CapLease, Inc.
Form 424B5
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Registration No. 333-148653

Prospectus Supplement
(To Prospectus dated January 25, 2008)

1,317,524 Shares

Common Stock

CapLease, Inc. is offering 1,317,524 shares of common stock pursuant to this prospectus supplement and the accompanying prospectus. All of the shares are being sold by CapLease at a negotiated price of $7.59 per share, resulting in net proceeds to us, after estimated offering expenses, of $10.0 million.

Our common stock is listed on the New York Stock Exchange under the symbol "LSE." On September 15, 2008, the last reported sales price of our common stock on the New York Stock Exchange was $7.83 per share.

Our common stock is subject to an ownership limit of 9.9% of the value or number, whichever is more restrictive, of the outstanding shares of our common stock and 9.9% of the value or number, whichever is more restrictive, of all the outstanding shares of our stock, which is designed to preserve our qualification as a REIT for federal income tax purposes. See "Restrictions on Ownership" on page 25 of the accompanying prospectus for more information about these restrictions.

See "Risk Factors" beginning on page S-3 of this prospectus supplement, at Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, and at Item 1A of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008, to read about certain risks you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is September 16, 2008.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the information incorporated by reference into this prospectus supplement and the accompanying prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may “plan,” “potential,” “should,” “strategy,” “will” and other words of similar meaning. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us or are within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, we are hereby identifying important factors that could cause actual results and outcomes to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to:

- our ability to make additional investments in a timely manner or on acceptable terms;
- our ability to obtain long-term financing for our asset investments in a timely manner and on terms that are consistent with those we project when we invest in the asset;
- adverse changes in the financial condition of the tenants underlying our investments;
- increases in our financing costs (including as a result of LIBOR rate increases), our general and administrative costs and/or our property expenses;
- changes in our industry, the industries of our tenants, interest rates or the general economy;
- the success of our hedging strategy;
- our ability to raise additional capital;
- impairments in the value of the collateral underlying our investments;
- the degree and nature of our competition; and
- the other factors discussed in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, including those described under the caption “Risk Factors” in this prospectus supplement, under the caption “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and under the caption “Item 1A. Risk Factors” in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008.

Any forward-looking statement speaks only as of its date. We undertake no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date made.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes certain terms of this offering and other matters relating to us. The second part, the accompanying prospectus, gives more general information about our company and securities we may offer from time to time, some of which does not apply to this offering. It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus, including the documents we have referred you to in “Where You Can Find More Information.” The information incorporated by reference is considered part of this prospectus supplement, and information we later file with the Securities and Exchange Commission, or SEC, may automatically update and supersede this information.

To the extent any inconsistency or conflict exists between the information included or incorporated by reference in this prospectus supplement and the information included in the accompanying prospectus, the information included or incorporated by reference in this prospectus supplement updates and supersedes the information in the accompanying prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus and in any written communication from us specifying the final terms of the offering. We have not authorized anyone else to provide you with additional or different information. If anyone provides you with additional or different information, you should not rely on it. An offer to sell these securities will not be made in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we previously filed with the Securities and Exchange Commission and incorporated by reference, is only accurate as of the date of the front cover of this prospectus supplement or accompanying prospectus or as of the date given in the incorporated document, as applicable. Our business, financial condition, results of operations and prospects may have changed since that date.

When used in this prospectus, except where the context otherwise requires, the terms “we,” “our,” “us” and “the Company” refer to CapLease, Inc. and its predecessors and subsidiaries.

SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before deciding to invest in the shares. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the “Risk Factors” section beginning on page S-3 of this prospectus supplement, and our consolidated financial statements and the related notes and other documents incorporated by reference in this prospectus supplement and accompanying prospectus.

CapLease, Inc. is a diversified real estate investment trust, or REIT, that invests primarily in single tenant commercial real estate assets subject to long-term leases to high credit quality tenants. We focus on properties that are subject to a net lease, or a lease that requires the tenant to pay all or substantially all expenses normally associated with the ownership of the property (such as utilities, taxes, insurance and routine maintenance) during the lease term.

We invest at all levels of the capital structure of net lease or other single tenant properties, including equity investments in real estate (owned real properties), debt investments (mortgage loans and net lease mortgage backed securities) and mezzanine investments secured by net leased or other single tenant real estate collateral.

Tenants underlying our investments are primarily large public companies or their significant operating subsidiaries and governmental and quasi-governmental entities with investment grade credit ratings, defined as a published senior unsecured credit rating of BBB-/Baa3 or above from one or both of Standard & Poor’s (“S&P”) and Moody’s Investors Service (“Moody’s”). We also imply an investment grade credit rating for tenants that are not publicly rated by S&P or Moody’s but (i) are 100% owned by an investment grade parent, (ii) for which we have obtained a private investment grade rating from either S&P or Moody’s, or (iii) are governmental entity branches or units of another investment grade rated governmental entity.

As of June 30, 2008, some of the highlights of our investment portfolio were as follows:

- approximately $2.1 billion total investment portfolio measured by carry value before depreciation and amortization;

- 78% owned real properties (approximately $1.65 billion) and 22% primarily loans and mortgage securities (approximately $460.8 million);

- approximately 90% invested (approximately $1.9 billion) in owned properties and loans on properties where the underlying tenant was rated investment grade or implied investment grade, and in investment grade rated real estate securities;

- weighted average underlying tenant credit rating of A-; and

- weighted average underlying tenant remaining lease term of approximately 10 years.

For further information regarding CapLease and our financial information, you should refer to our recent filings with the SEC. See “Where You Can Find More Information.”

THE OFFERING

Common stock offered by us	1,317,524 shares
Common stock to be outstanding after this offering	47,045,077 shares(1)
Listing	Our common stock is listed for trading on the New York Stock Exchange (NYSE) under the symbol "LSE."
Use of proceeds	We intend to use the net proceeds from the sale of the common stock to pay down our debt, including a portion of the borrowings under our credit agreement with Wachovia Bank, N.A., and for general corporate purposes.

(1) Includes the following shares issued after June 30, 2008: (i) 754,862 shares issued pursuant to our dividend reinvestment and stock purchase plan and (ii) 107,131 shares issued upon redemption of units of limited partnership interest in our operating partnership, Caplease, LP. Excludes an aggregate of 531,805 shares of common stock reserved for issuance from time to time pursuant to our 2004 stock incentive plan, an aggregate of 156,026 shares of common stock reserved for issuance upon conversion of units of limited partnership of our operating partnership, and an aggregate of 3,012,217 shares of common stock reserved for issuance from time to time pursuant to our dividend reinvestment and stock purchase plan.

RISK FACTORS

An investment in our common stock involves certain risks, including those described below and those described at Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, and at Item 1A of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008. Before you invest in our common stock, you should carefully consider these risks, together with the other information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus.

Risks Related to Operations

- The markets in which we compete for investments are highly competitive and our pace of investment activity continues to be impacted by competitive conditions. If our pace of investment activity does not match market expectations the market price of our stock could be adversely affected.

- We conduct a significant part of our business with Wachovia Bank, N.A. and its affiliates, and their continued business with us is not guaranteed.

- The level of our common stock dividend is established by our board of directors from time to time based on a variety of factors, and if we lower our dividend, the market value of our common stock may decline.

Risks Related to Portfolio Assets

- We invest in single tenant properties, so a default by a single tenant could result in a complete reduction in the cash flows from that investment and/or a reduction in the value of our investment.

- We make portfolio investments based on the financial strength of the underlying tenant. Therefore, an adverse change in the financial condition of one or more tenants underlying our investments could have a material adverse impact on us.

- We are subject to tenant credit concentrations that make us more susceptible to adverse events with respect to certain tenants, including, as of June 30, 2008, the United States Government and Nestlé Holdings, Inc.

- We are subject to tenant industry concentrations that make us more susceptible to adverse events with respect to certain industries, including, as of June 30, 2008, concentrations in the insurance, food and beverage, retail grocery, financial and retail department stores industries.

- We are subject to geographic concentrations that make us more susceptible to adverse events in these areas, including, as of June 30, 2008, concentrations in the Philadelphia, Pennsylvania; Washington, D.C.; Chicago, Illinois; New York City/Northern New Jersey; Dallas/Fort Worth, Texas; and Southern California metropolitan areas.

- Our investments in assets backed by below investment grade credits have a greater risk of default.

- When we invest in a loan or property where the underlying tenant does not have a publicly available credit rating, we rely on our own estimates of the tenant's credit rating, and if S&P or Moody's disagrees with our ratings estimates, we may not be able to obtain our desired level of leverage and/or our financing costs may exceed those that we projected.

- Our investments may be subject to impairment charges based on a variety of factors, such as adverse changes in the credit quality of the underlying tenant, our expectations regarding future cash flows and the fair market value of our investment and/or the related collateral.

Risks Related to Ownership of Real Estate

- Bankruptcy laws will limit our remedies if a tenant becomes bankrupt and rejects our lease.
- For certain of our owned properties, we are responsible for operating costs of the property, and operating expenses of those properties could reduce our cash flow and funds available for future dividends.
- We have greater exposure to operating costs when we invest in owned properties leased to the United States Government.

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- We may not be able to renew our leases or re-lease our properties.
- It may be difficult for us to buy and sell real estate quickly.
- An uninsured loss or a loss that exceeds the insurance policy limits on our owned properties could subject us to lost capital or revenue on those properties.
- Noncompliance with environmental laws could adversely affect our financial condition and operating results.
- As an owner of real property (including any real property we may acquire upon foreclosure), we are subject to various additional risks not otherwise discussed in these risk factors and generally incident to the ownership of the real estate, including (i) civil unrest, earthquakes, floods and other natural disasters, acts of war or terrorism, (ii) adverse changes in national and local economic and market conditions, (iii) the costs of complying or fines or damages as a result of non-compliance with the Americans with Disabilities Act, (iv) changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances, and (v) the ongoing need for capital improvements, particularly in older structures.

Risks Related to Debt Assets

- As of June 30, 2008, our CMBS investments included approximately $38.2 million of below investment grade bond classes, and, generally, these classes represent subordinate classes of the securitization pool, meaning that we hold the "first loss" position or a near "first loss" position in the event of losses on the assets within the pool.
- Our mortgage loan investments are non-recourse obligations of the property owner and, in the event the tenant fails to make its lease payments, recovery of our investment will depend upon the liquidation value of the underlying real property, which may be adversely affected by risks generally incident to interests in real property.
- A casualty loss on the property underlying our mortgage loan could result in rent payments on the related lease terminating, and a loss of some or all of our investment.
- Our collateral rights under our corporate credit notes are limited.
- We make mezzanine and other generally subordinate investments, and these investments involve a higher degree of risk than our first mortgage loans.
- We have made investments in franchise loans to YUM! Brands franchisees, and these investments expose us to various unique risks, including the risk of adverse events with respect to the relevant YUM! Brands' franchise and/or the underlying franchisees' business.
- We have made investments in development loans that involve a higher degree of risk than long-term senior mortgage loans secured by income-producing real property.
- If any of the assets we originate or acquire and sell or pledge to obtain long-term financing do not comply with representations and warranties that we make about certain characteristics of the assets, the borrowers and the underlying properties, we may be required to repurchase those assets or replace them with substitute assets or indemnify persons for losses or expenses incurred as a result of a breach of a representation or warranty.
- Maintenance of our Investment Company Act of 1940 exemption imposes limits on our operations.

Risks Related to Borrowings

- A key component of our strategy is to borrow against, or leverage, our assets, which subjects us to increased risk of loss because (i) we will rely on the cash flows from the assets financed to fund our debt service requirements and a default on rent payments will require us to fund our debt service requirements from other sources, (ii) to the extent we have financed our assets under our variable rate borrowing facilities, our debt service requirements will increase as short-term rates rise, and (iii) our lenders will have a first priority claim on the collateral we pledge and the right to foreclose on the collateral if we default.

- We price our assets at origination or acquisition based on our assumptions about our expected financing costs, and if our actual cost to finance our assets increases over our assumptions between the time we commit to purchase the asset and when we obtain long-term financing, the profit or spread we expected to earn on the asset and our overall portfolio will erode.

- We may not be able to secure long-term financing for our assets, which may require us to seek more costly financing or to liquidate assets.

- We are subject to the risks normally associated with debt financing, including the risk that our cash flows will be insufficient to meet required principal and interest payments and the risk that we will be unable to refinance our existing indebtedness, or that the terms of such refinancing will not be as favorable as the terms of our existing indebtedness.

- Hedging transactions may not effectively protect us against anticipated risks and may subject us to other risks and costs.

- We may fail to qualify for hedge accounting treatment.

- Our April 2008 credit facility with Wachovia Bank is uncommitted, as the lender must agree to each asset financed, and we cannot assure you that we will be able to finance assets on this facility at any given time.

- Our April 2008 credit facility with Wachovia Bank is a secured, recourse obligation and exposes us to interest rate and margin call risks.

- Changes in the accounting treatment of the convertible senior notes we issued in October 2007 could decrease our earnings per share and, potentially, our stock price.

- The use of CDO financings with coverage tests may have a negative impact on our operating results and cash flows.

Risks Related to Lease Enhancements

- Our lease enhancement mechanisms may fail.

- We depend on our insurance carriers to provide and honor lease enhancements.

- We may fail to analyze leases adequately or apply appropriate lease enhancement mechanisms.

Risks Related to Business Strategy and Policies and Our Common Stock

- We face significant competition that could harm our business.

- Our network of independent mortgage brokers and investment sale brokers are not contractually obligated to do business with us, and may sell investment opportunities to our competitors.

- Our joint venture investments will expose us to certain risks, including that we will not exercise sole decision-making authority regarding any property owned jointly with a third party.

- Our ability to grow our business will be limited by our ability to attract debt or equity financing, and we may have difficulty accessing capital on attractive terms.

- Future offerings of debt and equity may adversely affect the market price of our common stock.
- We may fail to maintain our growth.
- We may fail to manage our anticipated growth.
- Temporary investment in short-term investments may adversely affect our results.
- As of December 31, 2007, approximately 57.7% of our common stock was owned by nine unrelated institutional investors (based on SEC filings made by these investors), and this concentration of ownership could have an adverse impact on the value of your investment.

- Our board of directors may change our investment and operational policies without stockholder consent.