period, the Fund raised its regular monthly dividend, and, as of April 30, 2003, it continued to trade at a premium to its net asset value.

WHAT IS YOUR OUTLOOK FOR THE REAL ESTATE MARKETS AND THE FUND?

Our current outlook is for continued occupancy weakness among office and hotel companies, gradual improvement in occupancy rates for the more cyclically sensitive apartment companies, and strong occupancy and rental rate levels for retail oriented properties. With a small handful of exceptions, we believe the companies in the real estate industry generally are healthy, and we expect the industry to emerge from any current operating weakness poised to grow if and when the overall economy begins to expand.

We expect to continue managing JRS for both income and capital appreciation by adjusting, as needed, the allocations between common and preferred securities. After a sustained period of economic weakness during which an income-focused strategy has been appropriate, we are watching closely for, and are prepared to act on, signs of a shift in the overall economy from weakness to moderate growth. This may lead to a scenario in which common stocks of well positioned companies begin to look more attractive to us.

Overall, we believe JRS currently is well positioned, and that the Fund continues to offer investors opportunities for strong returns and portfolio diversification.

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

Nuveen Real Estate Income Fund

Performance

OVERVIEW As of April 30, 2003

JRS

PORTFOLIO STATISTICS

Share Price	\$15.94
Common Share Net Asset Value	\$14.89
Net Assets Attributable to Common Shares (\$000)	\$418,554

TOP 5 COMMON STOCK HOLDINGS	% OF TOTAL INVESTMENTS
--------------------------------	---------------------------

Mack-Cali Realty Corporation	7.1%
The Macerich Company	5.7%
Arden Realty, Inc.	5.5%
HRPTProperties Trust	5.5%
First Industrial Realty Trust, Inc.	4.1%

TOP 5 PREFERRED STOCK HOLDINGS	% OF TOTAL INVESTMENTS
-----------------------------------	---------------------------

Crescent Real Estate Equities Company	7.3%
Apartment Investment & Management Company	4.5%
Home Properties of New York, Inc.	4.4%
Federal Realty Investment Trust	3.6%
LaSalle Hotel Properties	2.7%

TOP 5 SECTORS	% OF TOTAL INVESTMENTS
---------------	---------------------------

Office	38.5%
Retail	25.4%
Multifamily	15.9%
Healthcare	8.1%
Industrial	6.3%

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

AVERAGE ANNUAL TOTAL RETURN (Inception 11/01)

	MARKET	NAV
1-Year	9.59%	5.52%
Since Inception	13.47%	11.97%

Bar Chart:

2002-2003 MONTHLY TAX-FREE DIVIDENDS PER SHARE¹

5/02	0.1125
6/02	0.1125
7/02	0.1125
8/02	0.1125
9/02	0.115
10/02	0.115
11/02	0.115
12/02	0.115
1/03	0.115
2/03	0.115
3/03	0.115
4/03	0.115

Line Chart:

SHARE PRICE PERFORMANCE

Weekly Closing Price

Past performance is not predictive of future results.

5/1/02	15.96
	16
	15.9
	15.84
	16
	16.02
	16.16
	16.18
	16.02
	16.14
	15.85
	15.05
	14.99
	15.53
	15.52
	15.85
	15.62
	16
	16.2
	16.13
	15.85
	15.92
	15.78
	14.45
	14.69
	14.31
	14.57
	15.1
	15.12
	14.89
	14.92
	15.05

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

	14.88
	14.92
	15.02
	15.31
	15.2
	15.15
	15.29
	15.37
	15.4
	15.25
	15.59
	15.67
	15.71
	15.35
	15.55
	15.56
	15.99
	16
	15.88
4/30/03	15.77

PORTFOLIO HOLDINGS BY TYPE OF INVESTMENT
(AS A % OF TOTAL INVESTMENTS)

Common Stocks	58%
Preferred Stocks	41%
Short-Term Investments	1%

1 The fund also paid shareholders a net ordinary income distribution in December 2002 of \$0.038 per share.

4

Nuveen Real Estate Income Fund (JRS)
Portfolio of
INVESTMENTS April 30, 2003 (Unaudited)

SHARES	DESCRIPTION(1)
	COMMON STOCKS - 83.5% - (58.0% OF TOTAL INVESTMENTS)
	HEALTHCARE - 10.8%
1,672,300	Nationwide Health Properties, Inc.
1,740,300	Senior Housing Properties Trust
	INDUSTRIAL - 5.9%
890,400	First Industrial Realty Trust, Inc.
	MULTIFAMILY - 9.9%
276,300	Amlı Residential Properties Trust

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

150,000 Apartment Investment & Management Company - Series A
 385,000 Archstone-Smith Trust
 516,400 Avalonbay Communities, Inc.

OFFICE - 34.4%

1,388,800 Arden Realty, Inc.
 374,900 Brandywine Realty Trust
 114,900 Highwoods Properties, Inc.
 3,642,100 HRPT Properties Trust
 1,351,500 Mack-Cali Realty Corporation
 1,305,600 Reckson Associates Realty Corporation

RETAIL - 22.0%

413,800 Federal Realty Investment Trust
 332,800 Glimcher Realty Trust
 585,000 Heritage Property Investment Trust
 1,044,100 The Macerich Company
 1,159,400 New Plan Excel Realty Trust

STORAGE - 0.5%

76,900 Public Storage, Inc.

Total Common Stocks (cost \$329,548,956)

PREFERRED STOCKS - 59.0% (41.0% OF TOTAL INVESTMENTS)

HEALTHCARE - 0.8%

46,530 Health Care Property Investors, Inc. - Series B, 8.700%
 32,558 Nationwide Health Properties, Inc. - Series A, 7.677%

HOTEL - 6.0%

360,000 Boykin Lodging Company - Series A, 10.500%
 600,000 LaSalle Hotel Properties - Series A, 10.250%

INDUSTRIAL - 3.1%

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

497,623 PS Business Parks, Inc. - Series F, 8.750%

5

Nuveen Real Estate Income Fund (JRS) (continued)
Portfolio of INVESTMENTS April 30, 2003 (Unaudited)

SHARES	DESCRIPTION(1)

	MULTIFAMILY - 13.1%
	Apartment Investment & Management Company:
91,600	Series G, 9.375%
59,400	Series H, 9.500%
51,050	Series Q, 10.100%
803,500	Series R, 10.000%
970,000	Home Properties of New York, Inc. - Series F, 9.000%
51,300	United Dominion Realty Trust, Inc. - Series B, 8.600%

	OFFICE - 21.1%
223,200	Alexandria Real Estate Equities, Inc. - Series B, 9.100%
	CarrAmerica Realty Corp.:
83,757	Series B, 8.570%
503,800	Series C, 8.550%
	Crescent Real Estate Equities Company:
835,100	Series A (Convertible), 6.750%
1,050,000	Series B, 9.500%
136,500	Glenborough Realty Trust Incorporated - Series A (Convertible), 7.750%
	Highwoods Properties, Inc.:
12,141	Series A, 8.625%
33,600	Series B, 8.000%
250,000	HRPT Properties Trust - Series B, 8.750%

	RETAIL - 14.6%
140,000	CBL & Associates Properties, Inc. - Series B, 8.750%
	Developers Diversified Realty Corporation:
49,000	Series C, 8.375%
96,200	Series F, 8.600%
480,000	Series G, 8.000%
816,000	Federal Realty Investment Trust - Series B, 8.500%
237,300	Glimcher Realty Trust - Series B, 9.250%

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

	The Mills Corp.:
123,200	Series C, 9.000%
225,000	Series E, 8.750%
24,500	Taubman Centers, Inc. - Series A, 8.300%

STORAGE - 0.3%

	Shurgard Storage Centers, Inc.:
30,000	Series C, 8.700%
24,600	Series D, 8.750%

Total Preferred Stocks (cost \$232,540,034)

PRINCIPAL
AMOUNT (000) DESCRIPTION(1)

SHORT-TERM INVESTMENTS (COST 6,028,000) - 1.4% (1.0% OF TOTAL INVESTMENTS)

\$	6,028	State Street Bank Repurchase Agreement, 1.160%, dated 4/30/03, due 5/01/03,
=====		repurchase price \$6,028,194, collateralized by U.S. Treasury Bonds

Total Investments (cost \$568,116,990) - 143.9%

Other Assets Less Liabilities - (2.8)%

Taxable Auctioned Preferred Shares, at Liquidation Value - (41.1)%

Net Assets Applicable to Common Shares - 100%
=====

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

See accompanying notes to financial statements.

6

Statement of
ASSETS AND LIABILITIES April 30, 2003 (Unaudited)

ASSETS	
Investments, at market value (cost \$568,116,990)	\$ 602,292,864
Cash	954
Receivables:	
Dividends and interest	2,579,957
Investments sold	10,555,136

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

Other assets	5,159

Total assets	615,434,070

LIABILITIES	
Payable for investments purchased	14,319,000
Interest rate swaps, at value	10,105,240
Accrued expenses:	
Management fees	287,482
Other	147,898
Taxable Auctioned Preferred share dividends payable	20,299

Total liabilities	24,879,919

Taxable Auctioned Preferred shares, at liquidation value	\$ 172,000,000

Net assets applicable to Common shares	\$ 418,554,151
=====	
Common shares outstanding	28,115,730
=====	
Net asset value per Common share outstanding (net assets applicable to Common shares, divided by Common shares outstanding)	\$ 14.89
=====	

NET ASSETS APPLICABLE TO COMMON SHARES CONSIST OF:

Common shares, \$.01 par value per share	\$ 281,157
Paid-in surplus	399,513,425
Undistributed (Over-distribution of) net investment income	(8,203,460)
Accumulated net realized gain from investment transactions	2,602,504
Net unrealized appreciation of investments and interest rate swap transactions	24,360,525

Net assets applicable to Common shares	\$ 418,554,151
=====	
Authorized shares:	
Common	Unlimited
Taxable Auctioned Preferred	Unlimited
=====	

See accompanying notes to financial statements.

Statement of
OPERATIONS Six Months Ended April 30, 2003
(Unaudited)

INVESTMENT INCOME	
Dividends	\$ 14,671,410
Interest	44,489

Total investment income	14,715,899

EXPENSES	
Management fees	2,531,418
Net interest expense on interest rate swap transactions	2,107,306

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

Taxable Auctioned Preferred shares - auction fees	213,232
Taxable Auctioned Preferred shares - dividend disbursing agent fees	11,157
Shareholders' servicing agent fees and expenses	8,203
Custodian's fees and expenses	62,937
Trustees' fees and expenses	24,810
Professional fees	50,876
Shareholders' reports - printing and mailing expenses	76,667
Stock exchange listing fees	2,040
Investor relations expense	68,296
Other expenses	9,437

Total expenses before custodian fee credit and expense reimbursement	5,166,379
Custodian fee credit	(285)
Expense reimbursement	(846,662)

Net expenses	4,319,432

Net investment income	10,396,467

REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS	
Net realized gain from investments	6,763,309
Change in net unrealized appreciation (depreciation) of investments	42,607,093
Change in net unrealized appreciation (depreciation) of interest rate swap transactions	(940,488)

Net gain from investments	48,429,914

DISTRIBUTIONS TO TAXABLE AUCTIONED PREFERRED SHAREHOLDERS	
From net investment income	(1,093,188)
From accumulated net realized gains from investments	(93,850)

Decrease in net assets applicable to Common shares from distributions to Taxable Auctioned Preferred shareholders	(1,187,038)

Net increase in net assets applicable to Common shares from operations	\$ 57,639,343
=====	

See accompanying notes to financial statements.

Statement of
CHANGES IN NET ASSETS (Unaudited)

OPERATIONS
Net investment income
Net realized gain from investments

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

Change in net unrealized appreciation (depreciation) of investments
Change in net unrealized appreciation (depreciation) of interest rate swap transactions
Distributions to Taxable Auctioned Preferred shareholders:
 From net investment income
 From accumulated net realized gains from investments

Net increase in net assets applicable to Common shares from operations

DISTRIBUTIONS TO COMMON SHAREHOLDERS

From net investment income
From accumulated net realized gains from investments

Decrease in net assets applicable to Common shares from distributions to
 Common shareholders

CAPITAL SHARE TRANSACTIONS

Common shares:
 Net proceeds from sale of shares
 Net proceeds from shares issued to shareholders due to reinvestment of distributions
Taxable Auctioned Preferred shares offering costs

Net increase in net assets applicable to Common shares from capital share transactions

Net increase in net assets applicable to Common shares
Net assets applicable to Common shares at the beginning of period

Net assets applicable to Common shares at the end of period
=====

Undistributed (Over-distribution of) net investment income at the end of period
=====

See accompanying notes to financial statements.

9

Notes to FINANCIAL STATEMENTS (Unaudited)

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Prior to the commencement of operations, the Fund had no operations other than those related to organizational matters, the initial capital contribution of \$100,275 by Nuveen Institutional Advisory Corp. (the "Adviser"), a wholly owned subsidiary of Nuveen Investments, Inc. (formerly, The John Nuveen Company), and the recording of the organizational expenses (\$15,000) and their reimbursement by Nuveen Investments, LLC (formerly, Nuveen Investments), also a wholly owned subsidiary of Nuveen Investments, Inc.

The Fund seeks to provide high current income by investing primarily in a

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

portfolio of income-producing common stocks, preferred stocks, convertible preferred stocks and debt securities issued by real estate companies, such as Real Estate Investment Trusts ("REITs").

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements in accordance with accounting principles generally accepted in the United States.

Securities Valuation

Securities are valued at the last sales price on the securities exchange or Nasdaq on which such securities are primarily traded. Securities traded on a securities exchange or Nasdaq for which there are no transactions on a given day or securities not listed on a securities exchange or Nasdaq are valued at the mean of the closing bid and asked price. Effective April 14, 2003, the Fund began pricing securities traded on Nasdaq at the Nasdaq Official Closing Price. If it is determined that market prices for a security are unavailable or inappropriate, the Board of Trustees of the Fund, or its designee, may establish a fair value for the security. Short-term securities are valued at amortized cost, which approximates market value.

Because the Fund may invest a substantial portion of its assets in REITs, the Fund may be subject to certain risks associated with direct investments in REITs. REITs may be affected by changes in value of their underlying properties and by defaults by tenants. REITs depend generally on their ability to generate cash flow to make distributions to shareholders, and certain REITs have self-liquidation provisions by which mortgages held may be paid in full and distributions of capital returns may be made at any time.

Securities Transactions

Securities transactions are recorded on a trade date basis. Realized gains and losses from such transactions are determined on the specific identification method.

Investment Income

Dividend income is recorded on the ex-dividend date. Interest income is determined on an accrual basis (see Dividends and Distributions to Common Shareholders for REIT income recognition policy).

Income Taxes

The Fund intends to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its net investment income to its shareholders. Therefore, no federal income tax provision is required.

Dividends and Distributions to Common Shareholders

Dividends to Common shareholders are declared and paid monthly. The Fund's policy is to pass through to its shareholders, each month, substantially all REIT distributions it receives, together with other operating income less operating expenses. REIT distributions received by the Fund are generally comprised of investment income, long-term and short-term capital gains, and a return of REIT capital. The actual character of amounts received during the period is not known until after both the fiscal and calendar year ends. For the twelve months ended December 31, 2002, the character of distributions to the Fund from REITs was 71.47% ordinary income, 12.21% long-term and short-term capital gains, and 16.32% return of REIT capital.

The Fund applies a percentage estimate, such as those shown above, or uses a similar estimation of the breakdown of income type, to its receipts from REITs and treats as income in 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 REITs inform their shareholders of the actual breakdown of

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

income type.

10

During the period, the Fund treats each distribution to its shareholders from the portfolio REITs as being entirely from net investment income. The Fund recharacterizes those distributions as being from ordinary income, long-term and short-term capital gains, and a return of capital, if necessary, at the beginning of the subsequent calendar year, based upon the income type breakdown information conveyed at that time by the REITs whose securities are held in the Fund's portfolio. Consequently, the financial statements may reflect an over-distribution of net investment income that is at least partly attributable to the fact that, as of the date of the financial statements, some of the amounts received by the Fund from portfolio REITs, but none of the dividends paid by the Fund to shareholders from the portfolio REITs, during the current fiscal year, will have been treated as something other than ordinary income.

The Fund may also generate capital gains from trading investments in its portfolio which are distributed to shareholders not less frequently than annually. Such capital gains are distributed only to the extent they exceed available capital loss carryforwards.

Taxable Auctioned Preferred Shares

The Fund has issued and outstanding 1,720 Series M, 1,720 Series T, 1,720 Series W and 1,720 Series F, \$25,000 stated value Taxable Auctioned Preferred shares. The dividend rate on each series may change every seven days, as set pursuant to a dutch auction process by the auction agent, and is payable at or near the end of each rate period.

Interest Rate Swap Transactions

The Fund is authorized to enter into hedging transactions, including interest rate swap transactions. The Fund uses interest rate swaps with the intent to reduce or eliminate the risk that an increase in short-term interest rates could have on Common share net earnings as a result of leverage. Interest rate swaps involve the Fund's agreement with the swap counterparty to pay a fixed rate payment in exchange for the counterparty paying the Fund a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on Taxable Auctioned Preferred shares or any variable rate borrowing. The payment obligation is based on the notional amount of the swap. Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of credit loss with respect to interest rate swaps is limited to the net amount of interest payments that the Fund is to receive. The Fund has instructed the custodian to segregate assets with a current value at least equal to the amount of the net payment obligations under any interest rate swap transactions. Interest rate swap positions are marked to market daily. Although there are economic advantages of entering into interest rate swap transactions, there are also additional risks. The Fund helps manage the credit risks associated with interest rate swap transactions by entering into agreements only with firms the Adviser believes has the financial resources to honor its obligations, by having the Adviser continually monitor the financial stability of that swap counterparty.

At April 30, 2003, the Fund had open interest rate swap agreements with Citibank NA as follows:

NOTIONAL AMOUNT	FIXED RATE	FLOATING RATE*	TERMINATION DATE	UNREALIZED APPRECIATION (DEPRECIATION)

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

\$43,000,000	4.0225%	1.3000%	2/06/05	\$(1,844,091)
43,000,000	4.8000	1.3000	2/06/07	(3,496,839)
43,000,000	5.1900	1.3000	2/06/09	(4,474,419)
				\$(9,815,349)

*Based on LIBOR (London Interbank Offered Rate)

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 seller defaults, and the fair value of the collateral declines, realization of the collateral may be delayed or limited.

Custodian Fee Credit

The Fund has an arrangement with the custodian bank whereby certain custodian fees and expenses are reduced by credits earned on the Fund's cash on deposit with the bank. Such deposit arrangements are an alternative to overnight investments.

Offering Costs

Nuveen Investments, LLC has agreed to pay all Common share offering costs (other than the sales load) that exceed \$.03 per Common share. The Fund's share of offering costs (\$843,000) were recorded as a reduction of the proceeds from the sale of Common shares.

Costs incurred by the Fund in connection with its offering of Taxable Auctioned Preferred shares (\$2,017,208) were recorded as a reduction to paid-in surplus.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 asset applicable to Common shares from operations during the reporting period. Significant estimates used in the preparation of the accompanying financial statements includes the valuation by a third party pricing agent of the Fund's investments at the reporting date and estimating the composition of REIT distributions received by the Fund during the reporting period. Actual amounts may differ from those estimates.

11

Notes to
FINANCIAL STATEMENTS (Unaudited) (continued)

2. FUND SHARES

During the six months ended April 30, 2003, 6,174 Common shares were issued to shareholders due to reinvestment of distributions.

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

During the period November 15, 2001 (commencement of operations) through October 31, 2002, 28,100,000 Common shares and 6,880 Taxable Auctioned Preferred shares were sold. In addition, 2,556 Common shares were issued to shareholders due to reinvestment of distributions during the period November 15, 2001 (commencement of operations) through October 31, 2002.

3. SECURITIES TRANSACTIONS

Purchases and sales of investments (excluding short-term investments) during the six months ended April 30, 2003, aggregated \$107,732,576 and \$105,062,499, respectively.

4. INCOME TAX INFORMATION

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 recording income and in recognizing certain gains and losses on security transactions.

At April 30, 2003, the cost of investments was as follows:

Cost of investments	\$571,925,080
=====	

Gross unrealized appreciation and gross unrealized depreciation of investments and interest rate swap transactions at April 30, 2003, were as follows:

Gross unrealized:	
appreciation	\$ 36,393,519
depreciation	(15,841,084)

Net unrealized appreciation of investments and interest rate swap transactions	\$ 20,552,435
=====	

The tax components of undistributed net investment income and net realized gains at October 31, 2002, the Fund's last fiscal year end, were as follows:

Undistributed net ordinary income *	\$2,779,707
Undistributed net long-term capital gains	--
=====	

*Net ordinary income consists of taxable income derived from dividends, interest and net short-term capital gains, if any.

The tax character of distributions paid during the period ended October 31, 2002, the Fund's last fiscal year end, were as follows:

Distributions from net ordinary income *	\$25,313,542
Distributions from net long-term capital gains	\$ 5,722,287
=====	

*Net ordinary income consists of taxable income derived from dividends, interest and net short-term capital gains, if any.

The Fund designated as a long-term capital gain dividend, pursuant to Internal

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

Revenue Code Section 852(b)(3), the amount necessary to reduce the earnings and profits of the Fund related to net capital gain to zero for the tax year ended October 31, 2002, the Fund's last fiscal year end.

12

5. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Under the Fund's investment management agreement with the Adviser, the Fund pays an annual management fee, payable monthly, at the rates set forth below, which are based upon the average daily managed assets of the Fund. "Managed assets" consists of the average daily net assets applicable to Common shares, assets attributable to Taxable Auctioned Preferred Shares and the principal amount of borrowings, if any.

AVERAGE DAILY MANAGED ASSETS	MANAGEMENT FEE
For the first \$500 million	.9000%
For the next \$500 million	.8750
For the next \$500 million	.8500
For the next \$500 million	.8250
For Managed Assets over \$2 billion	.8000

The Adviser has agreed to waive part of its management fees or reimburse certain expenses of the Fund in an amount equal to .30% of the average daily Managed Assets for the period November 15, 2001 (commencement of operations) through November 30, 2006, .25% of the average daily Managed Assets for the year ended November 30, 2006, .20% of the average daily Managed Assets for the year ended November 30, 2007, .15% of the average daily Managed Assets for the year ended November 30, 2008, .10% of the average daily Managed Assets for the year ended November 30, 2009, .05% of the average daily Managed Assets for the year ended November 30, 2010, and .05% of the average daily Managed Assets for the year ended November 30, 2011. The Adviser has not agreed to reimburse the Fund for any portion of its fees and expenses beyond November 30, 2011.

The management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Adviser has entered into a Sub-Advisory Agreement with Security Capital Research & Management Incorporated ("Security Capital"), under which Security Capital manages the investment portfolio of the Fund. Security Capital is compensated for its services to the Fund from the management fee paid to the Adviser.

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.

6. SUBSEQUENT EVENT - DISTRIBUTIONS TO COMMON SHAREHOLDERS

The Fund declared a dividend distribution of \$.1150 per Common share which was paid on June 2, 2003, to shareholders of record on May 15, 2003.

13

Financial HIGHLIGHTS (Unaudited)

Selected data for a Common share outstanding throughout each period:

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

Investment Operations

	Beginning Common Share Net Asset Value	Net Investment Income	Net Realized/ Unrealized Investment Gain (Loss)	Distributions	Distributions	Total
				from Net Investment Income to Taxable Auctioned Preferred Share- holders+	from Capital Gains to Taxable Auctioned Preferred Share- holders+	
Year Ended 10/31:						
2003 (b)	\$13.56	\$.37	\$1.73	\$ (.04)	\$--	\$2.06
2002 (a)	14.33	1.01	(.46)	(.09)	--	.46

Total Returns

	Offering Costs and Taxable Auctioned Preferred Share Underwriting Discounts	Ending Common Share Net Asset Value	Ending Market Value	Based on Market Value**	Based on Common Share Net Asset Value**
Year Ended 10/31:					
2003 (b)	\$ --	\$14.89	\$15.94	16.24%	15.43%
2002 (a)	(.10)	13.56	14.40	3.30	2.09

Ratios/Supplemental Data

	Before Credit/Reimbursement		After Credit/Reimbursement	
	Ratio of Expenses to Average Net Assets Applicable to Common Shares (000)	Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++	Ratio of Expenses to Average Net Assets Applicable to Common Shares++	Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares++
Year Ended 10/31:				
2003 (b)	\$418,554	2.62%*	4.85%*	2.19%*
2002 (a)	381,290	2.12%*	6.71%*	1.72%*

Cumulative Taxable Auctioned
Preferred at End of Period

Aggregate Amount	Liquidation and Market Asset
---------------------	------------------------------------

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

	Outstanding (000)	Value Per Share	Coverage Per Share
Year Ended 10/31:			
2003 (b)	\$172,000	\$25,000	\$85,836
2002 (a)	172,000	25,000	80,420

* Annualized.

** Total Investment Return on Market Value is the combination of reinvested dividend income, reinvested capital gains distributions, if any, and changes in stock price per share. Total Return on Common Share Net Asset Value is the combination of reinvested dividend income, reinvested capital gains distributions, if any, and changes in Common share net asset value per share. Total returns are not annualized.

*** After custodian fee credit and expense reimbursement, where applicable.

+ The amounts shown are based on Common share equivalents.

++ Ratios do not reflect the effect of dividend payments to Taxable Auctioned Preferred shareholders; income ratios reflect income earned on assets attributable to Taxable Auctioned Preferred shares. Each Ratio of Expenses to Average Net Assets Applicable to Common shares and each Ratio of Net Investment Income to Average Net Assets Applicable to Common Shares includes the effect of the net interest expense paid on interest rate swap transactions as follows:

2003 (b) 1.07*

2002 (a) .68*

(a) For the period November 15, 2001 (commencement of operations) through October 31, 2002.

(b) For the six months ended April 30, 2003.

See accompanying notes to financial statements.

14-15 Spread

Build Your Wealth
AUTOMATICALLY

SIDEBAR TEXT: NUVEEN MAKES REINVESTING EASY. A PHONE CALL IS ALL IT TAKES TO SET UP YOUR REINVESTMENT ACCOUNT.

NUVEEN CLOSED-END EXCHANGE-TRADED FUNDS DIVIDEND REINVESTMENT PLAN

Your Nuveen Closed-End Exchange-Traded Fund allows you to conveniently reinvest dividends and/or capital gains 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.

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 month you'll receive a statement showing your total dividends and distributions, the date of investment, the shares acquired and the price per share, and the total number of shares you own.

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

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 per share 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. Dividends and distributions received to purchase shares in the open market will normally be invested shortly after the dividend payment date. No interest will be paid on dividends and distributions awaiting reinvestment. Because the market price of 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 dividend or 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.

FLEXIBILITY

You may change your distribution option or withdraw from the Plan at any time, should your needs or situation change. Should you withdraw, you can receive a certificate for all whole shares credited to your reinvestment account and cash payment for fractional shares, or cash payment for all reinvestment account shares, less brokerage commissions and a \$2.50 service fee.

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.

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.

16

Fund INFORMATION

BOARD OF TRUSTEES

James E. Bacon
William E. Bennett
Jack B. Evans
William L. Kissick
Thomas E. Leafstrand
Timothy R. Schwertfeger
Sheila W. Wellington

FUND MANAGER

Nuveen Institutional
Advisory Corp.
333 West Wacker Drive
Chicago, IL 60606

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

CUSTODIAN
State Street Bank & Trust
Boston, MA

TRANSFER AGENT AND
SHAREHOLDER SERVICES
State Street Bank & Trust
Nuveen Funds
P.O. Box 43071
Providence, RI 02940-3071
(800) 257-8787

LEGAL COUNSEL
Chapman and Cutler
Chicago, IL

INDEPENDENT AUDITORS
Ernst & Young LLP
Chicago, IL

The Fund intends to repurchase shares of its own common or preferred stock in the future at such times and in such amounts as is deemed advisable. No shares were repurchased during the six-month period ended April 30, 2003. Any future repurchases will be reported to shareholders in the next annual or semiannual report.

17

Serving Investors FOR GENERATIONS

Since 1898, financial advisors and their clients have relied on Nuveen Investments to provide dependable investment solutions. For the past century, Nuveen Investments has adhered to the belief that the best approach to investing is to apply conservative risk-management principles to help minimize volatility.

Building on this tradition, we today offer a range of high quality equity and fixed-income solutions that are integral to a well-diversified core portfolio. Our clients have come to appreciate this diversity, as well as our continued adherence to proven, long-term investing principles.

Managing \$80 billion in assets, Nuveen Investments offers access to a number of different asset classes and investing solutions through a variety of products. Nuveen Investments markets its capabilities under four distinct brands: Nuveen, a leader in tax-free investments; NWQ, a leader in value-style equities; Rittenhouse, a leader in growth-style equities; and Symphony, a leading institutional manager of market-neutral alternative investment portfolios

To learn more about the products and services Nuveen Investments offers and for a prospectus, where applicable, talk to your financial advisor, or call us at (800) 257-8787. Please read the information carefully before you invest.

Distributed by
NUVEEN INVESTMENTS, LLC | 333 West Wacker Drive | Chicago, Illinois 60606 |

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

www.nuveen.com

ESA-F-0403D

ITEM 2. CODE OF ETHICS.

Not applicable at this time.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable at this time.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable at this time.

ITEMS 5-6. [RESERVED]

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

Not applicable at this time.

ITEM 8. [RESERVED]

ITEM 9. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's Disclosure Controls and Procedures are effective, based on their evaluation of such Disclosure Controls and Procedures as of a date within 90 days of the filing of this report on Form N-CSR.

(b) There were no significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of our evaluation.

ITEM 10. EXHIBITS.

File the exhibits listed below as part of this Form. Letter or number the exhibits in the sequence indicated.

(a) 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.

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

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

Edgar Filing: NUVEEN REAL ESTATE INCOME FUND - Form N-CSR

By (Signature and Title)* /s/ Jessica R. Droeger

Jessica R. Droeger
Vice President and Secretary

Date July 8, 2003

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 July 8, 2003

By (Signature and Title)* /s/ Stephen D. Foy

Stephen D. Foy
Vice President and Controller
(Principal Financial Officer)

Date July 8, 2003

* Print the name and title of each signing officer under his or her signature.