LMP REAL ESTATE INCOME FUND INC.
Form N-CSRS
August 26, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21098

LMP Real Estate Income Fund Inc.
(Exact name of registrant as specified in charter)

620 Eight Avenue, New York, NY	10018
(Address of principal executive offices)	(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902
(Name and address of agent for service)

Registrant s telephone number, including area code: (888)777-0102

Date of fiscal year end: December 31

Date of reporting period: June 30, 2011

ITEM 1. REPORT TO STOCKHOLDERS.

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

June 30, 2011

Semi-Annual Report

LMP Real Estate Income Fund Inc.

(RIT)

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

Fund objectives

The Fund s primary investment objective is high current income and the Fund s secondary investment objective is capital appreciation.

What s inside

Letter from the chairman

Dear Shareholder,

We are pleased to provide the semi-annual report of LMP Real Estate Income Fund Inc. for the six-month reporting period ended June 30, 2011. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund s reporting period.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, www.leggmason.com/cef. Here you can gain immediate access to market and investment information, including:

- Fund prices and performance,

- Market insights and commentaries from our portfolio managers, and

- A host of educational resources.

Special shareholder notice

Effective August 15, 2011, Legg Mason Partners Fund Advisor, LLC (LMPFA), the Fund s investment manager, assumes primary responsibility for the day-to-day management of the Fund s portfolio. LMPFA currently provides management and administrative services to the Fund. Following LMPFA s assumption of the day-to-day management of the Fund s portfolio, the Fund no longer has a subadviser.

Mark McAllister will serve as senior portfolio manager of the Fund. Mr. McAllister is a managing director and senior portfolio manager at LMPFA. Prior to 2011, Mr. McAllister was a partner and managing director at High Rise Capital Management, L.P. Prior to June 2007, Mr. McAllister was a managing director and senior portfolio manager at predecessor firms of LMPFA. John Baldi, a director and senior research analyst at LMPFA, will serve as co-portfolio manager to the Fund. Mr. Baldi joined a predecessor firm of LMPFA in 2004.

LMPFA also agreed to a waiver in the amount of 0.05% of the investment advisory fee that is paid to it by the Fund. The waiver commences with LMPFA s assumption of the primary responsibility for the day-to-day management of the Fund s portfolio and extends through June 30, 2014.

We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

July 29, 2011

IV LMP Real Estate Income Fund Inc.

Investment commentary

Economic review

Although the U.S. economy continued to grow over the six months ended June 30, 2011, the pace of the expansion was disappointing, which resulted in a significant shift in investor sentiment. During the first half of the period, there were expectations of a strengthening economy and generally robust investor risk appetite. However, as the reporting period progressed, weakening economic data triggered a flight to quality as investor risk aversion increased. Despite giving back a portion of their previous gains in late May and June, investors who took on additional risk in their portfolios during the reporting period were generally rewarded.

U.S. gross domestic product (GDP)i growth, as reported by the U.S. Department of Commerce, has been less robust than previously realized during most other periods exiting a severe recession. Revised GDP growth was 2.3% during the fourth quarter of 2010 and 3.0% for calendar 2010 as a whole. The Commerce Department then reported that first and second quarter 2011 GDP growth were 0.4% and 1.3%, respectively. This moderation in growth during the first half of the year was due to a variety of factors, including less robust export activity, a decline in government spending and a deceleration in consumer spending given higher oil and food prices.

Turning to the job market, while there was some improvement in the first half of the reporting period, unemployment again moved higher from April through June. After being 9.0% or higher since April 2009, the unemployment rate fell to 8.9% in February and 8.8% in March 2011. The job market then weakened, as unemployment rose to 9.0% in April, 9.1% in May and 9.2% in June. As of the end of the reporting period, approximately 14.1 million Americans looking for work had yet to find a job, and roughly 44% of these individuals have been out of work for more than six months. In June 2011, the Federal Reserve Board (Fed)ii projected that unemployment would moderate, but that it would remain elevated and between 7.8% and 8.2% at the end of 2012.

The long-ailing housing market continued to show signs of strain during the reporting period. Looking back, sales increased in the spring of 2010 largely due to the government s $8,000 tax credit for first-time home buyers. This proved to be only a temporary boost, as sales subsequently weakened after the tax credit expired at the end of April. Existing-home sales did rebound somewhat toward the end of 2010 and in January 2011, as mortgage rates remained relatively low. However, according to the National Association of Realtors (NAR), existing-home sales then declined a sharp 8.9% in February. After a 3.5% increase in March, existing-home sales fell 1.8%, 4.0% and 0.8% in April, May and June, respectively. At the end of June, the inventory of unsold homes was a 9.5 month supply at the current sales level, versus a 9.1 month supply in May. Existing-home prices were relatively stagnant versus a year ago, with the NAR reporting that the median existing-home price for all housing types was $184,300 in June 2011, up 0.8% from June 2010.

Even the manufacturing sector, one of the stalwarts of the economy in recent years, softened toward the end of the reporting period. Based on the Institute for Supply Management s PMIiii, the manufacturing sector grew twenty-three consecutive months since it began expanding in August 2009 (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). In January 2011, the manufacturing sector expanded at its fastest pace since May 2004, with a reading of 60.8 versus 58.5 for the previous month. Manufacturing activity remained strong during the next three months and was 60.4 in April. However, it then declined to 53.5 in May, the lowest reading in the past twelve months. This was attributed, in part, to supply disruptions triggered by the March earthquake and tsunami in Japan. Manufacturing activity then moved modestly higher in June to 55.3, although only twelve of the eighteen industries tracked by the Institute for Supply Management expanded during the month.

Financial market overview

While stocks and lower-quality bonds generated solid results during the reporting period, there were several periods of heightened volatility and periodic sell-offs. These were triggered by a variety of factors, including concerns regarding the global economy, geopolitical unrest, the natural disasters in Japan and the ongoing European sovereign debt crisis. During those periods, investors tended to favor the relative safety of U.S. Treasury securities. However, these setbacks proved to be only temporary and risk aversion was generally replaced with solid demand for riskier assets.

The Fed took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. In November 2010, prior to the beginning of the reporting period, the Fed announced a second round of quantitative easing (often referred to as QE2) to help stimulate the economy, entailing the purchase of $600 billion of long-term U.S. Treasury securities by the end of the second quarter of 2011. Also, as has been the case since December 2008, the Fed kept the federal funds rate[iv] at a historically low range between 0 and 1/4 percent.

Despite these efforts, at its meeting in June 2011, the Fed said, Information received since the Federal Open Market Committee met in April indicates that the economic recovery is continuing at a moderate pace, though somewhat more slowly than the Committee had expected. . . . To promote the ongoing economic recovery and to help ensure that inflation, over time, is at levels consistent with its mandate, the Committee decided today to keep the target range for the federal funds rate at 0 to 1/4 percent. The Committee continues to anticipate that economic conditions including low rates of resource utilization and a subdued outlook for inflation over the medium run are likely to warrant exceptionally low levels for the federal funds rate for an extended period.

In June, the Fed also announced that it would complete QE2 on schedule at the end of June. However, given ongoing strains in the economy, it made no overtures toward reversing any of its accommodative policies and the Fed said it would maintain its existing policy of reinvesting principal payments from its securities holdings rather than seeking to reduce the size of its balance sheet.

Equity market review

U.S. stock prices, as measured by the S&P 500 Index[v] (the Index), moved higher during the reporting period. The market got off to a strong start in January and February 2011, as the Index returned 2.37% and 3.43%, respectively. Fueling the market s

Investment commentary (cont d)

ascent was optimism for the global economy and corporate profits that generally exceeded expectations. Despite geopolitical unrest in the Middle East, and the devastating earthquake and tsunami in Japan, the market demonstrated resiliency in March and April, as the Index gained 0.04% and 2.96%, respectively. The market took a step backward in May as it fell 1.13% amid concerns for the economy and future corporate profits. Stock prices then declined 1.67% in June due to weaker-than-expected economic data and a further escalation of the European sovereign debt crisis. All told, the Index returned 6.02% over the reporting period.

Looking at the U.S. stock market more closely, mid-cap stocks generated the best returns during the six months ended June 30, 2011, with the Russell Midcap Index[vi], the large-cap Russell 1000 Index[vii] and the small-cap Russell 2000 Index[viii] gaining 8.08%, 6.37% and 6.21%, respectively. From an investment style perspective, growth and value stocks, as measured by the Russell 3000 Growth[ix] and Russell 3000 Value[x] Indices, returned 6.98% and 5.74%, respectively.

Performance review

For the six months ended June 30, 2011, LMP Real Estate Income Fund Inc. returned 6.60% based on its net asset value (NAV)[xi] and 7.92% based on its New York Stock Exchange (NYSE) market price per share. The Fund s unmanaged benchmark, the MSCI U.S. REIT Index[xii], returned 10.32% for the same period. The Lipper Real Estate Closed-End Funds Category Average[xiii] returned 7.87% over the same time frame. Please note that Lipper performance returns are based on each fund s NAV.

During this six-month period, the Fund made distributions to shareholders totaling $0.36 per share, which may have included a return of capital. The performance table shows the Fund s six-month total return based on its NAV and market price as of June 30, 2011. **Past performance is no guarantee of future results.**

Performance Snapshot as of June 30, 2011 (unaudited)

Price Per Share	6-Month Total Return*
$11.40 (NAV)	6.60%
$10.53 (Market Price)	7.92%

All figures represent past performance and are not a guarantee of future results.

*** Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund s Dividend Reinvestment Plan. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.**

Looking for additional information?

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

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund s current NAV, market price and other information.

As always, thank you for your confidence in our stewardship of your assets.

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

July 29, 2011

RISKS: *Funds that invest in securities related to the real estate industry are subject to the risks of real estate markets, including fluctuating property values, changes in interest rates and other mortgage-related risks. In addition, investment in funds that concentrate their investments in one sector or industry may involve greater risk than more broadly diversified funds. Leverage may result in greater volatility of NAV and the market price of common shares and increases a shareholder s risk of loss. The Fund may make significant investments in derivative instruments. Derivative instruments can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.*

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

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

Investment commentary (cont d)

i Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.

ii The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.

iii The Institute for Supply Management s PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the manufacturing sector.

iv The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.

v The S&P 500 Index is an unmanaged index of 500 stocks and is generally representative of the performance of larger companies in the U.S.

vi The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

vii The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the U.S. equity market.

viii The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

ix The Russell 3000 Growth Index measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. (A price-to-book ratio is the price of a stock compared to the difference between a company s assets and liabilities.)

x The Russell 3000 Value Index measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values.

xi Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund s market price as determined by supply of and demand for the Fund s shares.

xii The MSCI U.S. REIT Index is a free float-adjusted market capitalization weighted index that is comprised of equity real estate investment trusts (REITs) that are included in the MSCI U.S. Investable Market 2500 Index, with the exception of specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. The Index represents approximately 85% of the U.S. REIT universe.

xiii Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended June 30, 2011, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 12 funds in the Fund s Lipper category.

Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund s investments as of June 30, 2011 and December 31, 2010 and does not include derivatives, such as swap contracts. The Fund is actively managed. As a result, the composition of the Fund s investments is subject to change at any time.

Schedule of investments (unaudited)

June 30, 2011

LMP Real Estate Income Fund Inc.

Security	Shares		Value
Common Stocks 62.5%			
Apartments 8.8%			
American Campus Communities Inc.	175,000	$	6,216,000(a)
Camden Property Trust	104,500		6,648,290(a)
Equity Residential	40,000		2,400,000(a)
Total Apartments			***15,264,290***
Diversified 3.9%			
Digital Realty Trust Inc.	45,000		2,780,100
Dundee Real Estate Investment Trust	120,000		4,043,756
Total Diversified			***6,823,856***
Health Care 10.6%			
HCP Inc.	170,000		6,237,300(a)
Health Care REIT Inc.	90,000		4,718,700
OMEGA Healthcare Investors Inc.	260,000		5,462,600(a)
Senior Housing Properties Trust	90,000		2,106,900(a)
Total Health Care			***18,525,500***
Industrial 3.6%			
First Potomac Realty Trust	410,000		***6,277,100***(a)
Industrial/Office - Mixed 3.0%			
Liberty Property Trust	160,000		***5,212,800***(a)
Office 9.6%			
BioMed Realty Trust Inc.	130,000		2,501,200(a)
CommonWealth REIT	100,000		2,584,000(a)
Highwoods Properties Inc.	55,000		1,822,150(a)
Kilroy Realty Corp.	146,700		5,793,183(a)
Mack-Cali Realty Corp.	120,000		3,952,800(a)
Total Office			***16,653,333***
Regional Malls 4.7%			
CBL & Associates Properties Inc.	60,000		1,485,600
Macerich Co.	125,000		6,687,500(a)
Total Regional Malls			***8,173,100***
Retail - Free Standing 7.7%			
Getty Realty Corp.	210,000		5,298,300(a)
National Retail Properties Inc.	220,000		5,392,200(a)
Realty Income Corp.	80,000		2,679,200(a)
Total Retail - Free Standing			***13,369,700***
Shopping Centers 7.0%			
Kite Realty Group Trust	318,800		1,587,624(a)
Primaris Retail Real Estate Investment Trust	245,000		5,347,348

See Notes to Financial Statements.

LMP Real Estate Income Fund Inc.

Security	Rate	Shares	Value
Shopping Centers continued			
Ramco-Gershenson Properties Trust		125,700	$ 1,556,166(a)
Regency Centers Corp.		85,000	3,737,450(a)
Total Shopping Centers			***12,228,588***
Specialty 3.6%			
Entertainment Properties Trust		135,000	***6,304,500***(a)
Total Common Stocks (Cost $80,217,619)			**108,832,767**
Preferred Stocks 37.2%			
Apartments 2.0%			
Apartment Investment & Management Co., Cumulative, Series Y	7.875%	70,000	1,764,000
Apartment Investment & Management Co., Cumulative, Series U	7.750%	64,900	1,634,182
Total Apartments			***3,398,182***
Diversified 7.6%			
Duke Realty Corp., Series M	6.950%	169,800	4,295,940(a)
LBA Realty Fund LP, Cumulative Redeemable	8.750%	90,000	3,507,192*(b)
PS Business Parks Inc., Series M	7.200%	75,000	1,883,250(a)
PS Business Parks Inc., Cumulative Redeemable, Series O	7.375%	45,000	1,134,000(a)
Vornado Realty Trust, Cumulative Redeemable, Series G	6.625%	100,000	2,485,000(a)
Total Diversified			***13,305,382***
Health Care 1.4%			
HCP Inc., Series F	7.100%	100,000	***2,504,000***
Lodging/Resorts 6.6%			
Equity Lifestyle Properties Inc., Cumulative Redeemable Series A	8.034%	75,000	1,899,750
Hospitality Properties Trust, Cumulative Redeemable, Series B	8.875%	64,800	1,680,264(a)
LaSalle Hotel Properties, Cumulative Redeemable, Series G	7.250%	52,900	1,310,465
Pebblebrook Hotel Trust, Series A	7.875%	60,000	1,508,400
Strategic Hotels Capital Inc., Series B	8.250%	94,300	2,669,869*
Sunstone Hotel Investors Inc., Cumulative Redeemable, Series A	8.000%	100,100	2,439,937
Total Lodging/Resorts			***11,508,685***

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont d)

June 30, 2011

LMP Real Estate Income Fund Inc.

Security	**Rate**	**Shares**		**Value**
Office 3.2%				
BioMed Realty Trust Inc., Series A	7.375%	130,000	$	3,300,700
Brandywine Realty Trust, Series D	7.375%	46,400		1,165,336
Corporate Office Properties Trust, Cumulative Redeemable, Series J	7.625%	40,000		1,020,800(a)
Total Office				***5,486,836***
Regional Malls 2.2%				
Glimcher Realty Trust, Cumulative Redeemable, Series F	8.750%	85,000		2,142,000
Taubman Centers Inc., Cumulative Redeemable, Series H	7.625%	66,000		1,683,000
Total Regional Malls				***3,825,000***
Retail - Free Standing 2.3%				
National Retail Properties Inc., Cumulative Redeemable, Series C	7.375%	85,000		2,172,813(a)
Realty Income Corp., Cumulative Redeemable, Series E	6.750%	70,000		1,789,900(a)
Total Retail - Free Standing				***3,962,713***
Shopping Centers 9.0%				
Cedar Shopping Centers Inc., Cumulative Redeemable, Series A	8.875%	50,000		1,257,000
Kimco Realty Corp., Series G	7.750%	209,100		5,449,146(a)
Kite Realty Group Trust, Series A	8.250%	80,000		2,004,800
Urstadt Biddle Properties Inc., Cumulative, Series C	8.500%	63,800		6,954,200(a)(b)
Total Shopping Centers				***15,665,146***
Storage 2.9%				