W. P. Carey Inc.
Form 10-K
March 02, 2015

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

FORM 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from__________ to __________

Commission File Number: 001-13779

W. P. CAREY INC.
(Exact name of registrant as specified in its charter)

Maryland	45-4549771
(State of incorporation)	(I.R.S. Employer Identification No.)
50 Rockefeller Plaza	
New York, New York	10020
(Address of principal executive offices)	(Zip Code)

Investor Relations (212) 492-8920
(212) 492-1100
(Registrant’s telephone numbers, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, $0.001 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of last business day of the registrant's most recently completed second fiscal quarter: $6.4 billion.

As of February 19, 2015 there were 105,186,095 shares of Common Stock of registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant incorporates by reference its definitive Proxy Statement with respect to its 2015 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of its fiscal year, into Part III of this Annual Report on Form 10-K.

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Forward-Looking Statements

This Annual Report on Form 10-K, or the Report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, in Item 7 of Part II of this Report, contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will likely result," and similar expressions. These forward-looking statements include, but are not limited to, statements regarding capital markets, tenant credit quality, general economic overview, our expected range of Adjusted funds from operations, or AFFO, our corporate strategy, our capital structure, our portfolio lease terms, our international exposure and acquisition volume, our expectations about tenant bankruptcies and interest coverage, statements regarding estimated or future economic performance and results, including our underlying assumptions, occupancy rate, credit ratings, and possible new acquisitions by us and our investment management programs, the Managed REITs discussed herein, including their earnings, statements that we make regarding our ability to remain qualified for taxation as a real estate investment trust, or REIT, the amount and timing of any future dividends, our existing or future leverage and debt service obligations, our future prospects for growth, our projected assets under management, our future capital expenditure levels, our historical and anticipated funds from operations, our future financing transactions, our estimates of growth, and our plans to fund our future liquidity needs. These statements are based on the current expectations of our management. It is important to note that our actual results could be materially different from those projected in such forward-looking statements. There are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on our business, financial condition, liquidity, results of operations, AFFO, and prospects. You should exercise caution in relying on forward-looking statements as they involve known and unknown risks, uncertainties, and other factors that may materially affect our future results, performance, achievements, or transactions. Information on factors which could impact actual results and cause them to differ from what is anticipated in the forward-looking statements contained herein is included in this Report as well as in our other filings with the Securities and Exchange Commission, or the SEC, including but not limited to those described in Item 1A. Risk Factors of this Report. Moreover, because we operate in a very competitive and rapidly changing environment, new risks are likely to emerge from time to time. Given these risks and uncertainties, potential investors are cautioned not to place undue reliance on these forward-looking statements as a prediction of future results, which speak only as of the date of this presentation, unless noted otherwise. Except as may be required by federal securities laws and the rules and regulations of the SEC, we do not undertake to revise or update any forward-looking statements.

All references to "Notes" throughout the document refer to the footnotes to the consolidated financial statements of the registrant in Part II, Item 8. Financial Statements and Supplementary Data.

PART I

Item 1. Business.

General Development of Business

Overview

W. P. Carey Inc., or W. P. Carey, is, together with our consolidated subsidiaries and predecessors, a self-managed diversified REIT and a leading global owner and manager of commercial real estate, primarily net leased to companies on a long-term basis. The majority of our revenues are lease revenues, which are derived from our owned real estate portfolio. In addition, we earn fee revenue by acting as an advisor to a series of income-oriented, non-traded REITs through our investment management business.

Our owned real estate portfolio, which is diversified, by property type, tenant, tenant industry and geographic location, is comprised primarily of single-tenant, office, industrial, warehouse/distribution, and retail facilities that are essential to our corporate tenants' operations. We have 219 corporate tenants over 783 properties in 18 countries. As of December 31, 2014, approximately 65% of our contractual minimum annualized base rent, or ABR, was generated by properties located in the United States and approximately 35% was generated by properties located outside the United States, primarily in Western and Northern European countries.

The vast majority of our leases specify a base rent with scheduled rent increases, either fixed or tied to an inflation-related index, and require our tenants to pay substantially all of the costs associated with operating and maintaining the property, including the real estate taxes, insurance, and maintenance of the facilities. See Our Portfolio below for more information on the characteristics of our properties. Furthermore, we actively manage our owned real estate portfolio to try to mitigate risk with respect to changes in tenant credit quality and the likelihood of lease renewal.

Originally founded in 1973, we operated primarily as a sponsor of and advisor to a series of income-generating investment programs under the Corporate Property Associates, or CPA®, brand name until we reorganized as a REIT in September 2012 in connection with our merger with Corporate Property Associates 15 Incorporated, or CPA®:15, referred to as the CPA®:15 Merger. On January 31, 2014, Corporate Property Associates 16 – Global Incorporated, or CPA®:16 – Global, merged with and into us, based on a merger agreement dated as of July 25, 2013, referred to as the CPA®:16 Merger (Note 3).

Our shares of common stock are listed on the New York Stock Exchange under the ticker symbol “WPC”.

Headquartered in New York, we also have offices in Dallas, London, Amsterdam, Hong Kong, and Shanghai. At December 31, 2014, we employed 272 individuals.

Financial Information About Segments

Our business operates in two segments – Real Estate Ownership and Investment Management, as described below.

Narrative Description of Business

Business Objectives and Strategy

Our primary business objective is to increase stockholder value through accretive acquisitions for our owned real estate portfolio and to grow the assets managed by our investment management operations, which in turn will allow us to grow earnings and to maintain or increase our dividend.

Our investment strategy primarily focuses on owning and actively managing a diverse portfolio of commercial real estate that is net leased to credit-worthy companies globally. We believe that many companies prefer to lease rather than own their corporate real estate. We structure long-term financing for our corporate tenants primarily in the form of sale-leaseback transactions, through which we acquire what we believe is a company’s essential real estate and then lease it back to them on a long-term net lease basis, which typically produces a more predictable income stream compared to other types of real estate investments and requires minimal capital expenditures.

We actively manage our real estate portfolio to mitigate risk with respect to any changes in tenant credit quality and probability of lease renewal. We believe that diversification with respect to property type, tenant, tenant industry, and geographic location is an important component of portfolio risk management and that we own a portfolio of real estate that is well-diversified across each of these categories.

In addition to managing our owned real estate portfolio, we currently act as the advisor to a series of publicly-owned, non-traded REITs for which we raise equity capital through public offerings of their shares, invest those funds and manage their assets in return for fee revenue as specified in our advisory agreements with them. Since 1979, we have sponsored a series of 17 income-generating investment programs under the CPA® brand name that invest primarily in commercial real estate properties net leased to single tenants. At December 31, 2014, we were the advisor to Corporate Property Associates 17 – Global Incorporated, or CPA®:17 – Global, and Corporate Property Associates 18 – Global Incorporated, or CPA®:18 – Global. We were also the advisor to CPA®:16 – Global until the CPA®:16 – Global Merger on January 31, 2014. We refer to CPA®:16 – Global, CPA®:17 – Global, and CPA®:18 – Global together as the CPA® REITs.

At December 31, 2014, we were also the advisor to Carey Watermark Investors Incorporated, or CWI, a publicly-owned, non-traded REIT that invests in lodging and lodging-related properties. Together with the CPA® REITs, we refer to these entities as the Managed REITs (Note 4). Currently, we also serve as the advisor to Carey Watermark Investors 2 Incorporated, or CWI 2, a new non-traded lodging REIT, which commenced its public offering on February 9, 2015. We also have invested in Carey Credit Income Fund, or CCIF, a newly formed business development company, or BDC. We plan to serve as advisor to CCIF and to invest the funds that we raise on behalf of its two feeder funds, which will also be BDCs, in shares of CCIF. We refer collectively to CCIF and the two feeder funds as the BDCs and, together with the Managed REITs, as the Managed Programs. While we have filed registration statements with the SEC for each of the BDCs, none of these registration statements has been declared effective by the SEC, and there can be no assurance as to whether or when the public offerings of shares of the feeder funds will be commenced. See Significant Developments in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, for a summary of the funds we have raised on behalf of the Managed REITs.

We believe that our owned real estate investments provide our stockholders with a stable, growing source of income, primarily from lease revenues. We also believe that the fee income we generate from our advisory contracts with the Managed REITs provides our stockholders with attractive sources of additional income, a portion of which is more variable in nature.

We have two primary reportable segments, Real Estate Ownership and Investment Management. These segments are each described below.

Real Estate Ownership

We own and invest in commercial real estate properties primarily located in the United States and Europe and leased on a triple-net lease basis, which requires the tenant to pay substantially all of the costs associated with operating and maintaining the property (Note 17). We earn revenues or equity income from:

- our wholly-owned commercial real estate investments;
- our co-owned commercial real estate investments;
- our investments in the shares of the Managed REITs; and
- our participation in the cash flows of the Managed REITs.

Investment Management

We earn revenue as the advisor to the Managed REITs. Under the advisory agreements with the Managed REITs, we perform various services, including but not limited to the day-to-day management of the Managed REITs and transaction-related services, for which we earn revenues as follows:

- We earn dealer manager fees in connection with the public offerings of the Managed REITs;
- We structure and negotiate investments and debt placement transactions for the Managed REITs, for which we earn structuring revenue;
- We manage the portfolios of the Managed REITs' real estate investments, for which we earn asset-based management revenue;
- The Managed REITs reimburse us for certain costs that we incur on their behalf, consisting primarily of broker-dealer commissions and marketing costs while we are raising funds for their public offerings, and certain personnel and overhead costs; and
- We may also earn incentive and disposition revenue and receive other compensation in connection with providing liquidity alternatives to the Managed REITs' stockholders.

Our business strategy includes exploring alternatives for expanding our investment management operations beyond advising the existing Managed REITs. Any such expansion could involve the purchase of properties or other investments as principal, either for our owned portfolio or with the intention of transferring such investments to a newly-created fund, as well as the sponsorship of one or more funds to make investments other than primarily net-lease investments, for example CWI, CWI2, and the BDCs.

Investment Strategies

In analyzing potential investments, we review various aspects of a transaction, including tenant and real estate fundamentals, to determine whether a potential investment and lease will satisfy our investment criteria. In evaluating net-lease transactions, we generally consider, among other things, the following aspects of each transaction:

Tenant/Borrower Evaluation — We evaluate each potential tenant or borrower for its creditworthiness, typically considering factors such as management experience, industry position and fundamentals, operating history, and capital structure, as well as other factors that may be relevant to a particular investment. We seek opportunities in which we believe the tenant may have a stable or improving credit profile or credit potential that has not been fully recognized by the market. Whether a prospective tenant or borrower is creditworthy is evaluated by our investment department and the investment committee, as described below. We define creditworthiness as a risk-reward relationship appropriate to our investment strategies, which may or may not coincide with ratings issued by the credit rating agencies. As such, creditworthy does not mean "investment grade," as defined by the credit rating agencies.

We generally seek investments in facilities that we believe are critical to a tenant's current business and that we believe have a low risk of tenant default. We rate each asset based on the asset's market and liquidity and also based on the strategic value to the tenant in terms of how critical the asset is to the tenant's operations. We also assess the relative risk of the portfolio quarterly. We evaluate the credit quality of our tenants utilizing an internal five-point credit rating scale, with one representing the highest credit quality (investment grade or equivalent) and five representing the lowest (bankruptcy or foreclosure). Investment grade ratings are provided by third-party rating agencies such as Standard & Poor's Ratings Services or Moody's Investors Service, although we may determine that a tenant is equivalent to investment grade even if the credit rating agencies have not made that determination. As of December 31, 2014, we had 37 tenants that were rated investment grade. Ratings for other tenants are generated internally utilizing metrics such as interest coverage and debt-to-earnings before interest, taxes, depreciation and amortization, or EBITDA. These metrics are computed internally based on financial statements obtained from each tenant on a quarterly basis. Under the terms of our lease agreements, tenants are generally required to provide us with periodic financial statements. As of December 31, 2014, we had 181 non-investment grade tenants, with a weighted-average credit rating of 3.2.

Real Estate Evaluation — We review and evaluate the physical condition of the property and the market in which it is located. We consider a variety of factors, including current market rents, replacement cost, residual valuation, property operating history, demographic characteristics of the location and accessibility, competitive properties, and suitability for re-leasing. We obtain third-party environmental and engineering reports and market studies, if needed. We will also consider factors particular to the laws of foreign countries, in addition to the risks normally associated with real property investments, when considering an investment outside the United States.

Properties Critical to Tenant/Borrower Operations — We generally will focus on properties that we believe are critical to the current ongoing operations of the tenant. We believe that these properties provide better protection generally as well as in the event of a bankruptcy, since a tenant/borrower is less likely to risk the loss of a critically important lease or property in a bankruptcy proceeding or otherwise.

Diversification — We attempt to diversify our owned and managed portfolios to avoid dependence on any one particular tenant, borrower, collateral type, geographic location, or tenant/borrower industry. By diversifying these portfolios, we seek to reduce the adverse effect of a single under-performing investment or a downturn in any particular industry or geographic region. While we have not endeavored to maintain any particular standard of diversity in our owned portfolio, we believe that our owned portfolio is reasonably well-diversified.

Lease Terms — Generally, the net-leased properties in which we invest will be leased on a full-recourse basis to the tenants or their affiliates. In addition, we seek to include a clause in each lease that provides for increases in rent over the term of the lease. These increases are fixed or tied generally to increases in indices such as the Consumer Price Index, or CPI, or other similar index in the jurisdiction in which the property is located, but may contain caps or other limitations, either on an annual or overall basis. In the case of retail stores and hotels, the lease may provide for participation in gross revenues of the tenant above a stated level, which is referred to as a percentage rent increase. Alternatively, a lease may provide for mandated rental increases on specific dates.

Transaction Provisions to Enhance and Protect Value — We attempt to include provisions in the leases that we believe may help protect an investment from changes in the operating and financial characteristics of a tenant that may affect its ability to satisfy its obligations or reduce the value of the investment. Such provisions include requiring our consent to specified tenant activity, requiring the tenant to provide indemnification protections, requiring the tenant to provide security deposits, and requiring the tenant to satisfy specific operating tests. We may also seek to enhance the likelihood of a tenant's lease obligations being satisfied through a guaranty of obligations from the tenant's corporate parent or other entity or through a letter of credit. This credit enhancement, if obtained, provides additional financial security. However, in markets where competition for net lease transactions is strong, some or all of these provisions may be difficult to negotiate. In addition, in some circumstances, tenants may retain the right to repurchase the property leased by the tenant. The option purchase price is generally the greater of the contract purchase price and the fair market value of the property at the time the option is exercised.

Other Equity Enhancements — We may attempt to obtain equity enhancements in connection with transactions. These equity enhancements may involve stock warrants exercisable at a future time to purchase stock of the tenant or borrower or their parent. If warrants are obtained, and become exercisable, and if the value of the stock subsequently exceeds the exercise price of the warrant, equity enhancements can help achieve the goal of increasing investor returns.

Investment Committee — We have an independent investment committee that provides services to us and to the CPA® REITs. Our investment department, under the oversight of our chief investment officer, is primarily responsible for evaluating, negotiating and structuring potential investment opportunities. The investment committee is not directly involved in originating or negotiating potential investments, but instead functions as a separate and final step in the investment process. We place special emphasis on having experienced individuals serve on our investment committee. The investment committee retains the authority to identify categories of transactions that may be entered into without its prior approval. The investment committee may delegate its authority, such as to investment advisory committees with specialized expertise in a particular geographic market. However, we do not currently expect that any investments delegated to these advisory committees will account for a significant portion of the investments we make in the near term.

Financing Strategies

We seek to maintain a conservative capital structure that enhances equity returns, maintains financial flexibility, and enables us to effectively match our assets and liabilities. Historically, we entered into secured debt such as mortgage financings collateralized by individual property assets to finance our business. In an effort to access a wider range of capital sources, we sought and received investment grade ratings from both Moody's Investors Service and Standard & Poor's Ratings Services. We are actively reducing our reliance on secured debt and increasing the level of unencumbered assets on our balance sheet by paying off individual mortgage loans as they mature. In January 2014, we recast our unsecured line of credit and increased the amounts available to borrow thereunder, as compared to the prior facility, subject to certain covenants (Note 11). In January 2015, we exercised the Accordion Feature on our Senior Unsecured Credit Facility (Note 11) to increase the amount available for borrowing and amended the credit agreement to establish a new accordion feature (Note 19). In addition to funding our working capital needs, this increased line of credit capacity will assist with our transition to becoming more of an unsecured borrower by enhancing our ability to repay a portion of our mortgage debt. During 2014, we also issued corporate bonds (Note 11) and shares of our common stock (Note 13) in separate public offerings. In January 2015, we issued additional corporate bonds in two public offerings, one of which was denominated in euros (Note 19). We expect to continue to have access to a wide variety of capital sources, including the public debt and equity markets.

Asset Management

We believe that effective management of our assets is essential to maintain and enhance property values. Important aspects of asset management include entering into new or modified transactions to meet the evolving needs of current tenants, re-leasing properties, refinancing debt, and selling properties.

We monitor, on an ongoing basis, compliance by tenants with their lease obligations and other factors that could affect the financial performance of any of our real estate investments. Monitoring involves receiving assurances that each tenant has paid real estate taxes, assessments, and other expenses relating to the properties it occupies and confirming that appropriate insurance coverage is being maintained by the tenant. For international compliance, we often engage third-party asset managers. We review financial statements of tenants and undertake regular physical inspections of the condition and maintenance of properties. Additionally, we periodically analyze each tenant’s financial condition, the industry in which each tenant operates, and each tenant’s relative strength in its industry.

Our Portfolio

At December 31, 2014, our portfolio had the following characteristics:

- Number of properties – 783 net-leased properties, two self-storage properties, and two hotels;
- Total net-leased square footage – 87.3 million; and
- Occupancy rate – approximately 98.6%.

For more information about our portfolio, please see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Portfolio Overview.

Tenant/Lease Information

At December 31, 2014, our tenants/leases had the following characteristics:

- Number of tenants – 219;
- Investment-grade tenants – 26%;
- Weighted-average remaining lease term – 9.1 years;
- 94% of our leases provide rent adjustments as follows:
  - CPI and similar – 71%
  - fixed – 23%

Competition

We face active competition in both our Real Estate Ownership segment and our Investment Management segment from many sources for investment opportunities in commercial properties net leased to tenants both domestically and internationally. In general, we believe that our management's experience in real estate, credit underwriting, and transaction structuring should allow us to compete effectively for commercial properties. However, competitors may be willing to accept rates of return, lease terms, other transaction terms, or levels of risk that we may find unacceptable.

In our Investment Management segment, we face active competition in raising funds for the Managed REITs, from other funds with similar investment objectives such as publicly registered, non-traded funds, publicly-traded funds, and private funds, including hedge funds. In addition, we face broad competition from other forms of investment. Currently, we raise substantially all of the funds for investment by the Managed REITs within the United States.

Environmental Matters

We and the Managed REITs have invested, and expect to continue to invest, in properties currently or historically used as industrial, manufacturing, and commercial properties. Under various federal, state, and local environmental laws and regulations, current and former owners and operators of property may have liability for the cost of investigating, cleaning-up, or disposing of hazardous materials released at, on, under, in, or from the property. These laws typically impose responsibility and liability without regard to whether the owner or operator knew of or was responsible for the presence of hazardous materials or contamination, and liability under these laws is often joint and several. Third parties may also make claims against owners or operators of properties for personal injuries and property damage associated with releases of hazardous materials. As part of our efforts to mitigate these risks, we typically engage third parties to perform assessments of potential environmental risks when evaluating a new acquisition of property, and we frequently require sellers to address them before closing or obtain contractual protection (indemnities, cash reserves, letters of credit, or other instruments) from property sellers, tenants, a tenant's parent company, or another third party to address known or potential environmental issues. With respect to our hotels and self-storage investments, which are not subject to net lease arrangements, there is no tenant of the property to provide indemnification, so we may be liable for costs associated with environmental contamination in the event any such circumstances arise after we acquire the property.

Financial Information About Geographic Areas

See Our Portfolio above and Note 17 for financial information pertaining to our geographic operations.

Available Information

All filings we make with the SEC, including this Report, our quarterly reports on Form 10-Q, and our current reports on Form 8-K, and any amendments to those reports, are available for free on our website, http://www.wpcarey.com, as soon as reasonably practicable after they are filed or furnished to the SEC. Our SEC filings are available to be read or copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information regarding the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Our filings can also be obtained for free on the SEC's Internet site at http://www.sec.gov. We are providing our website address solely for the information of investors. We do not intend our website to be an active link or to otherwise incorporate the information contained on our website into this report or other filings with the SEC. Our Code of Business Conduct and Ethics, which applies to all employees, including our Chief Executive Officer and Chief Financial Officer, is available on our website at www.wpcarey.com. We intend to make available on our website any future amendments or waivers to our Code of Business Conduct and Ethics within four business days after any such amendments or waivers. We will supply to any stockholder, upon written request and without charge, a copy of this Report as filed with the SEC. Generally, we also post the dates of our upcoming scheduled financial press releases, telephonic investor calls, and investor presentations on the Investor Relations portion of our website at least ten days prior to the event. Our investor calls are open to the public and remain available on our website for at least two weeks thereafter.

Item 1A. Risk Factors.

Risks Related to Our Business

Adverse changes in general economic conditions can adversely affect our business.

Our success is dependent upon economic conditions in the United States generally, and in the international geographic areas in which a substantial number of our investments are located. Adverse changes in national economic conditions or in the economic conditions of the regions in which we conduct substantial business likely would have an adverse effect on real estate values and, accordingly, our financial performance, the market prices of our securities, and our ability to pay dividends.

Changes in investor preferences or market conditions could limit our ability to raise funds or make new investments.

The majority of our and the CPA® REITs' current investments, as well as the majority of the investments that we expect to originate for the CPA® REITs in the near term, are investments in single-tenant commercial properties that are subject to triple-net leases. In addition, we have relied predominantly on raising funds for investment on behalf of the Managed REITs from individual investors through the sale by participating selected dealers to their customers of the publicly-registered, but non-traded, securities of those REITs. Although we have increased the number of broker-dealers we use for fundraising, the majority of our fundraising efforts on behalf of the Managed REITs are through three major selected dealers. If, as a result of changes in market receptivity to investments that are not readily liquid and involve high selected dealer fees, or for other reasons, such as regulatory changes, this capital raising method were to become less available as a source of capital, our ability to raise funds for the Managed REITs, and consequently our ability to make investments on their behalf, could be adversely affected. While we are not limited to this particular method of raising funds for investment (and, among other things, the Managed REITs may themselves be able to borrow additional funds to invest), our experience with other means of raising capital is limited. Also, many factors, including changes in tax laws or accounting rules, may make these types of investments less attractive to potential sellers and lessees, which could negatively affect our ability to increase the amount of assets of this type under management.

We face active competition for investments.

We face active competition for our investments from many sources, including insurance companies, credit companies, pension funds, private individuals, financial institutions, finance companies, and investment companies, among others. These institutions may accept greater risk or lower returns, allowing them to offer more attractive terms to prospective tenants. In addition, our evaluation of the acceptability of rates of return on behalf of the Managed REITs is affected by such factors as the cost of raising capital, the amount of revenue we can earn, and the performance hurdle rates of the relevant Managed REITs. Such factors may limit the amount of new investments that we make on behalf of the Managed REITs, which will in turn limit the growth of revenues from our investment management operations. The investment community continues to remain risk averse. We believe that the net lease financing market is perceived as a relatively conservative investment vehicle. Accordingly, we expect increased competition for investments, both domestically and internationally. It is possible that further capital inflows into our marketplace will place additional pressure on the returns that we can generate from our investments as well as our willingness and ability to execute transactions.

A significant amount of our leases will expire within the next five years, and we may have difficulty in re-leasing or selling our properties if tenants do not renew their leases.

Within the next five years, approximately 25% of our leases, based on our ABR as of December 31, 2014, are due to expire. If these leases are not renewed, or if the properties cannot be re-leased on terms that yield payments comparable to those currently being received, then our lease revenues could be substantially adversely affected. The terms of any new or renewed leases of these properties may depend on market conditions prevailing at the time of lease expiration. In addition, if properties are vacated by the current tenants, we may incur substantial costs in attempting to re-lease such properties. We may also seek to sell these properties, in which event we may incur losses, depending upon market conditions prevailing at the time of sale.

Real estate investments are generally less liquid compared to many other financial assets, and this may limit our ability to quickly change our portfolio in response to changes in economic or other conditions. Some of our net leases are for properties that are specially suited to the particular needs of the tenant. With these properties, we may be required to renovate the property or to make rent concessions in order to lease the property to another tenant. In addition, if we are forced to sell the property, we may have difficulty selling it to a party other than the tenant due to the special purpose for which the property may have been designed. These and other limitations may affect our ability to re-lease or sell properties without adversely affecting returns to stockholders.

There may be competition among us and the Managed REITs for business opportunities.

We currently manage, and may in the future manage, REITs and other entities that have investment and/or rate of return objectives similar to our own. Those entities may be in competition with us with respect to properties, potential purchasers, sellers and lessees of properties, and mortgage financing for properties. We have agreed to implement certain procedures to help manage any perceived or actual conflicts among us and the Managed REITs, including:

- allocating funds based on numerous factors, including cash available, diversification/concentration, transaction size, tax, leverage, and fund life;
- all “split transactions,” where we co-invest with any CPA® REIT, are subject to the approval of the independent directors of the CPA® REIT;
- investment allocations are reviewed as part of the annual advisory contract renewal process of each CPA® REIT; and
- quarterly review of all of our investment activities and the investment activities of the CPA® REITs by the independent directors of the CPA® REITs.

We are not required to meet any diversification standards; therefore, our investments may become subject to concentration of risk.

Subject to our intention to maintain our qualification as a REIT, there are no limitations on the number or value of particular types of investments that we may make. We are not required to meet any diversification standards, including geographic diversification standards. Therefore, our investments may become concentrated in type or geographic location, which could subject us to significant concentration of risk with potentially adverse effects on our investment objectives.

Because we invest in properties located outside the United States, we are exposed to additional risks.

We have invested in and may continue to invest in properties located outside the United States. At December 31, 2014, our directly-owned real estate properties located outside of the United States represented 35% of current ABR. These investments may be affected by factors particular to the laws of the jurisdiction in which the property is located. These investments may expose us to risks that are different from and in addition to those commonly found in the

United States, including:

- changing governmental rules and policies;
- enactment of laws relating to the foreign ownership of property and laws relating to the ability of foreign entities to remove invested capital or profits earned from activities within the country to the United States;
- expropriation of investments;
- legal systems under which our ability to enforce contractual rights and remedies may be more limited than would be the case under U.S. law;
- difficulty in conforming obligations in other countries and the burden of complying with a wide variety of foreign laws, which may be more stringent than U.S. laws, including tax requirements and land use, zoning, and environmental laws, as well as changes in such laws;
- adverse market conditions caused by changes in national or local economic or political conditions;

- tax requirements vary by country, and existing foreign tax laws and interpretations may change, and as a result we may be subject to additional taxes on our international investments;
- changes in relative interest rates;
- changes in the availability, cost and terms of mortgage funds resulting from varying national economic policies;
- changes in real estate and other tax rates and other operating expenses in particular countries;
- changes in land use and zoning laws;
- more stringent environmental laws or changes in such laws; and.
- restrictions and/or significant costs in repatriating cash and cash equivalents held in foreign bank accounts.

In addition, the lack of publicly available information in certain jurisdictions in accordance with accounting principles generally accepted in the United States, or GAAP, could impair our ability to analyze transactions and may cause us to forego an investment opportunity for ourselves or the CPA® REITs. It may also impair our ability to receive timely and accurate financial information from tenants necessary to meet our and the CPA® REITs' reporting obligations to financial institutions or governmental or regulatory agencies. Certain of these risks may be greater in emerging markets and less developed countries. Our expertise to date is primarily in the United States and Europe, and we have less experience in other international markets. We may not be as familiar with the potential risks to our and the CPA® REITs' investments outside the United States and Europe and we could incur losses as a result.

Also, we may engage third-party asset managers in international jurisdictions to monitor compliance with legal requirements and lending agreements with respect to properties we own or manage on behalf of the CPA® REITs. Failure to comply with applicable requirements may expose us or our operating subsidiaries to additional liabilities.

Moreover, we are subject to changes in foreign exchange rates due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. Our principal foreign currency exposure is to the euro. Because we have historically placed both our debt obligation to the lender and the tenant's rental obligation to us in the same currency, our results of foreign operations benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to foreign currencies; that is, absent other considerations, a weaker U.S. dollar will tend to increase both our revenues and our expenses, while a stronger U.S. dollar will tend to reduce both our revenues and our expenses.

Our participation in joint ventures creates additional risk.

We have in the past participated, and may in the future participate, in joint ventures to purchase assets jointly with the Managed REITs and may do so as well with third parties. There are additional risks involved in joint venture transactions. As a co-investor in a joint venture, we may not be in a position to exercise sole decision-making authority relating to the property, joint venture, or other entity. In addition, there is the potential of our joint venture partner becoming bankrupt and the possibility of diverging or inconsistent economic or business interests of us and our partner. These diverging interests could result in, among other things, exposure to liabilities of the joint venture in excess of our proportionate share of these liabilities. The partition rights of each owner in a jointly-owned property could reduce the value of each portion of the divided property. In addition, the fiduciary obligation that members of our board may owe to our partner in an affiliated transaction may make it more difficult for us to enforce our rights.

Our property portfolio has a high concentration of properties in Germany, making us more vulnerable economically to an economic downturn.

At December 31, 2014, approximately 9% of total ABR came from properties in Germany. As a result, we may be particularly subject to risks inherent in Germany. A downturn in the commercial real estate industry generally could significantly adversely affect the value of our properties. An economic downturn in Germany could particularly negatively affect lessees' ability to make lease payments to us and our ability to make distributions to its stockholders.

If we recognize substantial impairment charges on our properties or investments, our net income may be reduced.

We recognized impairment charges totaling $23.8 million for the year ended December 31, 2014. In the future, we may incur substantial impairment charges, which we are required to recognize: whenever we sell a property for less than its carrying value or we determine that the carrying amount of the property is not recoverable and exceeds its fair value; for direct financing leases, whenever the unguaranteed residual value of the underlying property has declined on an other than temporary basis; or, for equity investments, whenever the estimated fair value of the investment's underlying net assets in comparison with the carrying value of our interest in the investment has declined on an other-than-temporary basis. By their nature, the timing or extent of impairment charges are not predictable. We may incur non-cash impairment charges in the future, which may reduce our net income.

Because we have used debt to finance investments, our cash flow could be adversely affected.

Historically, most of our investments were made by borrowing a portion of the total investment and securing the loan with a mortgage on the property. We generally borrowed on a non-recourse basis to limit our exposure on any property to the amount of equity invested in the property. If we are unable to make our debt payments on these loans as required, a lender could foreclose on the property or properties securing its debt. Additionally, lenders for our international mortgage loan transactions typically incorporated various covenants and other provisions that can cause a technical loan default, including a loan to value ratio, a debt service coverage ratio and a material adverse change in the borrower's or tenant's business. Accordingly, if the real estate value declines or the tenant defaults, the lender would have the right to foreclose on its security. If any of these events were to occur, it could cause us to lose part or all of our investment, which in turn could cause the value of our portfolio, and revenues available for distribution to our stockholders, to be reduced.

Some of our financing may also require us to make a balloon payment at maturity. Our ability to make balloon payments on debt may depend upon our ability either to refinance the obligation when due, invest additional equity in the property or sell the related property. When a balloon payment is due, we may be unable to make the payment with existing cash or cash resources, refinance the balloon payment on terms as favorable as the original loan or sell the property at a price sufficient to cover the balloon payment. Our ability to accomplish these goals will be affected by various factors existing at the relevant time, such as the state of the national and regional economies, local real estate conditions, available mortgage or interest rates, availability of credit, our equity in the mortgaged properties, our financial condition, the operating history of the mortgaged properties and tax laws. A refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets.

Our level of indebtedness increased upon the completion of the CPA®:16 Merger and as a result of our recent capital market activities.

In connection with the CPA®:16 Merger, we assumed approximately $1.8 billion of CPA®:16 – Global's indebtedness, a portion of which was repaid with the Unsecured Senior Credit Facility (Note 11). In March 2014 we issued $500.0 million of 4.6% senior unsecured notes in our inaugural public debt offering. Our consolidated indebtedness as of December 31, 2014 was approximately $4.1 billion, equal to a leverage ratio (total debt less cash to EBITDA) of approximately 6.0. In addition, in January 2015 we issued €500.0 million of 2.0% senior unsecured notes, and $450.0 million of 4.0% senior unsecured notes in two additional public offerings. We refer to the 4.6% senior unsecured notes, the 4.0% senior unsecured notes and the 2% senior unsecured notes collectively as our senior notes. As a result, we may be subject to an increased risk that our cash flow could be insufficient to meet required payments on our debt. Our increased indebtedness after these transactions, compared to our level of indebtedness prior to the CPA®:16 Merger, could have important consequences to our stockholders, including:

- increasing our vulnerability to general adverse economic and industry conditions;

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, and other general corporate requirements;
- requiring the use of a substantial portion of our cash flow from operations for the payment of principal and interest on its indebtedness, thereby reducing our ability to use our cash flow to fund working capital, acquisitions, capital expenditures, and general corporate requirements;
- limiting our flexibility in planning for, or reacting to, changes in our business and industry; and
- putting us at a disadvantage compared to our competitors with comparatively less indebtedness.

Our level of indebtedness and the limitations imposed on us by our debt agreements could have significant adverse consequences.

Our level of indebtedness and the limitations imposed on us by our debt agreements could have significant adverse consequences, including:

- our cash flow may be insufficient to meet our debt service obligations with respect to our existing or potential future indebtedness, which would enable lenders and other debtholders to accelerate the maturity of their indebtedness, or may be insufficient to fund other important business uses after meeting such obligations;
- we may violate restrictive covenants in our debt agreements, which would entitle lenders and other debtholders to accelerate the maturity of their indebtedness;
- debt service requirements and financial covenants relating to our indebtedness may limit our ability to maintain our REIT qualification;
- we may be unable to hedge our debt, counterparties may fail to honor their obligations under any of our hedge agreements, such agreements may not effectively hedge interest rate or currency fluctuation risk, and, upon the expiration of any of our hedge agreements, we would be exposed to then-existing market rates of interest or currency exchange rates and future rate volatility;
- because a portion of our debt bears interest at variable rates, increases in interest rates could materially increase our interest expense;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms, in order to pay our debt service or if we fail to meet our debt service obligations, in whole or in part;
- upon any default on our secured indebtedness, the lenders may foreclose on our properties or our interests in the entities that own the properties that secure such indebtedness and receive an assignment of rents and leases; and
- we may be unable to raise additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to capitalize upon acquisition opportunities or meet operational needs.

If any one of these events were to occur, our business, financial condition, liquidity, results of operations, earnings and prospects, as well as our ability to satisfy all of our debt obligations, including those under our Senior Unsecured Credit Facility, our senior notes or other similar debt securities that we may issue in the future, could be materially and adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, a circumstance that could hinder our ability to meet the REIT distribution requirements imposed by the Internal Revenue Code.

We may not be able to generate sufficient cash flow to meet all of our existing or potential future debt service obligations, including those under our Senior Unsecured Credit Facility, our senior notes or other similar debt securities that we may issue in the future.

Our ability to meet all of existing or potential future our debt service obligations, including those under our Senior Unsecured Credit Facility, our senior notes or other similar debt securities that we may issue in the future, to refinance our existing or potential future indebtedness, and to fund our operations, working capital, acquisitions, capital expenditures and other important business uses, depends on our ability to generate sufficient cash flow in the future. To a certain extent, our cash flow is subject to general economic, industry, financial, competitive, operating, legislative, regulatory and other factors, many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future sources of cash will be available to us on favorable terms, or at all, in an amount sufficient to enable us to meet all of our existing or potential future debt service obligations, including those under our Senior Unsecured Credit Facility, our senior notes or other similar debt securities that we may issue in the future, or to fund our other important business uses or liquidity needs. Additionally, if we incur additional indebtedness in connection with future acquisitions or

development projects or for any other purpose, our existing or potential future debt service obligations could increase significantly and our ability to meet those obligations could depend, in large part, on the returns from such acquisitions or projects, as to which no assurance can be given.
We may need to refinance all or a portion of our indebtedness at or prior to maturity. Our ability to refinance our indebtedness or obtain additional financing will depend on, among other things:

- our business, financial condition, liquidity, results of operations, AFFO and prospects and market conditions at the time; and
- restrictions in the agreements governing our indebtedness.

As a result, we may not be able to refinance any of our indebtedness, or obtain additional financing, on favorable terms, or at all.

If we do not generate sufficient cash flow from operations, and additional borrowings or refinancings are not available to us, we may be unable to meet all of our existing or potential future debt service obligations, including those under our Senior Unsecured Credit Facility, our senior notes or other similar debt securities that we may issue in the future. As a result, we would be forced to take other actions to meet those obligations, such as selling properties, raising equity or delaying capital expenditures, any of which could have a material adverse effect on us. Furthermore, we cannot assure you that we will be able to effect any of these actions on favorable terms, or at all.

The effective subordination of our senior notes or other similar debt securities that we may issue in the future may limit our ability to meet all of our debt service obligations, including those under our senior notes or under any potential future issuance of similar debt securities.

Our senior notes are unsecured and unsubordinated obligations and rank equally in right of payment with each other and with all of our unsecured and unsubordinated indebtedness. However, our senior notes are effectively subordinated in right of payment to all of our secured indebtedness to the extent of the value of the collateral securing such indebtedness. As of December 31, 2014, we had $2.5 billion of secured consolidated indebtedness outstanding. While the indenture governing our senior notes limits our ability to incur secured indebtedness in the future, it does not prohibit us from incurring such indebtedness if we and our subsidiaries are in compliance with certain financial ratios and other requirements at the time of its incurrence. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to us, the holders of any secured indebtedness will be entitled to proceed directly against the collateral that secures the secured indebtedness. Therefore, such collateral will not be available for satisfaction of any amounts owed under our unsecured indebtedness, including our senior notes or other similar debt securities that we may issue in the future, until such secured indebtedness is satisfied in full.

Our senior notes are also effectively subordinated to all liabilities, whether secured or unsecured, and any preferred equity of our subsidiaries, which is particularly important because we have no significant operations or assets other than our equity interests in our subsidiaries. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to any of our subsidiaries, we, as a common equity owner of such subsidiary, and therefore holders of our debt, including our senior notes or other similar debt securities that we may issue in the future, will be subject to the prior claims of such subsidiary's creditors, including trade creditors, and preferred equity holders. As of December 31, 2014, our subsidiaries had approximately $3.6 billion of indebtedness and other liabilities outstanding and no preferred equity. Furthermore, while the indenture governing our senior notes limits the ability of our subsidiaries to incur additional indebtedness in the future, it will not prohibit our subsidiaries from incurring such indebtedness if we and our subsidiaries are in compliance with certain financial ratios and other requirements at the time of its incurrence.

Despite our substantial outstanding indebtedness, we may still incur significantly more indebtedness in the future, which would exacerbate any or all of the risks described herein.

We may be able to incur substantial additional indebtedness in the future. Although the agreements governing our indebtedness do limit our ability to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, debt incurred in compliance with these restrictions could be substantial. To the extent that we incur substantial additional indebtedness in the future, the risks associated with our substantial leverage described herein, including our inability to meet all of our debt service obligations, such as those under our Senior Unsecured Credit Facility, our senior notes or other similar debt securities that we may issue in the future, would be exacerbated.

The indenture governing our senior notes contains restrictive covenants that restricts our ability to expand or fully pursue our business strategies.

The indenture governing our senior notes contains financial and operating covenants that, among other things, restricts our ability to take specific actions, even if we believe them to be in our best interest, including (subject to various exceptions) restrictions on our ability to consummate a merger, consolidation or a transfer of all or substantially all of our consolidated assets to another person.

In addition, our current debt agreements require us to meet specified financial ratios and the indenture governing our senior notes requires us to limit the amount of our total debt and the amount of our secured debt before incurring new debt, to maintain at all times a specified ratio of unencumbered assets to unsecured debt and to meet a debt service coverage ratio before incurring new debt. These covenants may restrict our ability to expand or fully pursue our business strategies. Our ability to comply with these and other provisions of our debt agreements may be affected by changes in our operating and financial performance, changes in general business and economic conditions, adverse regulatory developments or other events beyond our control. The breach of any of these covenants could result in a default under our indebtedness, which could result in the acceleration of the maturity of such indebtedness and potentially other indebtedness. If any of our indebtedness is accelerated prior to maturity, we may not be able to repay such indebtedness or refinance such indebtedness on favorable terms, or at all.

The market price of our senior notes may be volatile.

The market price of our senior notes may be highly volatile and be subject to wide fluctuations. The market price of our senior notes may fluctuate as a result of factors that are beyond our control or unrelated to our historical and projected business, financial condition, liquidity, results of operations, earnings and prospects, including due to changes in interest rates. It is impossible to assure investors that the market price of our senior notes will not fall in the future, and it may be difficult for investors to resell our senior notes at prices they find attractive, or at all. Furthermore, while the 2% senior unsecured notes, which are denominated in euros, have been listed on the New York Stock Exchange, there is currently no public market for the other senior notes, so if an active trading market does not develop for such senior notes or is not maintained for the 2% senior unsecured notes, investors may not be able to resell them on favorable terms when desired, or at all. The lack of an active trading market could adversely affect investors ability to sell our senior notes when desired, or at all, and the price at which investors may be able to sell our senior notes. The liquidity of the trading market, if any, and the future market price of our senior notes will depend on many factors, including, among other things, prevailing interest rates, our business, financial condition, liquidity, results of operations, AFFO and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. It is possible that the market for the senior notes will be subject to disruptions, which may have a negative effect on the holders of our senior notes, regardless of our business, financial condition, liquidity, results of operations, AFFO or prospects. Additionally, no assurance can be given that we will be able to maintain the listing of the 2% senior unsecured notes.

Volatility and disruption in capital markets could materially and adversely impact us.

The capital markets may experience extreme volatility and disruption, which could make it more difficult to raise capital. If we cannot access capital or if we cannot access capital upon favorable terms, we may be required to liquidate one or more investments in properties at times that may not permit us to realize the maximum return on those investments, which could also result in adverse tax consequences to us, and our ability to capitalize on acquisition opportunities and meet operational needs may be adversely affected. Moreover, market turmoil could lead to an increased lack of consumer confidence and widespread reduction of business activity generally, which may materially and adversely impact us, including our ability to acquire and dispose of properties.

A downgrade in our credit ratings could materially adversely affect our business and financial condition as well as the market price of our senior notes.

We plan to manage our operations to maintain investment grade status with a capital structure consistent with our current profile, but there can be no assurance that we will be able to maintain our current credit ratings. Our credit ratings could change based upon, among other things, our historical and projected business, financial condition, liquidity, results of operations, AFFO and prospects. These ratings are subject to ongoing evaluation by credit rating agencies, and we cannot make any assurance that any rating will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. If any of the credit rating agencies that have rated us downgrades or lowers its credit rating, or if any credit rating agency indicates that it has placed any such rating on a so-called “watch list” for a possible downgrading or lowering or otherwise indicates that its outlook for that rating is negative, it could have a material adverse effect on our costs and availability of capital, which could in turn have a material adverse effect on us and on our ability to satisfy our debt service obligations, including those under our Senior Unsecured Credit Facility, our senior notes or other similar debt securities that we may issue in the future, and to make dividends and distributions on our common stock. Furthermore, any such action could negatively impact the market price of our senior notes.

Our leases may permit tenants to purchase a property at a predetermined price, which could limit our realization of any appreciation or result in a loss.

In some circumstances, we may grant tenants a right to repurchase the property they lease from us. The purchase price may be a fixed price or it may be based on a formula or the market value at the time of exercise. If a tenant exercises its right to purchase the property and the property's market value has increased beyond that price, we could be limited in fully realizing the appreciation on that property. Additionally, if the price at which the tenant can purchase the property is less than our carrying value (for example, where the purchase price is based on an appraised value), we may incur a loss.

Our ability to fully control the maintenance of our net-leased properties may be limited.

The tenants or managers of net-leased properties are responsible for maintenance and other day-to-day management of the properties. If a property is not adequately maintained in accordance with the terms of the applicable lease, we may incur expenses for deferred maintenance expenditures or other liabilities once the property becomes free of the lease. While our leases generally provide for recourse against the tenant in these instances, a bankrupt or financially-troubled tenant may be more likely to defer maintenance and it may be more difficult to enforce remedies against such a tenant. In addition, to the extent tenants are unable to conduct their operation of the property on a financially-successful basis, their ability to pay rent may be adversely affected. Although we endeavor to monitor, on an ongoing basis, compliance by tenants with their lease obligations and other factors that could affect the financial performance of our properties, such monitoring may not in all circumstances ascertain or forestall deterioration either in the condition of a property or the financial circumstances of a tenant.

The value of our real estate is subject to fluctuation.

We are subject to all of the general risks associated with the ownership of real estate. While the revenues from our leases and those of the CPA® REITs are not directly dependent upon the value of the real estate owned, significant declines in real estate values could adversely affect us in many ways, including a decline in the residual values of properties at lease expiration; possible lease abandonments by tenants; a decline in the attractiveness of Managed REIT investments that may impede our ability to raise new funds for investment by the Managed REITs; and a decline in the attractiveness of triple-net lease transactions to potential sellers. We also face the risk that lease revenue will be insufficient to cover all corporate operating expenses and debt service payments on indebtedness we incur. General risks associated with the ownership of real estate include:

- adverse changes in general or local economic conditions;
- changes in the supply of or demand for similar or competing properties;
- changes in interest rates and operating expenses;
- competition for tenants;
- changes in market rental rates;
- inability to lease or sell properties upon termination of existing leases;
- renewal of leases at lower rental rates;
- inability to collect rents from tenants due to financial hardship, including bankruptcy;
- changes in tax, real estate, zoning and environmental laws that may have an adverse impact upon the value of real estate;
- uninsured property liability, property damage or casualty losses;
- unexpected expenditures for capital improvements or to bring properties into compliance with applicable federal, state, and local laws;
- exposure to environmental losses;
- changes in foreign exchange rates; and
- acts of God and other factors beyond the control of our management.

Because most of our properties are occupied by a single tenant, our success is materially dependent upon the tenant's financial stability.

Most of our properties are occupied by a single tenant and, therefore, the success of our investments is materially dependent on the financial stability of our tenants. Revenues from several of our tenants/guarantors constitute a significant percentage of our lease revenues. We have one tenant/guarantor totaling approximately 5.6% of total ABR at December 31, 2014. Lease payment defaults by tenants negatively impact our net income and reduce the amounts available for distributions to stockholders. As some of our tenants may not have a recognized credit rating, these tenants may have a higher risk of lease defaults than if those tenants had a recognized credit rating. In addition, the bankruptcy or default of a tenant could cause the loss of lease payments as well as an increase in the costs incurred to carry the property until it can be re-leased or sold. We have had, and may have in the future, tenants file for bankruptcy protection. In the event of a default, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting the investment and re-leasing the property. If a lease is terminated, there is no assurance that we will be able to re-lease the property for the rent previously received or sell the property without incurring a loss.

The bankruptcy or insolvency of tenants or borrowers may cause a reduction in our revenue and an increase in our expenses.

Bankruptcy or insolvency of a tenant or borrower could cause:

- the loss of lease or interest and principal payments;
- an increase in the costs incurred to carry the property;
- litigation;
- a reduction in the value of our shares; and
- a decrease in distributions to our stockholders.

Under U.S. bankruptcy law, a tenant that is the subject of bankruptcy proceedings has the option of assuming or rejecting any unexpired lease. If the tenant rejects the lease, any resulting claim we have for breach of the lease (excluding collateral securing the claim) will be treated as a general unsecured claim. The maximum claim will be capped at the amount owed for unpaid rent prior to the bankruptcy unrelated to the termination, plus the greater of one year's lease payments or 15% of the remaining lease payments payable under the lease (but no more than three years' lease payments). In addition, due to the long-term nature of our leases and, in some cases, terms providing for the repurchase of a property by the tenant, a bankruptcy court could recharacterize a net lease transaction as a secured lending transaction. If that were to occur, we would not be treated as the owner of the property, but we might have rights as a secured creditor. Those rights would not include a right to compel the tenant to timely perform its obligations under the lease but may instead entitle us to "adequate protection," a bankruptcy concept that applies to protect against a decrease in the value of the property if the value of the property is less than the balance owed to us.

Insolvency laws outside of the United States may not be as favorable to reorganization or to the protection of a debtor's rights as tenants under a lease as are the laws in the United States. Our rights to terminate a lease for default may be more likely to be enforceable in countries other than the United States, in which a debtor/ tenant or its insolvency representative may be less likely to have rights to force continuation of a lease without our consent. Nonetheless, such laws may permit a tenant or an appointed insolvency representative to terminate a lease if it so chooses.

However, in circumstances where the bankruptcy laws of the United States are considered to be more favorable to debtors and to their reorganization, entities that are not ordinarily perceived as U.S. entities may seek to take advantage of the U.S. bankruptcy laws if they are eligible. An entity would be eligible to be a debtor under the U.S. bankruptcy laws if it had a domicile (state of incorporation or registration), place of business or assets in the United States. If a tenant became a debtor under the U.S. bankruptcy laws, then it would have the option of assuming or rejecting any unexpired lease. As a general matter, after the commencement of bankruptcy proceedings and prior to assumption or rejection of an expired lease, U.S. bankruptcy laws provide that until an unexpired lease is assumed or rejected, the tenant (or its trustee if one has been appointed) must timely perform obligations of the tenant under the lease. However, under certain circumstances, the time period for performance of such obligations may be extended by an order of the bankruptcy court.

We and certain of the CPA® REITs have had tenants file for bankruptcy protection and have been involved in bankruptcy-related litigation (including several international tenants). Four prior CPA® REITs reduced the rate of distributions to their investors as a result of adverse developments involving tenants.

Similarly, if a borrower under one of our loan transactions declares bankruptcy, there may not be sufficient funds to satisfy its payment obligations to us, which may adversely affect our revenue and distributions to our stockholders. The mortgage loans in which we may invest may be subject to delinquency, foreclosure and loss, which could result in losses to us.

Because we are subject to possible liabilities relating to environmental matters, we could incur unexpected costs and our ability to sell or otherwise dispose of a property may be negatively impacted.

We own commercial properties and are subject to the risk of liabilities under federal, state, and local environmental laws. These responsibilities and liabilities also exist for properties owned by the Managed REITs, and if they become liable for these costs, their ability to pay for our services could be materially affected. Some of these laws could impose the following on us:

- responsibility and liability for the cost of investigation and removal or remediation of hazardous or toxic substances released on or from our property, generally without regard to our knowledge of, or responsibility for, the presence of these contaminants;
- liability for the costs of investigation and removal or remediation of hazardous substances at disposal facilities for persons who arrange for the disposal or treatment of such substances;

- liability for claims by third parties based on damages to natural resources or property, personal injuries, or costs of removal or remediation of hazardous or toxic substances in, on, or migrating from our property;
- responsibility for managing asbestos-containing building materials, and third-party claims for exposure to those materials; and
- claims being made against us by the Managed REITs for inadequate due diligence.

Our costs of investigation, remediation or removal of hazardous or toxic substances, or for third-party claims for damages, may be substantial. The presence of hazardous or toxic substances at any of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination or otherwise adversely affect our ability to sell or lease the property or to borrow using the property as collateral. While we attempt to mitigate identified environmental risks by contractually requiring sellers to acknowledge their responsibility for complying with environmental laws and to assume liability for environmental matters, circumstances may arise in which a seller fails, or is unable, to fulfill its contractual obligations. In addition, environmental liabilities, or costs or operating limitations imposed on a tenant to comply with environmental laws, could affect its ability to make rental payments to us. Also, and although we endeavor to avoid doing so, we may be required, in connection with any future divestitures of property, to provide buyers with indemnification against potential environmental liabilities.

Revenue and earnings from our investment management operations are subject to volatility, which may cause our investment management revenue to fluctuate.

Growth in revenue from our investment management operations is dependent in large part on future capital raising in existing or future managed entities, as well as on our ability to make investments that meet the investment criteria of these entities, both of which are subject to uncertainty with respect to capital market and real estate market conditions. This uncertainty creates volatility in our earnings because of the resulting fluctuation in transaction-based revenue. Asset management revenue may be affected by factors that include not only our ability to increase the Managed REITs' portfolio of properties under management, but also changes in valuation of those properties, as well as sales of the Managed REIT properties. In addition, revenue from our investment management operations, including our ability to earn performance revenue, as well as the value of our holdings of the Managed REITs' interests and dividend income from those interests, may be significantly affected by the results of operations of the Managed REITs. Each of the CPA® REITs has invested the majority of its assets (other than short-term investments) in triple-net leased properties substantially similar to those we hold, and consequently the results of operations of, and cash available for distribution by, each of the CPA® REITs are likely to be substantially affected by the same market conditions, and subject to the same risk factors, as the properties we own. In our history, four of the seventeen CPA® funds temporarily reduced the rate of distributions to their investors as a result of adverse developments involving tenants.

Each of the Managed REITs that we currently manage may incur significant debt, which either due to liquidity problems or restrictive covenants contained in their borrowing agreements could restrict their ability to pay revenue owed to us when due. In addition, the revenue payable under each of our current investment advisory agreements is subject to a variable annual cap based on a formula tied to the assets and income of that Managed REIT. This cap may limit the growth of our investment management revenue. Furthermore, our ability to earn revenue related to the disposition of properties is primarily tied to providing liquidity events for the Managed REIT investors. Our ability to provide such liquidity, and to do so under circumstances that will satisfy the applicable subordination requirements, will depend on market conditions at the relevant time, which may vary considerably over a period of years. In any case, liquidity events typically occur several years apart, and income from our investment management operations is likely to be significantly higher in those years in which such events occur.

Because the revenue streams from the advisory agreements we have with the Managed REITs are subject to limitation or cancellation, any such termination could have a material adverse effect on our business, results of operations and financial condition.

The advisory agreements under which we provide services to the Managed REITs are renewable annually and may generally be terminated by each Managed REIT upon 60 days' notice, with or without cause. The advisory agreements with each of the CPA® REITs are scheduled to expire on December 31, 2015 and the advisory agreement with CWI is scheduled to expire on September 30, 2015, unless otherwise renewed. There can be no assurance that these agreements will not expire or be terminated. CPA®:17 – Global, CPA®:18 – Global, and CWI each have the right, but not the obligation, upon certain terminations to repurchase our interests in their operating partnerships at fair market value. If such right is not exercised, we would remain as a limited partner of the respective operating partnerships. Nonetheless, any such termination would have a material adverse effect on our business, results of operations and financial condition.

A potential change in U.S. accounting standards regarding operating leases may make the leasing of facilities less attractive to our potential domestic tenants, which could reduce overall demand for our leasing services.

A lease is classified by a tenant as a capital lease if the significant risks and rewards of ownership are considered to reside with the tenant. This situation is generally considered to be met if, among other things, the non-cancelable lease term is more than 75% of the useful life of the asset or if the present value of the minimum lease payments equals 90% or more of the leased property's fair value at lease inception. Under capital lease accounting for a tenant, both the leased asset and liability are reflected on their balance sheet. If the lease does not meet any of the criteria for a capital lease, the lease is considered an operating lease by the tenant and the obligation does not appear on the tenant's balance sheet; rather, the contractual future minimum payment obligations are only disclosed in the footnotes thereto. Thus, entering into an operating lease can appear to enhance a tenant's balance sheet in comparison to direct ownership. In response to concerns caused by a 2005 SEC study that the current model does not have sufficient transparency, the Financial Accounting Standards Board and the International Accounting Standards Board issued an Exposure Draft on a joint proposal that would dramatically transform lease accounting from the existing model. In May 2013, the Boards issued a revised exposure draft for public comment and the comment period ended in September 2013. As of the date of this Report, the Financial Accounting Standards Board and the International Accounting Standards Board continue their redeliberations of the proposals included in the May 2013 Exposure Draft based on the comments received and the proposed guidance has not yet been finalized. Changes to the accounting guidance could affect both our and the CPA® REITs' accounting for leases as well as that of our and the CPA® REITs' tenants. These changes would impact most companies but are particularly applicable to those that are significant users of real estate. The proposal outlines a completely new model for accounting by lessees, whereby their rights and obligations under most leases, existing and new, would be capitalized and recorded on the balance sheet. For some companies, the new accounting guidance may influence whether or not, or the extent to which, they may enter into the type of sale-leaseback transactions in which we specialize.

The BDCs are subject to extensive regulation.

We serve as the investment adviser for three closed-end funds that have elected to be treated as BDCs. These BDCs are subject to certain provisions of the Investment Company Act of 1940, as amended, and the rules and regulations thereunder, collectively referred to herein as the Investment Company Act. Failure to comply with such rules and regulations could result in liability and/or adversely affect the operation of the BDCs and our ability to successfully raise funds for, and generate revenue as the advisor to, the BDCs.

Our investment advisory agreement with CCIF may be terminated upon short notice.

The management and incentive fees that we will be paid for managing CCIF will generally be subject to the contractual right of CCIF's board of trustees to terminate our management of CCIF on as little as 60 days' prior notice. Termination of this agreement would eliminate our ability to generate revenue from the BDCs, which could have a material adverse effect on our results of operations.

The BDCs may be affected by poor investment performance.

Poor investment returns for the BDCs, due to either general market conditions or underperformance by the BDCs relative to our competitors or to benchmarks, may affect our ability to retain assets of the BDCs and/or to attract new borrowers or additional assets from existing borrowers. This could affect the management and incentive fees that we earn on assets under our supervision.

The success of the BDCs is dependent upon a joint venture.

We manage the BDCs as part of a joint venture with Guggenheim Partners Investment Management, LLC. If Guggenheim Partners Investment Management, LLC were to exit the joint venture, our ability to manage the BDCs on a going-forward basis could be adversely affected.

Our operations could be restricted if we become subject to the Investment Company Act and your investment return, if any, may be reduced if we are required to register as an investment company under the Investment Company Act.

A person will generally be deemed to be an "investment company" for purposes of the Investment Company Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities; or
- it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we and our subsidiaries are engaged primarily in the business of acquiring and owning interests in real estate. We do not hold ourselves out as being engaged primarily in the business of investing, reinvesting, or trading in securities. Accordingly, we do not believe that we are an investment company as defined under the Investment Company Act. If we were obligated to register as an investment company, we would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things, (i) limitations on our capital structure, (ii) restrictions on specified investments, (iii) prohibitions on proposed transactions with affiliates, and (iv) compliance with reporting, record keeping, voting, proxy disclosure, and other rules and regulations that would significantly increase our operating expenses.

Although we intend to monitor our portfolio, there can be no assurance that we will be able to maintain an exclusion or exemption from registration as an investment company under the Investment Company Act. In order to maintain compliance with an Investment Company Act exemption or exclusion, we may be unable to sell assets that we would otherwise want to sell and may need to sell assets we would otherwise wish to retain. In addition, we may have to acquire additional income or loss generating assets that we might not otherwise have acquired or may have to forego opportunities to acquire interests in companies that we would otherwise want to acquire and would be important to our investment strategy. If we were required to register as an investment company, we may be prohibited from engaging in our business as currently conducted because, among other things, the Investment Company Act imposes significant limitations on an investment company's leverage. Furthermore, if we fail to comply with the Investment Company Act, criminal and civil actions could be brought against us, our contracts could be unenforceable, and a court could appoint a receiver to take control of us and liquidate our business. Were any of these results to occur, your investment return, if any, may be reduced.

We depend on key personnel for our future success, and the loss of key personnel or inability to attract and retain personnel could harm our business.

Our future success depends in large part on our ability to hire and retain a sufficient number of qualified personnel. Our future success also depends upon the continued service of our executive officers: Trevor P. Bond, our President and Chief Executive Officer; Catherine D. Rice, our Chief Financial Officer; Thomas E. Zacharias, our Chief Operating Officer and the head of our Asset Management Department; John D. Miller, our Chief Investment Officer; and Mark Goldberg, President of Carey Financial, LLC. The loss of the services of any of these officers could have a material adverse effect on our operations.

Our accounting policies and methods are fundamental to how we record and report our financial position and results of operations, and they require management to make estimates, judgments, and assumptions about matters that are inherently uncertain.

Our accounting policies and methods are fundamental to how we record and report our financial position and results of operations. We have identified several accounting policies as being critical to the presentation of our financial position and results of operations because they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be recorded under different conditions or using different assumptions. Because of the inherent uncertainty of the estimates, judgments, and assumptions associated with these critical accounting policies, we cannot provide any assurance that we will not make subsequent significant adjustments to our consolidated financial statements. If our judgments, assumptions, and allocations prove to be incorrect, or if circumstances change, our business, financial condition, revenues, operating expense, results of operations, liquidity, ability to pay dividends, or stock price may be materially adversely affected.

Our charter and Maryland law contain provisions that may delay or prevent a change of control transaction.

Our charter contains 7.9% ownership limits. Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to limit any person to beneficial or constructive ownership of either (i) owning more than 7.9% in value or in number of shares, whichever is more restrictive, of the aggregate outstanding shares of our stock excluding any outstanding shares of our stock not treated as outstanding for federal income tax purposes or (ii) owning more than 7.9% in value or in number of shares, whichever is more restrictive, of our aggregate outstanding shares of common stock excluding any of our outstanding shares of common stock not treated as outstanding for federal income tax purposes. Our board of directors, in its sole discretion, may exempt a person from the ownership limits. However, our board of directors may not grant an exemption from the ownership limits to any person unless our board of directors obtains such representations, covenants and undertakings as our board of directors may deem appropriate in order to determine that granting the exemption would not result in losing our status as a REIT. Our board of directors may also increase or decrease the common stock ownership limit and/or the aggregate stock ownership limit so long as the change would not result in five or fewer persons beneficially owning more than 49.9% in value of our outstanding stock. The ownership limits and the other restrictions on ownership of our stock contained in our charter may delay or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Our board of directors may modify our authorized shares of stock of any class or series and may create and issue a class or series of common stock or preferred stock without stockholder approval.

Our board of directors is empowered under our charter from time to time to amend our charter to increase or decrease the aggregate number of shares of our stock or the number of shares of stock of any class or series that we have authority to issue, and from time to time to classify any unissued shares of common stock or preferred stock and to reclassify any previously classified, but unissued, shares of common stock or preferred stock into one or more classes or series of stock and to issue such shares of stock so classified or reclassified, without stockholder approval. Our board of directors may determine the relative rights, preferences, and privileges of any class or series of common stock or preferred stock issued. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers, and rights, voting or otherwise, senior to the rights of holders of our common stock. The issuance of any such classes or series of common stock or preferred stock could also have the effect of delaying or preventing a change of control transaction that might otherwise be in the best interests of our stockholders.

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of the Maryland General Corporation Law may have the effect of inhibiting a third party from making a proposal to acquire us or impeding a change of control under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the then-prevailing market price of our common stock, including:

- “business combination” provisions that, subject to limitations, prohibit certain business combinations between us and an “interested stockholder” (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock), or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose special appraisal rights and supermajority voting requirements on these combinations; and
- “control share” provisions that provide that holders of “control shares” of our company (defined as voting shares which, when aggregated with all other shares owned or controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a “control share acquisition” (defined as the direct or indirect acquisition of ownership or control of issued and outstanding “control shares”) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled

to be cast on the matter, excluding all interested shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by a board of directors prior to the time that the “interested stockholder” becomes an interested stockholder. Our board of directors has, by resolution, exempted any business combination between us and any person who is an existing, or becomes in the future, an “interested stockholder.” Consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and any such person. As a result, such person may be able to enter into business combinations with us that may not be in the best interest of our stockholders, without compliance with the supermajority vote requirements and the other provisions of the statute. Additionally, this resolution may be altered, revoked, or repealed in whole or in part at any time and we may opt back into the business combination provisions of the Maryland General Corporation Law. If this resolution is revoked or repealed, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. In the case of the control share provisions of the Maryland General Corporation Law, we have elected to opt out of these provisions of the Maryland General Corporation Law pursuant to a provision in our bylaws.

Additionally, Title 3, Subtitle 8 of the Maryland General Corporation Law permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or our bylaws, to implement certain governance provisions, some of which we do not currently have. We have opted out of Section 3-803 of the Maryland General Corporation Law, which permits a board of directors to be divided into classes pursuant to Title 3, Subtitle 8 of the Maryland General Corporation Law. Any amendment or repeal of this resolution must be approved in the same manner as an amendment to our charter. The remaining provisions of Title 3, Subtitle 8 of the Maryland General Corporation Law may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring, or preventing a change in control of our company under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-current market price. Our charter, our Bylaws, and Maryland law also contain other provisions that may delay, defer, or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Future issuances of equity securities could dilute the interest of our stockholders.

Our future growth will depend, in part, upon our ability to raise additional capital, including through the issuance of equity securities. For example, in September 2014, we issued 4,600,000 shares of our common stock in a public offering, which we refer to as the Equity Offering (Note 13), that raised total net proceeds of $282.2 million. If we were to raise additional capital through the issuance of equity securities, we could further dilute the interests of a significant number of our stockholders. In addition, we issued shares of our common stock to the former stockholders of both CPA®:15 and CPA®:16 – Global (excluding us and our subsidiaries) as merger consideration in the CPA®:15 Merger and the CPA®:16 Merger, respectively. The interests of our stockholders could also be diluted by the issuance of shares of common stock upon the exercise of outstanding options or pursuant to stock incentive plans. Likewise, our board of directors is empowered under our charter from time to time to amend our charter to increase or decrease the aggregate number of shares of our stock or the number of shares of stock of any class or series that we have authority to issue, and from time to time to classify any unissued shares of common stock or preferred stock and to or reclassify any previously classified, but unissued, shares of common stock or preferred stock into one or more classes or series of stock and to issue such shares of stock so classified or reclassified, without stockholder approval. See the section above titled “Our board of directors may modify our authorized shares of stock of any class or series and may create and issue a class or series of common stock or preferred stock without stockholder approval.”

Future issuances or sales of our common stock may cause the market price of our common stock to decline.

The issuance or sale of substantial amounts of our common stock, whether, in the case of a sale, directly by us or in the secondary market, the perception that such issuances or sales of common stock could occur or the availability for future issuance or sale of shares of our common stock, or securities convertible into or exchangeable or exercisable for our common stock, could materially and adversely affect the market price of our common stock and our ability to raise capital through future offerings of equity or equity-related securities.

Future issuances of debt securities, which would rank senior to our common stock upon our liquidation, and future issuances of equity securities, which would dilute the holdings of our existing common stockholders and may be senior to our common stock for the purposes of making distributions, periodically or upon liquidation, may negatively affect the market price of our common stock.

In the future, we may issue debt or equity securities or incur additional borrowings. Upon our liquidation, holders of our debt securities and other loans and preferred stock will receive a distribution of our available assets before common stockholders. If we incur debt in the future, our future interest costs could increase and adversely affect our liquidity, AFFO and results of operations. We are not required to offer any additional equity securities to existing common stockholders on a preemptive basis. Therefore, additional common stock issuances, directly or through convertible or exchangeable securities, warrants or options, will dilute the holdings of our existing common stockholders and such issuances or the perception of such issuances may reduce the market price of our common stock. Our preferred stock, if issued, would likely have a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders. Because our decision to issue additional debt or equity securities or incur additional borrowings in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. Thus, common stockholders bear the risk that our future issuances of debt or equity securities or our incurrence of additional borrowings will negatively affect the market price of our common stock.

The trading volume and market price of shares of our common stock may fluctuate or be adversely impacted by various factors.

Our current or historical trading volume and share price may not be indicative of the number of shares of our common stock that will trade going forward or how the market will value shares of our common stock in the future. One of the factors that may influence the price of our common stock will be the yield from distributions on our common stock compared to yields on other financial instruments. If, for example, an increase in market interest rates results in higher yields on other financial instruments, the market price of our common stock could be adversely affected. In addition, our use of taxable REIT subsidiaries, or TRSs, may cause the market to value our common stock differently than the shares of other REITs, which may not use TRSs as extensively as we currently expect to do. In addition, the trading volume and market price of our common stock may fluctuate significantly and be adversely impacted in response to a number of factors, including:

- actual or anticipated variations in our operating results, earnings, or liquidity, or those of our competitors;
- changes in our dividend policy;
- publication of research reports about us, our competitors, our tenants or the REIT industry;
- changes in market valuations of similar companies;
- speculation in the press or investment community;
- our failure to meet, or the lowering of, our earnings estimates or those of any securities analysts;
- increases in market interest rates, which may lead investors to demand a higher dividend yield for our common stock and would result in increased interest expense on our debt;
- adverse market reaction to the amount of maturing debt in the near and medium term and our ability to refinance such debt and the terms thereof;
- adverse market reaction to any additional indebtedness we incur or equity or equity-related securities we issue in the future;
- changes in our credit ratings;
- actual or perceived conflicts of interest;
- additions or departures of key management personnel;
- our compliance with generally accepted accounting principles and policies;
- our compliance with the listing requirements of the New York Stock Exchange;
- the financial condition, liquidity, results of operations and prospects of our tenants;
- failure to maintain our REIT qualification;
- actions by institutional stockholders;
- speculation in the investment community or the press;
- general market and economic conditions, including the current state of the credit and capital markets; and
- the realization of any of the other risk factors presented in this Report or in subsequent reports that we file with the SEC.

Compliance or failure to comply with the Americans with Disabilities Act and other similar regulations could result in substantial costs.

Under the Americans with Disabilities Act, places of public accommodation must meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If we are required to make unanticipated expenditures to one or more of our properties in order to comply with the Americans with Disabilities Act, then our cash flow and the amounts available to make distributions and payments to our stockholders may be adversely affected. We have not conducted an audit or investigation of all of our properties to determine our compliance and we cannot predict the ultimate cost of compliance with the Americans with Disabilities Act or other legislation.

Our properties are also subject to various federal, state, and local regulatory requirements, such as state and local fire and life-safety requirements. We could incur fines or private damage awards if we fail to comply with these requirements. While we believe that our properties are currently in material compliance with these regulatory requirements, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures by us that will affect our cash flow and results of operations.

The occurrence of cyber incidents, or a deficiency in our cyber security, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. We may also store or come into contact with sensitive information and data. If, in handling this information, we or our partners fail to comply with applicable privacy or data security laws, we could face significant legal and financial exposure to claims of governmental agencies and parties whose privacy is compromised. Our three primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our relationship with our tenants, and private data exposure. We maintain insurance intended to cover some of these risks, but this insurance may not be sufficient to cover all of the losses from any future breaches of our systems. We have implemented processes, procedures, and controls to help mitigate these risks, but these measures, as well as our increased awareness of a risk of a cyber incident, do not guarantee that our financial results will not be negatively impacted by such an incident.

Potential impairment of Goodwill resulting from the consummation of our mergers may adversely affect our results of operations.

Potential impairment of goodwill resulting from the CPA®:15 Merger or the CPA®:16 Merger could adversely affect our financial condition and results of operations. We assess our goodwill and other intangible assets for impairment annually and more frequently when required by GAAP. We are required to record an impairment charge if circumstances indicate that the asset carrying values exceed their fair values. Our assessment of goodwill or other intangible assets could indicate that an impairment of the carrying value of such assets may have occurred that could result in a material, non-cash write-down of such assets, which could have a material adverse effect on our results of operations and future earnings. We are also required to write off a portion of goodwill whenever we dispose of a property that constitutes a business under GAAP from a reporting unit with goodwill. We allocate a portion of the reporting unit's goodwill to that business in determining the gain loss on the disposal of the business. The amount of goodwill allocated to the business is based on the relative fair value of the business for the reporting unit.

Our future results may suffer if we do not effectively manage our expanded operations.

Our operations expanded significantly as a result of the CPA®:16 Merger, and we may continue to expand our operations through additional acquisitions and other strategic transactions, some of which may involve complex challenges. Our future success will depend, in part, upon our ability to manage our expansion opportunities, integrate new operations into our existing business in an efficient and timely manner, successfully monitor our operations, costs, regulatory compliance, and service quality, and maintaining other necessary internal controls. There can be no assurance that our expansion or acquisition opportunities will be successful, or that we will realize our expected operating efficiencies, cost savings, revenue enhancements, synergies, or other benefits.

There can be no assurance that we will be able to maintain cash dividends, and certain agreements relating to our indebtedness may, under certain circumstances, prohibit or otherwise restrict our ability to pay dividends to holders of our common stock.

Our ability to continue to pay dividends in the future may be adversely affected by the risk factors described in this Report. More specifically, while we expect to continue our current dividend practices, we can give no assurance that we will be able to maintain dividends, and our stockholders may not receive the same dividends in the future for various reasons, including the following:

- as a result of the issuances of shares of our common stock in connection with the CPA® :16 Merger and the Equity Offering, the total amount of cash required for us to pay dividends at our current rate has increased;
- there is no assurance that rents from our properties will increase, or that future acquisitions will increase our cash available for distribution to stockholders, and we may not have enough cash to pay such dividends due to changes in our cash requirements, capital plans, cash flow, or financial position;
- decisions on whether, when, and in which amounts to make any future distributions will remain at all times entirely at the discretion of our board of directors, which reserves the right to change our dividend practices at any time and for any reason, including but not limited to, our earnings, our financial condition, maintaining our REIT status,

contractual limitations relating to our indebtedness, Maryland law and other factors our board of directors deems relevant from time to time; and

- the amount of dividends that our subsidiaries may distribute to us may be subject to restrictions imposed by state law, restrictions that may be imposed by state regulators, and restrictions imposed by the terms of any current or future indebtedness that these subsidiaries may incur;

Furthermore, certain agreements relating to our borrowings may, under certain circumstances, prohibit or otherwise restrict our ability to pay dividends to our common stockholders. Future dividends, if any, are expected to be based upon our earnings, financial condition, cash flows and liquidity, debt service requirements, capital expenditure requirements for our properties, financing covenants and applicable law. If we do not have sufficient cash available to pay dividends, we may need to fund the shortage out of working capital or revenues from future acquisitions, if any, or borrow to provide funds for such dividends, which would reduce the amount of funds available for real estate investments and increase our future interest costs. Our inability to pay dividends, or to pay dividends at expected levels, could adversely impact the per share trading price of our common stock.

Risks Related to REIT Structure

While we believe that we are properly organized as a REIT in accordance with applicable law, we cannot guarantee that the Internal Revenue Service will find that we have qualified as a REIT.

We believe that we are organized in conformity with the requirements for qualification as a REIT under the Internal Revenue Code beginning with our 2012 taxable year, and that our current and anticipated investments and plan of operation will enable us to meet and continue to meet the requirements for qualification and taxation as a REIT under the Internal Revenue Code. Investors should be aware, however, that the United States Internal Revenue Service or any court could take a position different from our own. Given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year.

Furthermore, our qualification and taxation as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership, and other requirements on a continuing basis. Our ability to satisfy the quarterly asset tests under applicable Internal Revenue Code provisions and Treasury Regulations will depend in part upon the our board of directors' good faith analysis of the fair market values of our assets, some of which are not susceptible to a precise determination. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. While we believe that we will satisfy these tests, we cannot guarantee that this will be the case on a continuing basis.

If we fail to qualify as a REIT or fail to remain qualified as a REIT, we would be subject to federal income tax at corporate income tax rates and would not be able to deduct distributions to stockholders when computing our taxable income.

Following the consummation of our REIT conversion, we believe that we are organized in conformity with the requirements for qualification as a REIT under the Internal Revenue Code beginning with our 2012 taxable year. In order to qualify as a REIT, we plan to hold our non-qualifying REIT assets and conduct our non-qualifying REIT income activities in or through one or more TRSs.

If, in any taxable year, we fail to qualify for taxation as a REIT, and are not entitled to relief under the Internal Revenue Code:

- we will not be allowed a deduction for distributions to stockholders in computing our taxable income;
- we will be subject to federal and state income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates; and
- we would not be eligible to qualify as a REIT for the four taxable years following the year during which we were so disqualified.

Any such corporate tax liability could be substantial and would reduce the amount of cash available for distributions to our stockholders, which in turn could have an adverse impact on the value of our common stock. This adverse impact could last for five or more years because, unless we are entitled to relief under certain statutory provisions, we will be taxed as a corporation, beginning in the year in which the failure occurs, and we will not be allowed to re-elect to be taxed as a REIT for the following four years.

If we fail to qualify for taxation as a REIT, we may need to borrow funds or liquidate some investments to pay the additional tax liability. Were this to occur, funds available for investment would be reduced. REIT qualification involves the application of highly technical and complex provisions of the Internal Revenue Code to our operations, as well as various factual determinations concerning matters and circumstances not entirely within our control. There are limited judicial or administrative interpretations of these provisions. Although we plan to continue to operate in a manner consistent with the REIT qualification rules, we cannot assure you that we will so qualify or remain so qualified.

If we fail to make required distributions, we may be subject to federal corporate income tax.

We intend to declare regular quarterly distributions, the amount of which will be determined, and is subject to adjustment, by our board of directors. To continue to qualify and be taxed as a REIT, we will generally be required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gain) each year to our stockholders. Generally, we expect to distribute all or substantially all of our REIT taxable income. If our cash available for distribution falls short of our estimates, we may be unable to maintain the proposed quarterly distributions that approximate our taxable income, and we may fail to qualify for taxation as a REIT. In addition, our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for federal income tax purposes, or the effect of nondeductible expenditures, such as capital expenditures, payments of compensation for which Section 162(m) of the Internal Revenue Code denies a deduction, the creation of reserves, or required debt service or amortization payments.

To the extent that we satisfy the 90% distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4.0% nondeductible excise tax if the actual amount that we pay out to our stockholders for a calendar year is less than a minimum amount specified under the Internal Revenue Code.

In addition, in order to continue to qualify as a REIT, any C-corporation earnings and profits to which we succeed must be distributed as of the close of the taxable year in which we accumulate or acquire such C-corporation’s earnings and profits.

Because certain covenants in our debt instruments may limit our ability to make required REIT distributions, we could be subject to taxation.

Our existing debt instruments include, and our future debt instruments may include, covenants that limit our ability to make required REIT distributions. If the limits set forth in these covenants prevent us from satisfying our REIT distribution requirements, we could fail to qualify for federal income tax purposes as a REIT. If the limits set forth in these covenants do not jeopardize our qualification for taxation as a REIT but do nevertheless prevent us from distributing 100% of our REIT taxable income, we will be subject to federal corporate income tax, and potentially a nondeductible excise tax, on the retained amounts.

Because we will be required to satisfy numerous requirements imposed upon REITs, we may be required to borrow funds, sell assets, or raise equity on terms that are not favorable to us.

In order to meet the REIT distribution requirements and maintain our qualification and taxation as a REIT, we may need to borrow funds, sell assets or raise equity, even if the then-prevailing market conditions are not favorable for these borrowings, sales, or offerings. Any insufficiency of our cash flows to cover our REIT distribution requirements could adversely impact our ability to raise short- and long-term debt, to sell assets, or to offer equity securities in order to fund distributions required to maintain our qualification and taxation as a REIT. Furthermore, the REIT distribution requirements may increase the financing we need to fund capital expenditures, future growth, and expansion initiatives. This would increase our total leverage.

In addition, if we fail to comply with certain asset ownership tests at the end of any calendar quarter, we must generally correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification. As a result, we may be required to liquidate otherwise attractive investments. These actions may reduce our income and amounts available for distribution to our stockholders.

Because the REIT rules require us to satisfy certain rules on an ongoing basis, our flexibility or ability to pursue otherwise attractive opportunities may be limited.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders, and the ownership of our common stock. Thus, compliance with these tests will require us to refrain from certain activities and may hinder our ability to make certain attractive investments, including the purchase of non-qualifying assets, the expansion of non-real estate activities, and investments in the businesses to be conducted by our TRSs, and to that extent limit our opportunities and our flexibility to change our business strategy. Furthermore, acquisition opportunities in domestic and international markets may be adversely affected if we need or require the target company to comply with some REIT requirements prior to closing. In addition, our conversion to a REIT may result in investor pressures not to pursue growth opportunities that are not immediately accretive.

To meet our annual distribution requirements, we may be required to distribute amounts that may otherwise be used for our operations, including amounts that may otherwise be invested in future acquisitions, capital expenditures, or repayment of debt and it is possible that we might be required to borrow funds, sell assets, or raise equity to fund these distributions, even if the then-prevailing market conditions are not favorable for these borrowings, sales or offerings.

Because the REIT provisions of the Internal Revenue Code limit our ability to hedge effectively, the cost of our hedging may increase, and we may incur tax liabilities.

The REIT provisions of the Internal Revenue Code limit our ability to hedge assets as well as liabilities that are not incurred to acquire or carry real estate. Generally, income from hedging transactions that have been properly identified for tax purposes, and that we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets and income from certain currency hedging transactions related to our non-U.S. operations, does not constitute “gross income” for purposes of the REIT gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of the REIT gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRSs could be subject to tax on income or gains resulting from hedges entered into by them or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in any of our TRSs generally will not provide any tax benefit, except for being carried forward for use against future taxable income in the TRSs.

Because the REIT rules limit our ability to receive distributions from TRSs, our ability to fund distribution payments using cash generated through our TRSs may be limited.

Our ability to receive distributions from our TRSs is limited by the rules with which we must comply to maintain our status as a REIT. In particular, at least 75% of our gross income for each taxable year as a REIT must be derived from real estate-related sources, which principally includes gross income from the leasing of our properties. Consequently, no more than 25% of our gross income may consist of dividend income from our TRSs and other non-qualifying types of income. Thus, our ability to receive distributions from our TRSs may be limited and may impact our ability to fund distributions to our stockholders using cash flows from our TRSs. Specifically, if our TRSs became highly profitable, we might become limited in our ability to receive net income from our TRSs in an amount required to fund distributions to our stockholders commensurate with that profitability.

We intend to use TRSs, which may cause us to fail to qualify as a REIT.

The net income of our TRSs is not required to be distributed to us, and income that is not distributed to us generally will not be subject to the REIT income distribution requirement. However, there may be limitations on our ability to accumulate earnings in our TRSs and the accumulation or reinvestment of significant earnings in our TRSs could result in adverse tax treatment. In particular, if the accumulation of cash in our TRSs causes the fair market value of our securities in our TRSs and certain other non-qualifying assets to exceed 25% of the fair market value of our assets, we would fail to qualify as a REIT or not be as tax efficient.

Our ownership of our TRSs will be subject to limitations that could prevent us from growing our investment management business and our transactions with our TRSs could cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on an arm's-length basis.

Overall, no more than 25% of the value of a REIT's assets may consist of stock or securities of one or more TRSs, and compliance with this limitation could limit our ability to grow our investment management business. In addition, the Internal Revenue Code limits the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The Internal Revenue Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. We will monitor the value of our respective investments in our TRSs for the purpose of ensuring compliance with TRS ownership limitations and will structure our transactions with our TRSs on terms that we believe are arm's-length to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% TRS limitation or to avoid application of the 100% excise tax.

Because our board of directors determines in its sole discretion our dividend rate on a quarterly basis, our cash distributions are not guaranteed and may fluctuate.

Our board of directors, in its sole discretion, will determine on a quarterly basis the amount of cash to be distributed to our stockholders based on a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity, applicable provisions of the Maryland General Corporation Law, and other factors, including debt covenant restrictions that may impose limitations on cash payments, and future acquisitions and divestitures. Consequently, our distribution levels may fluctuate.

Because distributions payable by REITs generally do not qualify for reduced tax rates, the value of our common stock could be adversely affected.

Certain distributions payable by domestic or qualified foreign corporations to individuals, trusts, and estates that stockholders in the United States are currently eligible for federal income tax at a maximum rate of 20%. Distributions payable by REITs, in contrast, generally are not eligible for the current reduced rates unless the distributions are attributable to dividends received by the REIT from other corporations that would be eligible for the reduced rates. The more favorable rates applicable to regular corporate distributions could cause investors who are individuals, trusts, and estates to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT corporations that pay distributions, which could adversely affect the value of the stock of REITs, including our common stock.

Even if we continue to qualify as a REIT, certain of our business activities will be subject to corporate level income tax and foreign taxes, which will continue to reduce our cash flows, and we will have potential deferred and contingent tax liabilities.

Even if we qualify for taxation as a REIT, we may be subject to certain federal, state, local, and foreign taxes on our income and assets, including alternative minimum taxes, taxes on any undistributed income and state, local, or foreign income, and franchise, property, and transfer taxes. In addition, we could in certain circumstances be required to pay an excise or penalty tax, which could be significant in amount, in order to utilize one or more relief provisions under the Internal Revenue Code to maintain qualification for taxation as a REIT.

Any TRS assets and operations would continue to be subject, as applicable, to federal and state corporate income taxes and to foreign taxes in the jurisdictions in which those assets and operations are located. Any of these taxes would decrease our earnings and our cash available for distributions to stockholders.

We will also be subject to a federal corporate level tax at the highest regular corporate rate (35% for year 2014) on all or a portion of the gain recognized from a sale of assets formerly held by any C-corporation that we acquire in a carry-over basis transaction occurring within a specified period (generally, ten years) after we acquire such assets, to the extent the built-in gain based on the fair market value of those assets on the effective date of the REIT election is in excess of our then tax basis. The tax on subsequently sold assets will be based on the fair market value and built-in gain of those assets as of the beginning of our holding period. Gains from a sale of an asset occurring after the specified period ends will not be subject to this corporate level tax. We expect to have only a de minimis amount of assets subject to these corporate tax rules and do not expect to dispose of any significant assets subject to these corporate tax rules.

Because dividends received by foreign stockholders are generally taxable, we may be required to withhold a portion of our distributions to such persons.

Ordinary dividends received by foreign stockholders that are not effectively connected with the conduct of a United States trade or business generally are subject to U.S. withholding tax at a rate of 30%, unless reduced by an applicable income tax treaty. Additional rules will apply to any foreign stockholders that will own more than 5% of our common stock with respect to certain capital gain distributions.

The ability of our board of directors to revoke our REIT qualification, without stockholder approval, may cause adverse consequences to our stockholders.

Our charter provides that the board of directors may revoke or otherwise terminate the REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we will not be allowed a deduction for dividends paid to stockholders in computing our taxable income, and we will be subject to federal income tax at regular corporate rates and state and local taxes, which may have adverse consequences on the total return to our stockholders.

Federal income tax laws governing REITs and related interpretations may change at any time, and any such legislative or other actions affecting REITs could have a negative effect on us and our stockholders.

At any time, federal and state income tax laws governing REITs or the administrative interpretations of those laws may be amended. Federal, state, and foreign tax laws are under constant review by persons involved in the legislative process, at the Internal Revenue Service and the U.S. Department of the Treasury, and at various state and foreign tax authorities. Changes to the tax laws, regulations, and administrative interpretations, which may have retroactive application, could adversely affect us or our stockholders. We cannot predict with certainty whether, when, in what forms, or with what effective dates, the tax laws, regulations, and administrative interpretations applicable to us or our stockholders may be changed. Accordingly, we cannot assure you that any such change will not significantly affect our ability to qualify for taxation as a REIT or the federal income tax consequences to you or us of such qualification.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal corporate offices are located at 50 Rockefeller Plaza, New York, NY 10020, and our primary international investment offices are located in London and Amsterdam. We have additional office space domestically in New York, Dallas, Texas and internationally in Hong Kong and Shanghai. We lease all of these offices and believe these leases are suitable for our operations for the foreseeable future.

See Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Portfolio Overview — Net-Leased Portfolio for a discussion of the properties we hold for rental operations and Part II, Item 8. Financial Statements and Supplementary Data — Schedule III — Real Estate and Accumulated Depreciation for a detailed listing of such properties.

Item 3. Legal Proceedings.

On December 31, 2013, Mr. Ira Gaines and entities affiliated with him commenced a purported class action (Ira Gaines, et al. v. Corporate Property Associates 16 – Global Incorporated, Index. No. 650001/2014, N.Y. Sup. Ct., N.Y.

County) against us, WPC REIT Merger Sub Inc., CPA®:16 – Global, and the directors of CPA®:16 – Global. On April 11, 2014, we and the other defendants filed a motion to dismiss the complaint, as amended, and on October 15, 2014, the judge granted the defendants' motion to dismiss the amended complaint in its entirety. The plaintiffs filed a Notice of Appeal on November 24, 2014 and have until August 24, 2015 to file that appeal. We believe that the plaintiffs' claims are without merit, and if the plaintiffs file a timely appeal, we intend to continue to defend the case vigorously.

Various other claims and lawsuits arising in the normal course of business are pending against us. The results of these proceedings are not expected to have a material adverse effect on our consolidated financial position or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Stock and Distributions

Our common stock is listed on the New York Stock Exchange under the ticker symbol "WPC." At December 31, 2014 there were 10,516 holders of record of our common stock. The following table shows the high and low prices per share and quarterly cash distributions declared for the past two fiscal years:

	2014			2013		
Period	High	Low	Cash Distributions Declared	High	Low	Cash Distributions Declared
First quarter	$64.96	$55.23	$0.895	$68.99	$51.60	$0.820
Second quarter	65.85	59.05	0.900	79.34	61.90	0.840
Third quarter	70.04	63.33	0.940	72.19	63.20	0.860
Fourth quarter	72.88	63.53	0.950	67.84	59.75	0.980 [a]

(a) Cash distributions declared in the fourth quarter of 2013 include a special distribution of $0.110 per share paid in January 2014 to stockholders of record at December 31, 2013.

Our Senior Unsecured Credit Facility (as described in Item 7) contains covenants that restrict the amount of distributions that we can pay.

Stock Price Performance Graph

The graph below provides an indicator of cumulative total stockholder returns for our common stock for the period December 31, 2009 to December 31, 2014 compared with the S&P 500 Index and the FTSE NAREIT Equity REITs Index. The graph assumes a $100 investment on December 31, 2009, together with the reinvestment of all dividends.

	At December 31,					
	2009	2010	2011	2012	2013	2014
W. P. Carey Inc. [(a)]	$100.00	$121.09	$167.50	$224.37	$278.33	$336.51
S&P 500 Index	100.00	115.06	117.49	136.30	180.44	205.14
FTSE NAREIT Equity REITs Index	100.00	127.96	138.57	163.60	167.63	218.16

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(a) Prices in the tables above reflect the price of the Listed Shares of our predecessor through the date of the CPA®:15 Merger and our REIT conversion on September 28, 2012 (Note 3) and the price of our common stock thereafter.

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Securities Authorized for Issuance Under Equity Compensation Plans

This information will be contained in our definitive proxy statement for the 2015 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated by reference.

Item 6. Selected Financial Data.

The following selected financial data should be read in conjunction with the consolidated financial statements and related notes in Item 8 (in thousands, except per share data):

	Years Ended December 31,				
	2014	2013	2012	2011	2010
Operating Data					
Revenues from continuing operations [(a)] [(b)]	$906,193	$489,851	$352,361	$309,711	$246,105
Income from continuing operations [(a)] [(b)]	212,751	93,985	87,514	153,041	83,870
Net income	246,069	132,165	62,779	139,138	74,951
Net (income) loss attributable to noncontrolling interests	(6,385)	(32,936)	(607)	1,864	314
Net loss (income) attributable to redeemable noncontrolling interests	142	(353)	(40)	(1,923)	(1,293)
Net income attributable to W. P. Carey	239,826	98,876	62,132	139,079	73,972
Basic Earnings Per Share:					
Income from continuing operations attributable to W. P. Carey	2.08	1.22	1.83	3.78	2.09
Net income attributable to W. P. Carey	2.42	1.43	1.30	3.44	1.86
Diluted Earnings Per Share:					
Income from continuing operations attributable to W. P. Carey	2.06	1.21	1.80	3.76	2.08
Net income attributable to W. P. Carey	2.39	1.41	1.28	3.42	1.86
Cash distributions declared per share [(c)]	3.69	3.50	2.44	2.19	2.03
Balance Sheet Data					
Total assets	$8,637,328	$4,678,950	$4,609,042	$1,462,623	$1,172,326
Net investments in real estate [(d)] [(e)]	5,656,555	2,803,634	2,675,573	679,182	624,681
Non-recourse debt, net	2,532,683	1,492,410	1,715,397	356,209	255,232
Senior credit facilities and senior unsecured notes, net [(f)]	1,555,863	575,000	253,000	233,160	141,750
Other Information					
Net cash provided by operating activities	$399,092	$207,908	$80,643	$80,116	$86,417
Cash distributions paid	347,902	220,395	113,867	85,814	92,591
Payments of mortgage principal [(g)]	205,024	391,764	54,964	25,327	14,324

(a) The year ended December 31, 2014 includes the impact of the CPA®:16 Merger, which was completed on January 31, 2014. The years ended December 31, 2014, 2013, and 2012 include the impact of the CPA®:15 Merger, which was completed on September 28, 2012 (Note 3).

(b) The year ended December 31, 2011 includes $52.5 million of incentive, termination and subordinated disposition revenue recognized in connection with the merger between CPA®:16 – Global and Corporate Property Associates 14 Incorporated, or CPA®:14, in May 2011.

(c) The year ended December 31, 2013 includes a special distribution of $0.110 per share paid in January 2014 to stockholders of record at December 31, 2013.

(d) Net investments in real estate consists of Net investments in properties, Net investments in direct financing leases, and Assets held for sale, as applicable.

(e) Certain prior period amounts have been reclassified to conform to the current period presentation.

(f) The year ended December 31, 2014 includes our $500.0 million 4.6% senior unsecured notes. The year ended December 31, 2013 includes the $300.0 million unsecured term loan obtained in July 2013, or the Unsecured Term Loan, and the year ended December 31, 2012 includes the $175.0 million term loan facility (Note 11), which was drawn down in full in connection with the CPA®:15 Merger (Note 3).

(g) Represents scheduled mortgage principal payments.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide the reader with information that will assist in understanding our financial statements and the reasons for changes in certain key components of our financial statements from period to period. Management's Discussion and Analysis of Financial Condition and Results of Operations also provides the reader with our perspective on our financial position and liquidity, as well as certain other factors that may affect our future results. The discussion also provides information about the financial results of the segments of our business to provide a better understanding of how these segments and their results affect our financial condition and results of operations.

The following discussion should be read in conjunction with our Consolidated Financial Statements included in Item 8 of this report and the matters described under Item 1A. Risk Factors.

Business Overview

We provide long-term financing via sale-leaseback and build-to-suit transactions for companies worldwide and, as of December 31, 2014, manage a global investment portfolio of 1,168 properties, including 783 net-leased properties and four operating properties within our owned real estate portfolio. Our business operates in two segments – Real Estate Ownership and Investment Management, as described below.

Real Estate Ownership – We own and invest in commercial properties, primarily in the United States and Europe, that are then leased to companies, primarily on a triple-net lease basis, which requires the tenant to pay substantially all of the costs associated with operating and maintaining the property. We earn lease revenues from our wholly-owned and co-owned real estate investments. In addition, we generate equity income through our investments in the shares of the Managed REITs and certain co-owned real estate investments that we do not control. In addition, through our ownership of special member interests in the operating partnerships of the Managed REITs, we participate in the cash flows of those REITs.

Investment Management – We earn revenue as the advisor to the Managed REITs. Under the advisory agreements with the Managed REITs, we perform various services, including but not limited to the day-to-day management of the Managed REITs and transaction-related services. We earn dealer manager fees in connection with the initial public offerings of the Managed REITs. We structure and negotiate investments and debt placement transactions for the Managed REITs, for which we earn structuring revenue, and we manage their portfolios of real estate investments, for which we earn asset-based management revenue. The Managed REITs reimburse us for certain costs that we incur on their behalf, consisting primarily of broker-dealer commissions and marketing costs while we are raising funds for their public offerings, and certain personnel and overhead costs.

Economic Overview

In the United States, the overall economic environment continued to improve in 2014. Gross Domestic Product growth outpaced 2013 levels, and the unemployment rate fell to its lowest mark since 2008. General business conditions continued to recover, and the Federal Reserve completed the tapering of its bond-buying stimulus program in October. Despite the sharp increase in long-term rates in May 2013, interest rates declined over the course of 2014 and remain at historic lows. The interest rate environment contributed to a lower cost of capital for investors purchasing commercial properties. A low cost of capital in conjunction with moderate new supply and strong demand resulted in commercial property yields, or capitalization rates, declining over the course of the year as competition for assets, including net-leased properties, in the United States remained high. In addition, interest rate sensitive stocks, such as REITs, outperformed in 2014. The decline in energy prices in 2014 had a negative impact on the CPI, a useful measure of economic growth and inflation, which experienced 0.8% growth.

In Europe, the economic environment continued to be mixed in 2014. Conditions in most countries across northern and western Europe generally remained stable with some countries, including the United Kingdom and Germany, experiencing modest economic growth rates and lower relative unemployment rates. However, many European countries, including those considered emerging economies, continued to operate at recessionary levels and have negative economic growth and high unemployment. The strengthening and stability of the euro relative to the dollar reversed course in 2014 as the euro / dollar exchange rate reached multi-year lows, and interest rates remain at historically low levels. In addition, the Harmonized Index of Consumer Prices, an indicator of inflation and price stability in the European Union, decreased 0.2% during the year. In an effort to prevent deflation and combat economic weakness, the European Central Bank cut key interest rates in 2014 and, more recently, announced an approximately €1.1 trillion "quantitative easing" program to buy financial assets, including sovereign bonds. Attractive borrowing rates, in conjunction with higher capitalization rates on commercial properties with similar risk profiles to those in the United States, contributed to a favorable climate for investing in net-lease assets in Europe.

Significant Developments

Real Estate Ownership

CPA®:16 Merger

On January 31, 2014, CPA®:16 – Global merged with and into us (Note 3).

Investment Transactions

During 2014, we acquired five domestic investments totaling $211.5 million, four investments in Europe totaling $557.1 million, and one investment in Australia for $138.3 million (Note 5), inclusive of acquisition-related costs. We have an active capital recycling program, with a goal of extending our average lease term and improving portfolio credit quality through dispositions and acquisitions of assets, increasing the asset criticality factor in our portfolio, and/or executing strategic dispositions of assets. As part of our capital recycling program, we sold 30 domestic properties, two international properties, and a parcel of land during 2014 for total gross proceeds of $303.6 million.

Equity Offering

In September 2014, we completed the Equity Offering, pursuant to which we issued 4,600,000 shares of our common stock at a price of $64.00 per share and received net proceeds of $282.2 million (Note 13).

Financing Transactions

Since January 2014, we increased our unsecured borrowings and our borrowing capacity by more than $2.0 billion in the aggregate, as follows:

- On March 14, 2014, we issued $500.0 million of 4.6% senior unsecured notes, at a price of 99.639% of par value, in our inaugural public debt offering. These senior unsecured notes have a ten-year term and are scheduled to mature on April 1, 2024.
- On January 15, 2015 (Note 19), we exercised the Accordion Feature on our Senior Unsecured Credit Facility (Note 11), which increased the maximum borrowing capacity under our Revolver from $1.0 billion to $1.5 billion. We also amended the Senior Unsecured Credit Facility as follows: (i) established a new $500.0 million accordion feature that, if exercised, subject to lender commitments, would increase our maximum borrowing capacity to $2.25 billion, and

(ii) increased the amount under our Revolver that may be borrowed in certain currencies other than the U.S. dollar from $500.0 million to $750.0 million. All other existing terms remain unchanged.

- On January 21, 2015, we issued €500.0 million ($591.7 million) of 2.0% senior unsecured notes, at a price of 99.22% of par value, in a registered public offering (Note 19). These 2.0% senior unsecured notes have an eight-year term and are scheduled to mature on January 20, 2023.
- On January 26, 2015, we issued $450.0 million of 4.0% senior unsecured notes, at a price of 99.372% of par value, in a registered public offering (Note 19). These 4.0% senior unsecured notes have a ten-year term and are scheduled to mature on February 1, 2025.

During the year ended December 31, 2014, in connection with our long-term plan to become a primarily unsecured borrower, we prepaid 20 non-recourse mortgage loans with an aggregate outstanding principal balance of $220.8 million (Note 11).

Distributions

Our cash distributions totaled $3.715 per share during the year ended December 31, 2014, comprised of four quarterly cash distributions of $0.870, $0.895, $0.900 and $0.940 per share paid on January 15, 2014, April 15, 2014, July 15, 2014 and October 15, 2014, respectively, totaling $3.605 per share, and a special cash distribution of $0.110 per share paid on January 15, 2014. In addition, during the fourth quarter of 2014, our Board of Directors declared a quarterly distribution of $0.950 per share, or $3.800 on an annualized basis, which was paid on January 15, 2015 to stockholders of record on December 31, 2014.

Investment Management

During 2014, we managed three funds: CPA®:17 – Global, CPA®:18 – Global, and CWI. We also managed CPA®:16 – Global until the consummation of the CPA®:16 Merger on January 31, 2014 (Note 3). Currently, we also serve as advisor to CWI 2, a new non-listed lodging REIT.

Investment Transactions

- During 2014, we invested $25.0 million in a BDC (Note 7), which we formed as part of our efforts to diversify the funds that we manage. In February 2015, one of our subsidiaries became a registered investment advisor with regard to that BDC.
- During 2014, we structured investments in ten properties, two follow-on equity investments, and a foreign debenture for an aggregate of $291.3 million, inclusive of acquisition-related costs, on behalf of CPA®:17 – Global. Two of these investments are jointly-owned with CPA®:18 – Global. Approximately $202.3 million was invested internationally and $89.0 million was invested in the United States.
- During 2014, we structured investments in 54 properties and a note receivable for an aggregate of $911.7 million, inclusive of acquisition-related costs, on behalf of CPA®:18 – Global. Two of these investments are jointly-owned with CPA®:17 – Global. Approximately $469.2 million was invested in the United States, $373.3 million was invested in Europe, and $69.2 million was invested in Africa.
- During 2014, we structured investments in nine domestic hotels for a total of $677.2 million, inclusive of acquisition-related costs, on behalf of CWI.
- On July 25, 2013, CPA®:16 – Global, which commenced operations in 2003, entered into a definitive merger agreement with us and we completed the CPA®:16 Merger, which we structured as a liquidity event for the stockholders of CPA®:16 – Global, on January 31, 2014 (Note 3).

Financing Transactions

- During 2014, we arranged mortgage financing totaling $92.8 million for CPA®:17 – Global, $466.4 million for CPA®:18 – Global, and $408.8 million for CWI.

Investor Capital Inflows

- CPA®:18 – Global commenced its initial public offering in May 2013 and through December 31, 2014 raised approximately $1.1 billion, of which $905.8 million was raised during the year ended December 31, 2014.
- In May 2014, the board of directors of CPA®:18 – Global approved the discontinuation of sales of its class A shares of common stock as of June 30, 2014 in order to moderate the pace of its fundraising. In order to facilitate the final sales of its class A shares and the continued sales of its class C shares of common stock, the board of directors of CPA®:18 – Global also approved the reallocation of up to $250.0 million of its shares of common stock registered under its dividend reinvestment plan, to its initial public offering. In December 2014, CPA®:18 – Global announced that it

intended to close the offering of its class C shares on or about February 27, 2015, which was later extended to be on or about March 27, 2015.

- CWI commenced its follow-on offering in December 2013, after completion of its initial public offering in September 2013. In August 2014, CWI reallocated $200.0 million of its common stock registered under its dividend reinvestment plan to its follow-on offering. In December 2014, CWI reallocated an additional $60.0 million of its common stock registered under its dividend reinvestment plan to its follow-on offering. CWI completed fundraising in its follow-on offering on December 31, 2014. Through the initial public offering and the follow-on offering, CWI raised a total of $1.2 billion, of which $577.4 million was raised through its follow on-offering during the year ended December 31, 2014.
- In June 2014, CWI 2 filed a registration statement on Form S-11 with the SEC to sell up to $1.0 billion of its common stock, in an initial public offering plus up to an additional $400.0 million of its common stock under its dividend reinvestment plan. In January, 2015, CWI 2 amended its registration statement, so that the offering is for up to $1.4 billion of its common stock plus up to an additional $600 million of its common stock through its dividend reinvestment plan. The registration statement was declared effective by the SEC on February 9, 2015. As of the date of this Report, CWI 2 has not yet admitted any shareholders.
- In September 2014, two feeder funds for CCIF, a BDC, each filed registration statements on Form N-2 with the SEC to sell up to 50,000,000 and 21,000,000 shares of common stock, respectively, and intend to invest the net proceeds of their public offerings in CCIF. We refer to the feeder funds together with CCIF as the BDCs. As of the date of this Report, these registration statements have not been declared effective by the SEC, and there can be no assurance as to whether or when any such offerings would be commenced.

Proposed Regulatory Changes

The SEC has approved amendments to the rules of the Financial Industry Regulatory Authority, Inc. applicable to securities of unlisted REITs, like the Managed REITs, and direct participation programs. The amendments are scheduled to become effective on April 11, 2016. The rule changes provide, among other things, that: (i) Financial Industry Regulatory Authority, Inc. members, such as our broker dealer subsidiary, Carey Financial, LLC, include in customer account statements the net asset value per share, of the unlisted entity that have been developed using a methodology reasonably designed to ensure the net asset value per share’s reliability; and (ii) net asset value per share disclosed from and after 150 days following the second anniversary of the admission of shareholders of the unlisted entity's public offering be based on an appraised valuation developed by, or with the material assistance of, a third-party expert and updated on at least an annual basis, which is consistent with our current practice regarding our Managed REITs. The rule changes also propose that account statements include additional disclosure regarding the sources of distributions to shareholders of unlisted entities. It is not practicable at this time to determine whether these rules will adversely affect market demand for shares of unlisted REITs. We will continue to assess the potential impact of the rule changes on our Investment Management business.

Financial Highlights

Our results for the year ended December 31, 2014 as compared to 2013 included the following significant items:

- Lease revenue and property level contribution from properties acquired in the CPA®:16 Merger on January 31, 2014 were $250.5 million and $142.6 million, respectively, for the year ended December 31, 2014;
- We recognized a Gain on change in control of interests of $105.9 million in connection with the CPA®:16 Merger during the year ended December 31, 2014 (Note 3);
- We received an aggregate of $13.5 million in lease termination income in connection with the early termination of two leases during the second quarter of 2014;
- Asset management revenue from CPA®:16 – Global decreased by $16.3 million for the year ended December 31, 2014 as compared to 2013 due to the cessation of asset management fees from CPA®:16 – Global upon completion of the

CPA®:16 Merger on January 31, 2014;

- We incurred interest expense on our $500.0 million 4.6% senior unsecured notes issued in March 2014 of $18.5 million during the year ended December 31, 2014 (Note 11);
- We incurred costs in connection with the CPA®:16 Merger of $30.5 million during the year ended December 31, 2014;
- We issued 30,729,878 shares on January 31, 2014 to stockholders of CPA®:16 – Global as part of the merger consideration in connection with the CPA®:16 Merger;
- We paid cash distributions on shares issued in connection with the CPA®:16 Merger totaling $84.0 million during the year ended December 31, 2014; and
- We issued 4,600,000 shares in the Equity Offering in September 2014.

Our results for the years ended December 31, 2013 as compared to 2012 included the following significant items:

- We recognized a net gain of $39.6 million on the sale of 19 self-storage properties during 2013, inclusive of amounts attributable to noncontrolling interests of $24.4 million;
- Lease revenue and property level contribution was favorably impacted by $166.5 million and $96.5 million, respectively, for the year ended December 31, 2013 as compared to 2012, due to revenue generated from the properties acquired in the CPA®:15 Merger on September 28, 2012;
- Asset management revenue decreased by $18.5 million for the year ended December 31, 2013 as compared to 2012, as a result of the CPA®:15 Merger in September 2012, which reduced the asset base from which we earn Asset management revenue;
- We incurred costs in connection with the CPA®:16 Merger of $5.0 million in 2013 and the CPA®:15 Merger of $31.7 million in 2012;
- We paid cash distributions on shares issued in connection with the CPA®:15 Merger totaling $89.6 million during the year ended December 31, 2013; and
- We issued of 28,170,643 shares on September 28, 2012 to stockholders of CPA®:15 in connection with the CPA®:15 Merger.

(In thousands, except shares)

	Years Ended December 31,		
	2014	2013	2012
Real estate revenues (excluding reimbursable tenant costs)	$618,268	$302,651	$121,713
Investment management revenues (excluding reimbursable costs from affiliates)	132,851	100,314	124,935
Total revenues (excluding reimbursable costs)	751,119	402,965	246,648
Net income attributable to W. P. Carey	239,826	98,876	62,132
Cash distributions paid	347,902	220,395	113,867
Net cash provided by operating activities	399,092	207,908	80,643
Net cash (used in) provided by investing activities	(640,226)	(6,374)	126,466
Net cash provided by (used in) financing activities	343,140	(210,588)	(113,292)
Supplemental financial measure:			
Adjusted funds from operations (AFFO) [(a)]	480,466	294,151	180,631
Diluted weighted-average shares outstanding [(b) (c)]	99,827,356	69,708,008	48,078,474

(a) We consider the performance metrics listed above, including Adjusted funds from operations, previously referred to as Funds from operations – as adjusted, or AFFO, a supplemental measure that is not defined by GAAP, referred to as a non-GAAP measure, to be important measures in the evaluation of our results of operations and capital resources. We evaluate our results of operations with a primary focus on the ability to generate cash flow necessary to meet our objective of funding distributions to stockholders. See <u>Supplemental Financial Measures</u> below for our definition of this non-GAAP measure and a reconciliation to its most directly comparable GAAP measure.

(b) Amount for the year ended December 31, 2014 includes the dilutive impact of the 4,600,000 shares issued in the Equity Offering on September 30, 2014 and the 30,729,878 shares issued to stockholders of CPA®:16 – Global in connection with the CPA®:16 Merger on January 31, 2014.

(c) Amount for the year ended December 31, 2013 includes the dilutive impact of the 28,170,643 shares issued to stockholders of CPA®:15 in connection with the CPA®:15 Merger on September 28, 2012.

Consolidated Results

Revenues and Net Income Attributable to W. P. Carey

2014 vs. 2013 — Total revenues and Net income attributable to W. P. Carey increased significantly in 2014 as compared to 2013, primarily due to increases within our Real Estate Ownership Segment. The growth in revenues and income within our Real Estate Ownership segment was generated substantially from the properties we acquired in the CPA®:16 Merger on January 31, 2014 (Note 3). Additionally, total revenues and Net income within our Investment Management segment increased as a result of a significant increase in Structuring revenue due to higher investment volume on behalf of the Managed REITs in 2014 as compared to 2013.

2013 vs. 2012 — Total revenues and Net income attributable to W. P. Carey increased significantly in 2013 as compared to 2012, due to increases within our Real Estate Ownership segment. The growth in revenues and income was generated substantially from the properties we acquired in the CPA®:15 Merger in September 2012 (Note 3). These increases were partially offset by decreases in Total revenues and Net income in our Investment Management segment, primarily due to the CPA®:15 Merger, which reduced the total asset base from which we earn asset management revenue.

Net Cash Provided by Operating Activities

2014 vs. 2013 — Net cash provided by operating activities increased significantly in 2014 as compared to the same period in 2013, primarily due to operating cash flow generated from the properties we acquired in the CPA®:16 Merger, which was partially offset by a decrease in cash received for providing asset-based management services to the Managed REITs because we no longer provided such services to CPA®:16 – Global after the completion of the CPA®:16 Merger.

2013 vs. 2012 — Net cash provided by operating activities increased significantly in 2013 as compared to the same period in 2012, primarily due to operating cash flow generated from the properties we acquired in the CPA®:15 Merger, which was partially offset by a decrease in cash received for providing asset-based management services to the Managed REITs because we no longer provided such services to CPA®:15 after the completion of the CPA®:15 Merger.

AFFO

2014 vs. 2013 — AFFO increased significantly in 2014 as compared to 2013, primarily due to income generated from the properties we acquired in the CPA®:16 Merger and an increase in Structuring revenue due to higher investment volume on behalf of the Managed REITs in 2014, partially offset by the cessation of asset management revenue received from CPA®:16 – Global after the completion of the CPA®:16 Merger.

2013 vs. 2012 — AFFO increased significantly in 2013 as compared to 2012, primarily due to income generated from the properties we acquired in the CPA®:15 Merger, partially offset by the cessation of asset management revenue received from CPA®:15 after the completion of the CPA®:15 Merger.

Portfolio Overview

We intend to continue to acquire a diversified portfolio of income-producing commercial real estate properties and other real estate-related assets. We expect to make these investments both domestically and outside of the United States. Portfolio information is provided on a pro rata basis, unless otherwise noted below, to better illustrate the economic impact of our various net-leased jointly-owned investments. See Terms and Definitions below for a description of pro rata amounts.

Portfolio Summary

	As of December 31,		
	2014	2013	2012
Number of net-leased properties [(a)]	783	418	423
Number of operating properties [(b)]	4	2	22
Number of tenants (net-leased properties)	219	128	124
Total square footage (net-leased properties, in thousands)	87,300	39,500	38,500
Occupancy (net-leased properties)	98.6 %	98.9 %	98.7 %
Weighted-average lease term (net-leased properties, in years)	9.1	8.1	8.9
Number of countries	18	10	10
Total assets (consolidated basis, in thousands)	$8,637,328	$4,678,950	$4,609,042
Net investments in real estate (consolidated basis, in thousands)	5,656,555	2,803,634	2,675,573
	Years Ended December 31,		
	2014	2013	2012
Financing obtained (in millions, pro rata and consolidated basis) [(c)]	$1,750.0	$415.6	$198.8
Acquisition volume (in millions, pro rata and consolidated basis) [(d)]	906.9	347.1	24.6
New equity investments (millions)	25.0	—	1.3
Average U.S. dollar/euro exchange rate (e)	1.3295	1.3284	1.2861
Increase in the U.S. CPI [(f)]	0.8 %	1.5 %	1.7 %
Increase in the German CPI [(f)]	0.2 %	1.4 %	2.0 %
Increase in the French CPI [(f)]	0.1 %	0.7 %	1.3 %
Increase in the Finnish CPI [(f)]	0.5 %	1.6 %	2.4 %
(Decrease) increase in the Spanish CPI [(f)]	(1.0)%	0.3 %	2.8 %

(a) Amounts represent net-leased properties as of December 31, 2014, including 335 properties acquired from CPA®:16 – Global in the CPA®:16 Merger in January 2014 with a total fair value of approximately $3.7 billion (Note 3), 11 of which were sold during the year ended December 31, 2014.

(b) Operating properties include two self-storage properties with an average occupancy of 92.3% at December 31, 2014, and two hotel properties acquired from CPA®:16 – Global in the CPA®:16 Merger with an average occupancy of 83.2% for the year ended December 31, 2014. Operating properties at December 31, 2013 and 2012 were held within one consolidated investment, which was jointly-owned with an unrelated third-party and two employees, in 20 jointly-owned self-storage properties, as well as a hotel and a wholly-owned self-storage property. We sold 19 of the jointly-owned self-storage properties and the hotel in the fourth quarter of 2013.

(c) The amount for the year ended December 31, 2014 includes our $500.0 million 4.6% senior unsecured notes and our $1.25 billion Senior Unsecured Credit Facility (Note 11). The amount for the year ended December 31, 2013 includes a $300.0 million Unsecured Term Loan, and the amount for the year ended December 31, 2012 includes a $175.0 million term loan facility obtained in connection with the CPA®:15 Merger (Note 3), each of which was repaid in full and terminated on January 31, 2014 when we entered into our Senior Unsecured Credit Facility.

(d)

Amount for the year ended December 31, 2014 includes acquisition-related costs, recognized as expense in the consolidated financial statements. Amount for the year ended December 31, 2012 does not include our acquisition of a 52.63% ownership interest in Marcourt Investments Inc., or Marcourt, in connection with the CPA®:15 Merger.

(e) The average conversion rate for the U.S. dollar in relation to the euro increased during each of the years ended December 31, 2014 and 2013, as compared to their respective prior years, resulting in a positive impact on earnings in 2014 and 2013 from our euro-denominated investments.

(f) Many of our lease agreements and those of the CPA® REITs include contractual increases indexed to changes in the CPI or similar indices in the jurisdictions in which the properties are located.

Net-Leased Portfolio

The tables below represent information about our net-leased portfolio at December 31, 2014 on a pro rata basis and, accordingly, exclude all operating properties. See Terms and Definitions below for a description of pro rata amounts and ABR.

Top Ten Tenants by ABR
(in thousands, except percentages)

Tenant/Lease Guarantor	ABR	Percent	
Hellweg Die Profi-Baumärkte GmbH & Co. KG [(a)]	$37,716	5.6	%
U-Haul Moving Partners Inc. and Mercury Partners, LP	31,853	4.7	%
Carrefour France SAS [(a)]	30,078	4.4	%
State of Andalusia, Spain [(a)] [(b)]	28,692	4.2	%
OBI Group [(a)]	16,545	2.5	%
Marcourt Investments Inc.	16,100	2.4	%
True Value Company	14,775	2.2	%
UTI Holdings, Inc.	14,621	2.2	%
Advanced Micro Devices, Inc.	12,769	1.9	%
Dick’s Sporting Goods, Inc.	11,831	1.7	%
Total	$214,980	31.8	%

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(a) ABR amounts are subject to fluctuations in foreign currency exchange rates.
(b) We acquired this investment in December 2014.

Portfolio Diversification by Geography
(in thousands, except percentages)

Region	ABR	Percent		Square Footage	Percent	
United States						
East						
New Jersey	$25,177	3.7	%	1,694	1.9	%
North Carolina	18,631	2.8	%	4,435	5.1	%
Pennsylvania	17,936	2.7	%	2,526	2.9	%
New York	17,565	2.6	%	1,178	1.4	%
Massachusetts	14,584	2.2	%	1,390	1.6	%
Virginia	7,780	1.1	%	1,089	1.2	%
Other [(a)]	23,415	3.5	%	4,758	5.5	%
Total East	125,088	18.6	%	17,070	19.6	%
West						
California	55,021	8.1	%	3,540	4.1	%
Arizona	25,659	3.8	%	2,934	3.4	%
Colorado	10,949	1.6	%	1,340	1.5	%
Utah	6,854	1.0	%	960	1.1	%
Other [(a)]	20,026	3.0	%	2,336	2.7	%
Total West	118,509	17.5	%	11,110	12.8	%
South						
Texas	46,496	6.9	%	6,758	7.7	%
Georgia	26,374	3.9	%	3,497	4.0	%
Florida	17,786	2.6	%	1,855	2.1	%
Tennessee	15,411	2.3	%	1,803	2.1	%
Other [(a)]	8,494	1.3	%	1,767	2.0	%
Total South	114,561	17.0	%	15,680	17.9	%
Midwest						
Illinois	25,897	3.8	%	3,741	4.3	%
Michigan	11,697	1.7	%	1,386	1.6	%
Indiana	9,072	1.3	%	1,418	1.6	%
Ohio	7,888	1.2	%	1,813	2.1	%
Other [(a)]	27,446	4.1	%	4,922	5.6	%
Total Midwest	82,000	12.1	%	13,280	15.2	%
United States Total	440,158	65.2	%	57,140	65.5	%
International						
Germany	61,584	9.1	%	7,009	8.0	%
France	46,939	6.9	%	8,166	9.3	%
Spain	30,371	4.5	%	2,926	3.4	%
Finland	30,062	4.4	%	2,133	2.4	%
Poland	18,601	2.7	%	2,189	2.5	%
United Kingdom	12,877	1.9	%	973	1.1	%
Australia	10,906	1.6	%	3,160	3.6	%
Other [(b)]	25,159	3.7	%	3,651	4.2	%

International Total	236,499	34.8 %	30,207	34.5 %
Total	$676,657	100.0 %	87,347	100.0 %

Portfolio Diversification by Property Type
(in thousands, except percentages)

Property Type	ABR	Percent		Square Footage	Percent	
Office	$214,147	31.6	%	13,616	15.6	%
Industrial	172,907	25.7	%	34,192	39.2	%
Warehouse/Distribution	121,974	18.0	%	24,856	28.5	%
Retail	83,372	12.3	%	7,716	8.8	%
Self-Storage	31,853	4.7	%	3,535	4.0	%
Other Properties [c]	52,404	7.7	%	3,432	3.9	%
	$676,657	100.0	%	87,347	100.0	%

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(a) Other properties in the East include assets in Connecticut, South Carolina, Kentucky, Maryland, New Hampshire, Vermont, and West Virginia. Other properties in the West include assets in Washington, New Mexico, Nevada, Oregon, Wyoming, and Alaska. Other properties in the South include assets in Alabama, Louisiana, Arkansas, Mississippi, and Oklahoma. Other properties in the Midwest include assets in Missouri, Minnesota, Kansas, Wisconsin, Nebraska, and Iowa.

(b) Includes assets in Norway, the Netherlands, Hungary, Belgium, Sweden, Canada, Mexico, Thailand, Malaysia, and Japan.

(c) Includes ABR from tenants within the following property types: hotels, learning center, sports facility, theater, and residential.

Portfolio Diversification by Tenant Industry
(in thousands, except percentages)

Industry Type	ABR	Percent		Square Footage	Percent	
Retail Stores	$132,682	19.6	%	19,945	22.8	%
Business and Commercial Services	57,504	8.5	%	5,418	6.2	%
Electronics	43,566	6.4	%	3,462	4.0	%
Federal, State, Local and Foreign Government	42,660	6.3	%	3,363	3.9	%
Healthcare, Education, and Childcare	41,412	6.1	%	3,165	3.6	%
Chemicals, Plastics, Rubber, and Glass	39,074	5.8	%	6,881	7.9	%
Automobile	36,061	5.3	%	6,213	7.1	%
Beverages, Food, and Tobacco	33,775	5.0	%	7,303	8.4	%
Media: Printing and Publishing	23,136	3.4	%	1,930	2.2	%
Machinery	21,593	3.2	%	3,325	3.8	%
Buildings and Real Estate	20,703	3.2	%	2,298	2.6	%
Insurance	17,894	2.6	%	1,053	1.2	%
Telecommunications	17,751	2.6	%	1,227	1.4	%
Transportation - Cargo	16,573	2.4	%	1,990	2.3	%
Hotels and Gaming	16,100	2.4	%	1,036	1.2	%
Construction and Building	15,600	2.3	%	4,589	5.2	%
Leisure, Amusement, and Entertainment	14,758	2.2	%	768	0.9	%
Aerospace and Defense	14,475	2.2	%	1,572	1.8	%
Transportation - Personal	11,360	1.7	%	1,263	1.4	%
Consumer and Durable Goods	11,091	1.6	%	2,381	2.7	%
Grocery	11,007	1.6	%	1,185	1.4	%
Oil and Gas	8,578	1.3	%	368	0.4	%
Consumer Non-Durable Goods	7,785	1.2	%	1,532	1.8	%
Textiles, Leather, and Apparel	6,988	1.0	%	1,773	2.0	%
Other [(a)]	14,531	2.1	%	3,307	3.8	%
	$676,657	100.0	%	87,347	100.0	%

(a) Includes ABR from tenants in the following industries: banking; mining, metals, and primary metal industries; and forest products and paper.

Lease Expirations
(in thousands, except number of leases and percentages)

Year of Lease Expiration [a]	Number of Leases Expiring	ABR	Percent		Square Footage	Percent	
2015 [b]	15	$21,354	3.2	%	1,882	2.2	%
2016	18	22,124	3.3	%	2,822	3.2	%
2017	21	20,380	3.0	%	3,243	3.7	%
2018	30	58,806	8.7	%	8,114	9.3	%
2019	28	47,083	7.0	%	4,746	5.4	%
2020	24	34,810	5.1	%	3,578	4.1	%
2021	77	42,859	6.3	%	7,042	8.1	%
2022	38	62,034	9.2	%	8,557	9.8	%
2023	15	47,581	7.0	%	5,669	6.5	%
2024	42	90,124	13.3	%	11,120	12.7	%
2025	17	20,752	3.1	%	2,477	2.8	%
2026	21	17,329	2.5	%	2,484	2.8	%
2027	16	35,253	5.2	%	5,380	6.2	%
2028	8	21,462	3.2	%	2,853	3.3	%
Thereafter	63	134,706	19.9	%	16,190	18.5	%
Vacant	—	—	—	%	1,190	1.4	%
	433	$676,657	100.0	%	87,347	100.0	%

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(a) Assumes tenant does not exercise renewal option.
(b) Month-to-month leases are included in 2015 ABR.

Terms and Definitions

Pro Rata Metrics —The portfolio information above contains certain metrics prepared under the pro rata consolidation method. We refer to these metrics as pro rata metrics. We have a number of investments, usually with our affiliates, in which our economic ownership is less than 100%. Under the full consolidation method, we report 100% of the assets, liabilities, revenues, and expenses of those investments that are deemed to be under our control or for which we are deemed to be the primary beneficiary, even if our ownership is less than 100%. Also, for all other jointly-owned investments, we report our net investment and our net income or loss from that investment. Under the pro rata consolidation method, we generally present our proportionate share, based on our economic ownership of these jointly-owned investments, of the assets, liabilities, revenues, and expenses of those investments.

ABR — ABR represents contractual minimum annualized base rent for our net-leased properties. ABR is not applicable to operating properties.

Results of Operations

We have two reportable segments – Real Estate Ownership and Investment Management. We evaluate our results of operations with a primary focus on increasing and enhancing the value, quality and number of properties in our Real Estate Ownership segment as well as assets owned by the Managed REITs, which are managed by our Investment Management segment. We focus our efforts on improving underperforming assets through re-leasing efforts, including negotiation of lease renewals, or selectively selling assets in order to increase value in our real estate portfolio. The ability to increase assets under management by structuring investments on behalf of the Managed REITs is affected, among other things, by our ability to raise capital on behalf of the Managed REITs and our ability to identify and enter into appropriate investments and financing.

Real Estate Ownership

The following table presents the comparative results of our Real Estate Ownership segment (in thousands):

	Years Ended December 31,					
	2014	2013	Change	2013	2012	Change
Revenues						
Lease revenues	$573,829	$299,624	$274,205	$299,624	$119,296	$180,328
Operating property revenues	28,913	956	27,957	956	925	31
Reimbursable tenant costs	24,862	13,314	11,548	13,314	7,468	5,846
Lease termination income and other	15,526	2,071	13,455	2,071	1,492	579
	643,130	315,965	327,165	315,965	129,181	186,784
Operating Expenses						
Depreciation and amortization:						
Net-leased properties	229,210	117,271	111,939	117,271	40,478	76,793
Operating properties	3,889	178	3,711	178	205	(27)
	233,099	117,449	115,650	117,449	40,683	76,766
Property expenses:						
Reimbursable tenant costs	24,862	13,314	11,548	13,314	7,468	5,846
Operating property expenses	20,847	577	20,270	577	494	83
Net-leased properties	15,493	6,416	9,077	6,416	3,753	2,663
Property management fees	1,385	1,089	296	1,089	308	781
	62,587	21,396	41,191	21,396	12,023	9,373
General and administrative	38,797	18,993	19,804	18,993	7,885	11,108
Merger and property acquisition expenses	34,465	9,230	25,235	9,230	31,639	(22,409)
Impairment charges	23,067	4,741	18,326	4,741	—	4,741
Stock-based compensation expense	12,659	7,153	5,506	7,153	211	6,942
	404,674	178,962	225,712	178,962	92,441	86,521
Segment Net Operating Income	238,456	137,003	101,453	137,003	36,740	100,263
Other Income and Expenses						
Interest expense	(178,122)	(103,728)	(74,394)	(103,728)	(46,448)	(57,280)
Gain on change in control of interests	105,947	—	105,947	—	20,744	(20,744)
Equity in earnings of equity method investments in real estate and the Managed REITs	44,116	52,731	(8,615)	52,731	62,392	(9,661)
Other income and (expenses)	(12,252)	8,420	(20,672)	8,420	1,109	7,311
	(40,311)	(42,577)	2,266	(42,577)	37,797	(80,374)
Income from continuing operations before income taxes	198,145	94,426	103,719	94,426	74,537	19,889
Benefit from (provision for) income taxes	916	(4,703)	5,619	(4,703)	(4,001)	(702)
Income from continuing operations before gain (loss) on sale of real estate	199,061	89,723	109,338	89,723	70,536	19,187
Income (loss) from discontinued operations, net of tax	33,318	38,180	(4,862)	38,180	(24,735)	62,915
Gain (loss) on sale of real estate, net of tax	1,581	(332)	1,913	(332)	2,339	(2,671)
Net Income from Real Estate Ownership	233,960	127,571	106,389	127,571	48,140	79,431

Net income attributable to noncontrolling interests	(5,573)	(33,056)	27,483	(33,056)	(3,245)	(29,811)
Net Income from Real Estate Ownership attributable to W. P. Carey	$228,387	$94,515	$133,872	$94,515	$44,895	$49,620

Lease Composition and Leasing Activities

As of December 31, 2014, 94% of our net leases, based on ABR, have rent increases, of which 71% have adjustments based on CPI or similar indices and 23% have fixed rent increases. CPI and similar rent adjustments are based on formulas indexed to changes in the CPI, or other similar indices for the jurisdiction in which the property is located, some of which have caps and/or floors. Over the next 12 months, fixed rent escalations are scheduled to increase ABR by an average of 3%. Lease revenues from our international investments are also subject to fluctuations in exchange rate movements in foreign currencies.

The following discussion presents a summary of rents on existing properties arising from leases with new tenants, or second generation leases, and renewed leases with existing tenants for the periods presented and, therefore, does not include new acquisitions for our portfolio during the years presented or properties acquired in the CPA®:15 Merger or the CPA®:16 Merger.

2014 — During 2014, we entered into 29 leases totaling approximately 2.0 million square feet of leased space. Of these leases, two were with new tenants and 27 were lease renewals, extensions or expansions with existing tenants. The estimated average new rent for these leases over their respective lease terms is $7.34 per square foot and the average in place former rent was $7.95 per square foot, reflecting current market conditions. We provided tenant improvement allowances totaling $4.1 million on 15 of these leases.

2013 — During 2013, we entered into 16 leases totaling approximately 0.8 million square feet of leased space. Of these leases, four were with new tenants, nine were lease renewals or extensions with existing tenants, and three were lease restructurings. The estimated average new rent for these leases over their respective lease terms is $8.49 per square foot and the average in place former rent was $10.53 per square foot, reflecting market conditions at that time. We provided total tenant improvement allowances of $0.6 million on two of these leases. In addition, in January 2013 we entered into a lease extension regarding a 0.4 million square foot building and committed to an expansion of 0.1 million square feet at an expected cost of $6.4 million. The expansion was completed in September 2013.

2012 — During 2012, we entered into 22 leases totaling approximately 2.0 million square feet of leased space. Of these leases, three were with new tenants and 19 were lease renewals or extensions with existing tenants. The estimated average new rent for these leases over their respective lease terms is $7.37 per square foot and the average former rent was $8.80 per square foot, reflecting market conditions at that time. We provided tenant improvement allowances and other incentives totaling $3.0 million on two of these leases.

Property Level Contribution

Property level contribution includes lease and operating property revenues, less property expenses and depreciation and amortization. When a property is leased on a net-lease basis, reimbursable tenant costs are recorded as both income and property expense and, therefore, have no impact on the property level contribution. The following table presents the property level contribution for our consolidated leased and operating properties as well as a reconciliation to Segment net operating income (in thousands):

	Years Ended December 31,					
	2014	2013	Change	2013	2012	Change
Same Store Net-Leased Properties						
Lease revenues	$62,373	$61,740	$633	$61,740	$62,315	$(575)
Property expenses	(1,699)	(1,586)	(113)	(1,586)	(1,053)	(533)
Depreciation and amortization	(18,492)	(17,967)	(525)	(17,967)	(17,473)	(494)
Property level contribution	42,182	42,187	(5)	42,187	43,789	(1,602)
Net-Leased Properties Acquired in the CPA®:15 Merger						
Lease revenues	217,512	216,815	697	216,815	53,207	163,608
Property expenses	(2,901)	(2,176)	(725)	(2,176)	(1,721)	(455)
Depreciation and amortization	(86,828)	(87,604)	776	(87,604)	(21,709)	(65,895)
Property level contribution	127,783	127,035	748	127,035	29,777	97,258
Net-Leased Properties Acquired in the CPA®:16 Merger						
Lease revenues	250,536	—	250,536	—	—	—
Property expenses	(6,492)	—	(6,492)	—	—	—
Depreciation and amortization	(101,397)	—	(101,397)	—	—	—
Property level contribution	142,647	—	142,647	—	—	—
Recently Acquired Net-Leased Properties						
Lease revenues	39,128	15,131	23,997	15,131	536	14,595
Property expenses	(2,495)	(278)	(2,217)	(278)	—	(278)
Depreciation and amortization	(20,820)	(9,405)	(11,415)	(9,405)	(252)	(9,153)
Property level contribution	15,813	5,448	10,365	5,448	284	5,164
Properties Sold or Held-for-Sale						
Lease revenues	4,280	5,938	(1,658)	5,938	3,238	2,700
Property expenses	(1,906)	(2,376)	470	(2,376)	(979)	(1,397)
Depreciation and amortization	(1,673)	(2,295)	622	(2,295)	(1,044)	(1,251)
Property level contribution	701	1,267	(566)	1,267	1,215	52
Operating Properties						
Revenues	28,913	956	27,957	956	925	31
Property expenses	(20,847)	(577)	(20,270)	(577)	(494)	(83)
Depreciation and amortization	(3,889)	(178)	(3,711)	(178)	(205)	27
Property level contribution	4,177	201	3,976	201	226	(25)
Property Level Contribution	333,303	176,138	157,165	176,138	75,291	100,847
Add: Lease termination income and other	15,526	2,071	13,455	2,071	1,492	579
Less other expenses:						
General and administrative	(38,797)	(18,993)	(19,804)	(18,993)	(7,885)	(11,108)
Merger and property acquisition expenses	(34,465)	(9,230)	(25,235)	(9,230)	(31,639)	22,409
Impairment charges	(23,067)	(4,741)	(18,326)	(4,741)	—	(4,741)
Property management fees	(1,385)	(1,089)	(296)	(1,089)	(308)	(781)
Stock-based compensation expense	(12,659)	(7,153)	(5,506)	(7,153)	(211)	(6,942)

Segment Net Operating Income	$238,456	$137,003	$101,453	$137,003	$36,740	$100,263

Same Store Net-Leased Properties

Same store net-leased properties are those that we acquired prior to January 1, 2012 and that were not sold during the periods presented. At December 31, 2014, there were 101 same store net-leased properties.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, property level contribution from same store net-leased properties was substantially the same. An increase in Lease revenues of $0.6 million was substantially offset by an increase in Depreciation and amortization expense of $0.5 million. Lease revenues increased by $0.5 million as a result of scheduled rent increases at certain properties. Depreciation and amortization expenses increased due to the reclassification of several properties from direct financing leases to operating leases.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, property level contribution from same store net-leased properties decreased by $1.6 million, primarily due to a decrease in lease revenues of $0.6 million and increases in both property expenses and depreciation and amortization expenses of $0.5 million. Lease revenues decreased by $1.8 million as a result of restructuring of leases at several properties. This decrease was partially offset by an increase in lease revenues of $0.9 million as a result of scheduled rent increases at several properties.

Net-Leased Properties Acquired in the CPA®:15 Merger

Net-leased properties acquired in the CPA®:15 Merger in September 2012 represents the 305 properties we acquired at that time, less 22 of those properties that were disposed of through December 31, 2014.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, property level contribution from net-leased properties acquired in the CPA®:15 Merger increased by $0.7 million. This increase was primarily due to an increase in lease revenues of $2.2 million as a result of scheduled rent increases at several properties, partially offset by a decrease in lease revenues of $1.5 million as a result of restructuring of leases at several properties.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, property level contribution from net-leased properties acquired in the CPA®:15 Merger in September 2012 increased by $97.3 million, primarily due to the impact of a full year of ownership of the assets acquired as compared to that of one quarter in 2012.

Net-Leased Properties Acquired in the CPA®:16 Merger

Net-leased properties acquired in the CPA®:16 Merger in January 2014 represents the 333 net-leased properties we acquired at that time, less 11 of those properties that were sold during the year ended December 31, 2014, which are further discussed in Note 16.

For the year ended December 31, 2014, property level contribution from net-leased properties acquired in the CPA®:16 Merger was $142.6 million, representing activity for the 11-month period from the date of that merger to December 31, 2014.

Recently Acquired Net-Leased Properties

Recently acquired net-leased properties are those that we acquired subsequent to December 31, 2011, excluding those acquired in the CPA®:15 Merger and the CPA®:16 Merger. During 2014, we acquired ten investments with total ABR of approximately $55.4 million. During 2013, we acquired seven investments with total ABR of approximately $22.4 million. During 2012, we acquired one investment with ABR of approximately $1.7 million.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, property level contribution from recently acquired net-leased properties increased by $10.4 million.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, property level contribution from recently acquired net-leased properties increased by $5.2 million.

Properties Sold or Held-for-Sale

Properties sold or held-for-sale discussed in this section represent only those properties that did not qualify for classification as discontinued operations. We discuss properties sold or held-for sale that did qualify for classification as discontinued operations under Other Revenues and Expenses, Income (Loss) from Discontinued Operations, Net of Tax, below and in Note 16.

During the year ended December 31, 2014, we sold 13 properties, including a property subject to a direct financing lease that we acquired in the CPA®:16 Merger and a parcel of land that was conveyed to the local government. At December 31, 2014, we also had four properties classified as held-for-sale. Property level contribution from properties sold or held-for-sale for the year ended December 31, 2014 was $0.7 million.

During the year ended December 31, 2013, we sold one investment in a property subject to a direct financing lease. Property level contribution from properties sold or held-for-sale for the year ended December 31, 2013 was $1.3 million.

During the year ended December 31, 2012, we sold one investment in a property subject to a direct financing lease. Property level contribution from properties sold or held-for-sale for the year ended December 31, 2012 was $1.2 million.

Operating Properties

Operating properties consist of our investments in two hotels acquired in the CPA®:16 Merger for 2014 and two self-storage properties for all periods presented.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, property level contribution from operating properties increased by $4.0 million, primarily as a result of the two hotels we acquired in the CPA®:16 Merger.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, property level contribution from operating properties was substantially the same.

Other Revenues and Expenses

Lease Termination Income and Other

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, Lease termination income and other increased by $13.5 million due to lease termination income from the early termination of three leases during the year ended December 31, 2014.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, Lease termination income and other increased by $0.6 million.

General and Administrative

As discussed in Note 4, certain personnel and overhead costs are charged to the CPA® REITs and our real estate portfolio based on the trailing 12-month reported revenues of the CPA® REITs, CWI, and us. We began to allocate personnel and overhead costs to CWI on January 1, 2014 based on the time incurred by our personnel.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, general and administrative expenses in the Real Estate Ownership segment increased by $19.8 million, primarily due to higher compensation costs and professional fees. Compensation costs increased by $15.0 million primarily due to the increased allocation of personnel costs to the Real Estate Ownership segment resulting from the increased revenues in that segment after the CPA®:16 Merger. Additionally, compensation costs were higher due to an increase in both headcount and acquisition-related commissions. Professional fees increased by $3.8 million primarily due to consulting fees associated with the planned implementation of a new software system that will be used in our accounting, tax, and financial reporting functions.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, general and administrative expenses in the Real Estate Ownership segment increased by $11.1 million, primarily due to increases in personnel costs of $7.4 million as a result of higher allocation of personnel and overhead costs to the Real Estate Ownership segment due to the increased segment revenues after the CPA®:15 Merger.

Merger and Property Acquisition Expenses

2014 — For the year ended December 31, 2014, Merger and property acquisition expenses were $34.5 million, which consisted of merger-related expenses of $30.5 million and other acquisition-related expenses of $4.0 million. Merger-related expenses during 2014 represent costs incurred in connection with the CPA®:16 Merger, which was completed on January 31, 2014. Acquisition expenses consist primarily of acquisition-related costs incurred on the investments we entered into during the year ended December 31, 2014, which were accounted for as business combinations and for which such costs were required to be expensed under current accounting guidance.

2013 — For the year ended December 31, 2013, Merger and property acquisition expenses were $9.2 million, which consisted of merger-related expenses of $5.0 million and other acquisition-related expenses of $4.2 million. Merger-related expenses during 2013 represent costs incurred in connection with the CPA®:16 Merger, the agreement for which was announced in July 2013. Acquisition expenses consist primarily of acquisition-related costs incurred on three investments we entered into during the year ended December 31, 2013, which were accounted for as business combinations and for which such costs were required to be expensed under current accounting guidance.

2012 — For the year ended December 31, 2012, merger and property acquisition expenses were $31.6 million, reflecting costs incurred in connection with the CPA®:15 Merger.

Impairment Charges

We periodically assess whether there are any indicators that the value of our assets may be impaired or that their carrying value may not be recoverable. If there is an indicator of impairment and we determine that the undiscounted cash flows for an asset, when considering and evaluating the various alternative courses of action that may occur, are less than the asset's carrying value, we recognize an impairment charge to reduce the carrying value of the asset to its estimated fair value. Further, it is possible that we may sell an asset for a price below its estimated fair value and record a loss on sale. Our impairment charges are more fully described in Note 9.

2014 — For the year ended December 31, 2014, we recognized impairment charges totaling $23.1 million to reduce the carrying values of certain assets to their estimated fair values, consisting of the following:

- $14.0 million recognized on a property as a result of tenant not renewing the lease;
- $3.8 million recognized on ten properties with expiring leases and one tenant that vacated a property;
- $3.5 million recognized on a property previously leased to a tenant who filed for bankruptcy and vacated the property;
- $0.6 million recognized on two properties as a result of an other-than-temporary declines in the estimated fair values of the buildings' residual values; and
- $1.2 million recognized on two other properties that are vacant.

2013 — For the year ended December 31, 2013, we recognized an impairment charge of $4.7 million on a property in France. This impairment was the result of writing down the property's carrying value to its estimated fair value in connection with the tenant vacating the property.

See Equity in earnings of equity method investments in real estate and the Managed REITs and Loss from Discontinued Operations below for additional impairment charges incurred.

Stock-Based Compensation Expense

For a description of our equity plans and awards, please see Note 14.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, stock-based compensation expense allocated to the Real Estate Ownership segment increased by $5.5 million, primarily due to an increase in owned real estate as a result of the CPA®:16 Merger.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, stock-based compensation expense allocated to the Real Estate Ownership segment increased by $6.9 million, primarily due to an increase in owned real estate as a result of the CPA®:15 Merger.

Equity in Earnings of Equity Method Investments in Real Estate and the Managed REITs

Equity in earnings of equity method investments in real estate and the Managed REITs is recognized in accordance with the respective investment agreements for each of our equity method investments. In addition, we are entitled to receive distributions of Available Cash (Note 4) from the operating partnerships of each of the Managed REITs. The net income of our unconsolidated investments fluctuates based on the timing of transactions, such as new leases and property sales, as well as impairment charges. The following table presents the details of our Equity in earnings of equity method investments in real estate and the Managed REITs (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Equity in earnings of equity method investments in the Managed REITs:			
CPA®:15 [(a)]	$—	$—	$4,541
CPA®:16 – Global [(b) (c)]	465	2,732	610
CPA®:17 – Global	1,353	354	327
CPA®:18 – Global and CWI	(124)	(200)	31
Other-than-temporary impairment charges on the Special Member Interest in CPA®:16 – Global's operating partnership [(c)]	(735)	(15,383)	(9,910)
Distributions of Available Cash: [(d)]			
CPA®:16 – Global	4,751	15,182	15,389
CPA®:17 – Global	20,427	16,899	14,620
CPA®:18 – Global	1,778	92	—
CWI	4,096	1,948	—
Deferred revenue earned [(c)]	707	8,492	8,492
Equity in earnings of equity method investments from the Managed REITs	32,718	30,116	34,100
Equity in earnings of other equity method investments in real estate:			
Equity investments acquired in the CPA®:16 Merger and CPA®:15 Merger [(a) (c) (e)]	9,576	5,096	7,985
Recently acquired equity investment [(f)]	1,048	33	(26)
Equity investments sold [(g)]	82	17,486	16,480
Equity investments consolidated after the CPA®:16 Merger and CPA®:15 Merger [(h)]	692	—	3,853
Total equity in earnings of other equity method investments in real estate	11,398	22,615	28,292
Total equity in earnings of equity method investments in real estate and the Managed REITs	$44,116	$52,731	$62,392

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(a) CPA®:15 merged with and into us on September 28, 2012 (Note 3) in the CPA®:15 Merger. See Gain on Change in Control of Interests below for discussion on the gain recognized.

(b) Amount for 2012 includes a loss of $4.4 million representing our share of the $23.9 million of impairment charges recognized by CPA®:16 – Global.

(c) In May 2011, we acquired a special member interest, or the Special Member Interest, in CPA®:16 – Global's operating partnership, which we recorded as an equity investment at fair value with an equal amount recorded as deferred revenue (Note 4). On January 31, 2014, we acquired all the remaining interests in CPA®:16 – Global through the CPA®:16 Merger, and as a result, we now consolidate the operating partnership. See Gain on Change in Control of Interests below for discussion on the gain recognized.

(d) We are entitled to receive distributions of our share of earnings up to 10% of the Available Cash from the operating partnerships of each of the Managed REITs, as defined in their respective operating partnership agreements. Distributions of Available Cash received and earned from the Managed REITs increased primarily as a result of new investments that they entered into during 2014 and 2013.

(e)

We acquired our interests or additional interests in these investments in the CPA®:16 Merger in January 2014 (Note 7). Amount for 2013 includes our $8.4 million share of the German real estate transfer tax incurred by Hellweg Die Profi-Baumärkte GmbH & Co. KG, or Hellweg 2 (Note 7).

(f) During the year ended December 31, 2014, we received a preferred equity position in Beach House JV, LLC, as part of a sale of a property. The preferred equity, redeemable on March 13, 2019, provides us with a preferred rate of return of 8.5%.

The rights under these preferred units allow us to have significant influence over the entity. Accordingly, we account for this investment using the equity method of accounting.

(g) We sold one equity investment in the second quarter of 2013 and recognized a gain on the sale of $19.5 million. We also sold another equity investment in the fourth quarter of 2013. The amount for 2012 includes $15.1 million representing our portion of the net gain recognized by a jointly-owned entity upon selling its equity shares in an investment in the second quarter of 2012.

(h) We acquired additional interests in these investments from CPA®:16 – Global and CPA®:15 in the CPA®:16 Merger and CPA®:15 Merger, respectively. Subsequent to the mergers, we consolidate these majority-owned or wholly-owned investments.

Interest Expense

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, interest expense increased by $74.4 million, primarily due to an increase of $71.0 million as a result of mortgage loans assumed in connection with our acquisition of properties from CPA®:16 – Global in the CPA®:16 Merger. In addition, interest expense increased by $18.5 million as a result of the issuance of the 4.6% senior unsecured notes in March 2014 (Note 11). These increases were partially offset by decreases in interest expense of $12.2 million as a result of repayments of several non-recourse mortgage loans, as part of our plan to become a primarily unsecured borrower, during the years ended December 31, 2014 and 2013 (Note 11), and $2.4 million as a result of refinancing several mortgage loans at lower interest rates during 2013.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, interest expense increased by $57.3 million, primarily due to an increase of $53.1 million as a result of mortgage loans assumed in connection with our acquisition of properties from CPA®:15 in the CPA®:15 Merger and $2.5 million of interest expense incurred in 2013 on mortgage loans acquired and assumed in connection with our acquisition of several properties during the year. In addition, interest expense on our Prior Senior Credit Facility (Note 11) and Unsecured Term Loan increased by $2.6 million in the aggregate as a result of a higher average outstanding balances in 2013 compared to the prior year.

Gain on Change in Control of Interests

2014 — In connection with the CPA®:16 Merger, we recognized a gain on change in control of interests of $75.7 million related to the difference between the carrying value and the preliminary estimated fair value of our previously-held equity interest in shares of CPA®:16 – Global's common stock (Note 3) during 2014.

The CPA®:16 Merger also resulted in our acquisition of the remaining interests in nine investments in which we already had a joint interest and accounted for under the equity method. Due to the change in control of the nine jointly-owned investments that occurred, we recorded a gain on change in control of interests of $30.2 million related to the difference between our carrying values and the preliminary estimated fair values of our previously-held equity interests on January 31, 2014. Subsequent to the CPA®:16 Merger, we consolidate these wholly-owned investments (Note 3). During the year ended December 31, 2014, one of these investments was sold.

2012 — In connection with the CPA®:15 Merger in September 2012, we acquired additional interests in five investments from CPA®:15, which we had previously accounted for under the equity method, and we adjusted the carrying value of our previously held interest in shares of CPA®:15 common stock to its estimated fair market value. In connection with our acquisition of these investments, we recognized a net gain of $20.7 million during the year ended December 31, 2012 in order to adjust the carrying value of previously-held equity interests in these investments to their estimated fair values (Note 3).

Other Income and (Expenses)

Other income and (expenses) primarily consists of gains and losses on extinguishment of debt, and gains and losses on foreign currency transactions and derivative instruments. We and certain of our foreign consolidated subsidiaries have intercompany debt and/or advances that are not denominated in the functional currency of those subsidiaries. When the intercompany debt or accrued interest thereon is remeasured against the functional currency of the respective subsidiaries, an unrealized gain or loss on foreign currency translation may result. We also recognize gains or losses on foreign currency transactions when we repatriate cash from our foreign investments.

2014 — For the year ended December 31, 2014, other expenses, net were $12.3 million, primarily due to net realized and unrealized losses of $9.0 million related to changes in foreign currency rates applied to remeasure certain advances to foreign subsidiaries. In addition, we recognized a net loss on extinguishment of debt of $6.9 million in connection with the prepayment of several non-recourse mortgage loans (Note 11). These losses were partially offset by unrealized gains of $3.7 million on the interest rate swaps we acquired from CPA®:15 in the CPA®:15 Merger that did not qualify for hedge accounting and interest income of $1.4 million from the two notes receivable we acquired in the CPA®:16 Merger.

2013 — For the year ended December 31, 2013, other income was $8.4 million, primarily due to unrealized gains of $5.1 million recognized on the interest rate swaps acquired from CPA®:15 in the CPA®:15 Merger that did not qualify for hedge accounting, as well as net realized gains of $1.5 million on foreign currency transactions as a result of changes in foreign currency exchange rates on notes receivable from international subsidiaries. We also recognized a $1.2 million net gain on extinguishment of debt in connection with the settlement of several mortgage loans on properties disposed of during the year.

2012 — For the year ended December 31, 2012, other income was $3.2 million, comprised of a net gain of $2.5 million recorded on the disposals of three parcels of land, a net realized and unrealized gain of $0.5 million on foreign currency transactions and a $0.4 million gain on derivatives acquired in the CPA®:15 Merger.

Benefit from (Provision for) Income Taxes

2014 vs. 2013 — For the year ended December 31, 2014, we recognized benefit from income taxes of $0.9 million, compared to a provision for income taxes of $4.7 million recognized during 2013, primarily due to benefits associated with basis differences on certain foreign properties that we acquired as well as statute of limitation expirations on unrecognized tax benefits.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, provision for income taxes increased by $0.7 million, primarily due to increases in foreign income taxes of $3.1 million related to the foreign properties that we acquired in the CPA®:15 Merger, partially offset by a deferred income tax benefit of $2.7 million recognized in connection with an out-of-period adjustment (Note 2).

Income (Loss) from Discontinued Operations, Net of Tax

The results of operations for properties that have been classified as held-for-sale or that have been sold prior to January 1, 2014 and the properties that were acquired as held-for-sale in the CPA®:16 Merger, and with which we have no continuing involvement, are reflected in the consolidated financial statements as discontinued operations. During 2014, we sold nine properties that were classified as held-for-sale prior to January 1, 2014. In connection with the CPA®:16 Merger, we acquired ten properties that were classified as held-for-sale from CPA®:16 – Global, all of which were sold during the year ended December 31, 2014. During 2013, we sold 27 properties and reclassified nine properties to Assets held for sale. During 2012, we sold 14 properties. Results of operations for these properties are included within discontinued operations in the consolidated financial statements for all periods presented.

2014 — For the year ended December 31, 2014, income from discontinued operations, net of tax was $33.3 million, primarily due to a net gain on the sale of 19 properties of $27.7 million and income generated from the operations of these properties of $6.9 million in the aggregate. The income was partially offset by a net loss on extinguishment of debt of $1.2 million recognized in connection with the repayment of several mortgage loans on six of the disposed properties.

2013 — For the year ended December 31, 2013, income from discontinued operations, net of tax was $38.2 million, primarily due to a net gain on the sale of properties of $40.0 million, including a net gain of $39.6 million on the sale of 19 self-storage properties (Note 16), and income generated from the operations of discontinued properties of $9.0 million in the aggregate. The income was partially offset by impairment charges of $8.4 million recorded on several properties to reduce their carrying values to their expected selling prices (Note 9) and a net loss on extinguishment of debt of $2.4 million in connection with the repayment of several mortgage loans on the aforementioned disposed properties.

2012 — For the year ended December 31, 2012, loss from discontinued operations, net of tax was $24.7 million, primarily due to impairment charges totaling $23.0 million recorded on several properties to reduce their carrying values to their expected selling prices and a net loss on the sale of properties totaling $5.0 million. These losses were partially offset by income generated from the operations of discontinued properties of $3.2 million in the aggregate.

Gain (Loss) on Sale of Real Estate, Net of Tax

Gain (loss) on sale of real estate, net of tax includes the gain or loss on the sale of those properties that did not qualify for classification as discontinued operations (Note 16), as discussed under Property Level Contributions, Properties Sold or Held-for-Sale above. In addition, properties sold in 2013 and 2012 that were subject to direct financing leases did not qualify for classification as discontinued operations under current accounting guidance.

2014 — For the year ended December 31, 2014, gain on sale of real estate, net of tax was $1.6 million, primarily due to a $6.7 million gain recognized on a property in France that was foreclosed upon and sold, partially offset by a total of $5.1 million of net losses recognized on 13 properties that were sold. During the year ended December 31, 2014, we sold 16 properties, three of which were foreclosed upon, that did not qualify for classification as discontinued operations.

2013 — For the year ended December 31, 2013, loss on sale of real estate, net of tax was $0.3 million reflecting the sale of one property that did not qualify for classification as discontinued operations.

2012 — For the year ended December 31, 2012, gain on sale of real estate, net of tax was $2.3 million reflecting the sale of one property that did not qualify for classification as discontinued operations.

Net Income Attributable to Noncontrolling Interests

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, net income attributable to noncontrolling interests decreased by $27.5 million, primarily due to $23.2 million of net income attributable to noncontrolling interests as a result of a net gain recognized in connection with selling 19 self-storage properties during 2013 (Note 16). Net income attributable to noncontrolling interests also decreased by $3.4 million as a result of acquiring from CPA®:16 – Global in the CPA®:16 Merger the remaining interests in 12 less-than-wholly-owned investments that we had already consolidated.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, net income attributable to noncontrolling interests increased by $29.8 million. Net income attributable to noncontrolling interests increased by $23.2 million as result of the net gain recognized in connection with selling 19 self-storage properties during 2013 (Note 16). In addition, net income attributable to noncontrolling interests increased by $7.2 million as a result of noncontrolling interests in income generated from the properties we acquired from CPA®:15 in the CPA®:15 Merger.

Net Income from Real Estate Ownership Attributable to W. P. Carey

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, the resulting net income from Real Estate Ownership attributable to W. P. Carey increased by $133.9 million.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, the resulting net income from Real Estate Ownership attributable to W. P. Carey increased by $49.6 million.

Investment Management

We earn revenue as the advisor to the Managed REITs. For the periods presented (except as noted), we acted as advisor to the following affiliated, publicly-owned, non-listed Managed REITs: CPA®:15 (through September 28, 2012, the date of the CPA®:15 Merger), CPA®:16 – Global (through January 31, 2014, the date of the CPA®:16 Merger), CPA®:17 – Global, CPA®:18 – Global (since May 2013), and CWI. Similar to the offerings of shares of CWI 2 and the BDCs, we are currently considering alternatives for expanding our investment management operations by raising funds for entities in addition to CPA®:18 – Global, although there can be no assurance that we will pursue any of these initiatives. These new funds could invest primarily in assets other than net-lease real estate and include funds raised through publicly-traded vehicles, either in the United States or internationally.

The following tables present other operating data that management finds useful in evaluating result of operations (dollars in millions):

	As of December 31,		
	2014	2013	2012
Total properties — Managed REITs (a)	519	789	774
Assets under management — Managed REITs (b)	$9,231.8	$9,728.4	$7,870.8
Cumulative funds raised — CPA®:17 – Global offerings (c) (d)	2,884.5	2,884.5	2,883.1
Cumulative funds raised — CPA®:18 – Global offering (d) (e)	1,143.1	237.3	—
Cumulative funds raised — CWI offerings (d) (f)	1,153.2	575.8	159.6

	For the Years Ended December 31,		
	2014	2013	2012
Financings structured — Managed REITs	$968.0	$1,012.0	$669.5
Investments structured — Managed REITs	1,880.1	1,337.9	1,240.3
Equity investments structured — Managed REITs	165.5	165.3	32.6
Funds raised — CPA®:17 – Global offerings (c) (d)	—	1.3	927.3
Funds raised — CPA®:18 – Global offering (d) (e)	905.8	237.3	—
Funds raised — CWI offerings (d) (f)	577.4	418.3	112.1

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(a) Includes properties owned by CPA®:16 – Global and CPA®:17 – Global at December 31, 2012. Includes properties owned by CPA®:16 – Global, CPA®:17 – Global, and CPA®:18 – Global at December 31, 2013. Includes properties owned by CPA®:17 – Global and CPA®:18 – Global at December 31, 2014. Includes hotels owned by CWI for all periods.

(b) Represents the estimated fair value of the real estate assets owned by the Managed REITs, which was calculated by us as the advisor to the Managed REITs based in part upon third-party appraisals, plus cash and cash equivalents, less distributions payable.

(c) The follow-on offering of CPA®:17 – Global was closed in January 2013.

(d) Excludes reinvested distributions through each entity’s distribution reinvestment plan.

(e) Reflects funds raised since the commencement of CPA®:18 – Global’s initial public offering in May 2013. CPA®:18 – Global discontinued the sales of its Class A shares on June 30, 2014 and currently intends to close its initial public offering, which as of the date of this Report consists solely of its Class C shares, on or about March 27, 2015.

(f) Reflects funds raised in CWI’s initial public offering, which was closed on September 15, 2013, and CWI’s follow-on offering, which commenced on December 20, 2013 and closed on December 31, 2014.

Below is a summary of comparative results of our Investment Management segment (in thousands):

	Years Ended December 31,					
	2014	2013	Change	2013	2012	Change
Revenues						
Reimbursable costs	$130,212	$73,572	$56,640	$73,572	$98,245	$(24,673)
Structuring revenue	71,256	46,589	24,667	46,589	48,355	(1,766)
Asset management revenue	38,063	42,670	(4,607)	42,670	56,666	(13,996)
Dealer manager fees	23,532	10,856	12,676	10,856	19,914	(9,058)
Incentive, termination and subordinated disposition revenue	—	199	(199)	199	—	199
	263,063	173,886	89,177	173,886	223,180	(49,294)
Operating Expenses						
Reimbursable costs from affiliates	130,212	73,572	56,640	73,572	98,245	(24,673)
General and administrative	52,791	48,070	4,721	48,070	60,969	(12,899)
Stock-based compensation expense	18,416	30,042	(11,626)	30,042	25,841	4,201
Dealer manager fees and expenses	21,760	13,028	8,732	13,028	17,787	(4,759)
Subadvisor fees	5,501	4,106	1,395	4,106	464	3,642
Depreciation and amortization	4,024	4,373	(349)	4,373	3,744	629
Impairment charge	—	553	(553)	553	—	553
	232,704	173,744	58,960	173,744	207,050	(33,306)
Other Income and Expenses						
Other income and (expenses)	275	1,001	(726)	1,001	1,280	(279)
	275	1,001	(726)	1,001	1,280	(279)
Income from continuing operations before income taxes	30,634	1,143	29,491	1,143	17,410	(16,267)
(Provision for) benefit from income taxes	(18,525)	3,451	(21,976)	3,451	(2,771)	6,222
Net Income from Investment Management	12,109	4,594	7,515	4,594	14,639	(10,045)
Net (income) loss attributable to noncontrolling interests	(812)	120	(932)	120	2,638	(2,518)
Net loss (income) attributable to redeemable noncontrolling interest	142	(353)	495	(353)	(40)	(313)
Net Income from Investment Management attributable to W. P. Carey	$11,439	$4,361	$7,078	$4,361	$17,237	$(12,876)

Reimbursable Costs

Reimbursable costs represent costs incurred by us on behalf of the Managed REITs, consisting primarily of broker-dealer commissions and marketing and personnel costs, which are reimbursed by the Managed REITs and are reflected as a component of both revenues and expenses.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, reimbursable costs increased by $56.6 million, primarily due to an increase of $48.6 million in commissions paid to broker-dealers related to the CPA®:18 – Global initial public offering, which commenced in May 2013, and an increase of $13.1 million in commissions paid to broker-dealers related to the CWI public offerings due to the corresponding increase in funds raised in 2014 compared to 2013. These increases were partially offset by a decrease of $4.3 million in personnel costs reimbursed to us by the Managed REITs as a result of the cessation of reimbursements from CPA®:16 - Global after the CPA®:16 Merger.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, reimbursable costs decreased by $24.7 million, primarily due to a decrease of $72.5 million in commissions paid to broker-dealers as a result of the termination of the CPA®:17 – Global follow-on offering on January 31, 2013. This decrease was partially offset by (i) an increase of $24.4 million in commissions paid to broker-dealers related to the CWI initial public offering due to the corresponding increase in funds raised year-over-year; (ii) the $18.2 million paid to broker-dealers related to the CPA®:18 – Global initial public offering; and (iii) an increase of $3.1 million in personnel costs reimbursed to us by the Managed REITs under the terms of their respective advisory agreements.

Structuring Revenue

We earn structuring revenue when we structure investments and debt placement transactions for the Managed REITs. Structuring revenue is dependent on investment activity, which is subject to significant period-to-period variation.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, structuring revenue increased by $24.7 million, primarily due to an increase of $37.0 million in structuring revenue earned from CPA®:18 – Global as a result of higher investment volume in 2014 as compared to 2013. This increase was partially offset by decreases of $9.9 million and $2.2 million in structuring revenue earned from CPA®:17 – Global and CWI, respectively, as a result of lower investment volumes for each in 2014 as compared to 2013.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, structuring revenue decreased by $1.8 million. Structuring revenue from CPA®:17 – Global decreased by $24.8 million during 2013 as a result of lower investment volume after the termination of its offering in January of that year. Structuring revenue from CWI increased by $16.4 million during 2013 as compared to 2012 due to higher investment volume. In addition, we received structuring revenue of $6.9 million from CPA®:18 – Global during 2013 as a result of investments we structured on its behalf after the commencement of its public offering in May of that year.

Asset Management Revenue

We earn asset management revenue from the Managed REITs based on the value of their real estate-related and lodging-related assets under management. This asset management revenue may increase or decrease depending upon (i) increases in the Managed REITs' asset bases as a result of new investments; (ii) decreases in the Managed REITs' asset bases as a result of sales of investments; and (iii) increases or decreases in the appraised value of the real estate-related and lodging-related assets in the Managed REIT investment portfolios.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, asset management revenue decreased by $4.6 million. Asset management revenue decreased by $16.3 million, as a result of the cessation of asset management revenue earned from CPA®:16 – Global after the CPA®:16 Merger on January 31, 2014. This decrease was partially offset by increases of $4.7 million and $4.5 million in 2014 as compared to 2013 from CPA®:17 – Global and CWI, respectively, as a result of new investments that these entities entered into during 2013 and 2014. Asset management revenue from CPA®:18 – Global also increased by $2.5 million as a result of new investments that it entered into since the commencement of its offering in May 2013.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, asset management revenue decreased by $14.0 million. We received asset management revenue from CPA®:15 of $18.5 million during 2012 through the date of the CPA®:15 Merger in September 2012. As a result of the cessation of asset management revenue earned from CPA®:15 after the CPA®:15 Merger, we did not receive any asset management revenue from CPA®:15 during 2013. This decrease was partially offset by an aggregate increase of $5.2 million during 2013 as compared to 2012 from CPA®:17 – Global and CWI as a result of new investments that they entered into during 2012 and 2013. We also received asset management revenue of $0.1 million from CPA®:18 – Global during 2013 since the commencement of its initial public offering in May of that year.

Dealer Manager Fees

As discussed in Note 4, we earned a dealer manager fee of $0.35 per share sold in connection with CPA®:17 – Global's follow-on offering, which closed on January 31, 2013. We also earned a $0.30 dealer manager fee per share sold in connection with CWI's initial public offering, which closed in September 2013, and its follow-on offering, which commenced in December 2013 and closed on December 31, 2014. In addition, we receive dealer manager fees depending on the class of common stock sold, of $0.30 or $0.21 per share sold, for class A common stock and class C common stock, respectively, in connection with CPA®:18 – Global's initial public offering, which commenced in May 2013. We also receive an annual distribution and shareholder servicing fee, or Shareholder Servicing Fee, paid in connection with investor purchases of shares of class C common stock. The amount of the Shareholder Servicing Fee is 1% of the purchase price per share (or, once reported, the amount of the estimated net asset value per share) for the shares of class C common stock of CPA®:18 – Global sold in the offering. CPA®:18 – Global terminated sales of its class A common stock as of June 30, 2014 and currently intends to close its offering, which as of the date of this Report consists solely of its Class C common stock, on or about March 27, 2015. We re-allow a portion of the dealer manager fees to selected dealers in the offerings. Dealer manager fees that are not re-allowed and

Shareholder Servicing Fees are classified as Dealer manager fees from affiliates in the consolidated financial statements. Dealer manager fees earned are generally offset by costs incurred in connection with the offerings, which are included in Dealer manager fees and expenses in the consolidated financial statements.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, dealer manager fees increased by $12.7 million, primarily due to an increase of $10.3 million in fees earned from CPA®:18 – Global in connection with the sale of its shares in its initial public offering, which commenced in May 2013. Dealer manager fees also increased by $2.4 million as a result of an increase in the fees earned from CWI in connection with its follow-on offering, which commenced on December 20, 2013, due to the higher level of shares sold in 2014 as compared to the shares sold in its initial public offering through its termination on September 15, 2013.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, dealer manager fees decreased by $9.1 million, primarily due to a decrease of $18.2 million in fees earned from CPA®:17 – Global as a result of the termination of its follow-on offering on January 31, 2013. This decrease was partially offset by an increase of $5.2 million in fees earned from CWI as a result of the higher level of CWI shares sold during 2013 through the termination of its offering on September 15, 2013 compared to 2012 and by an increase of $3.9 million in fees earned from CPA®:18 – Global in connection with the sale of shares in its initial public offering, which commenced in May 2013.

General and Administrative

As discussed in Note 4, during the periods presented certain personnel and overhead costs were charged to the CPA® REITs and our owned real estate portfolio based on the trailing 12-month reported revenues of the active CPA® REITs, CWI, and us. We also began to allocate personnel and overhead costs to CWI on January 1, 2014 based on the time incurred by our personnel.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, general and administrative expenses increased by $4.7 million, primarily due to (i) an increase of $5.6 million in commissions paid to investment officers as a result of higher investment volume on behalf of the CPA® REITs in 2014 as compared to 2013; (ii) an increase of $4.9 million in professional fees primarily related to consulting fees incurred in connection with the implementation of the new software system that will be used in our accounting, tax, and financial reporting functions; (iii) an increase of $3.3 million in bonus expense as a result of increased headcount in 2014 as compared to 2013; and (iv) an increase of $1.4 million in office expense as a result of additional office space obtained during 2013. These increases were partially offset by an increase of $10.1 million in personnel and overhead costs allocated to the Real Estate Ownership segment due to its increased revenues after the CPA®:16 Merger on January 31, 2014.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, general and administrative expenses decreased by $12.9 million. Effective October 1, 2012, personnel costs and other shared expenses such as office rent expenses were charged to CPA®:16 – Global and CPA®:17 – Global based on the trailing 12-month reported revenues of the CPA® REITs, CWI, and us rather than the method utilized before that date, which involved an allocation of personnel costs based on the time incurred by our personnel for CPA®:15, CPA®:16 – Global, and CPA®:17 – Global (Note 4). This new methodology reflected changes in our advisory agreements with the CPA® REITs. The impact of this change was an increase in the total amount of general and administrative expenses charged to CPA®:16 – Global and CPA®:17 – Global during the year ended December 31, 2013 as compared to 2012 of $5.6 million, which reduced amounts that would otherwise have been borne by the Investment Management segment. Prior to this change, CPA®:15 was also charged general and administrative expenses based on the former methodology. After the CPA®:15 Merger on September 28, 2012, the portfolio that was formerly held by CPA®:15 was included in our Real Estate Ownership Segment and, as such, the Real Estate Ownership's entire portfolio was subject to the new allocation methodology based on revenues. As a result, $7.4 million of additional general and administrative expenses were allocated to the Real Estate Ownership segment from the Investment Management Segment during 2013 as compared to 2012. We did not allocate any personnel costs to CPA®:18 – Global or CWI in 2013 or 2012.

Stock-Based Compensation Expense

For a description of our equity plans and awards, please see Note 14.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, stock-based compensation expense decreased by $11.6 million, due in part to lower expense on stock awards granted in 2014, as compared to the expense on stock awards granted in 2011, which were substantially vested as of December 31, 2013. In addition, stock-based compensation expense allocated to the Investment Management segment decreased by $4.7 million in 2014 due to the CPA®:16 Merger, which reduced our managed real estate portfolio and increased our owned real estate portfolio.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, stock-based compensation expense increased by $4.2 million, primarily due to (i) an increase of $5.8 million as a result of an upward adjustment during 2013 in the estimated payout of PSUs that were granted during 2012 and 2011, (ii) an increase of $2.5 million as a result of changes in our forfeiture rate assumptions in the third quarter of 2012, and (iii) an increase of $2.1 million related to actual forfeitures in 2013 compared to those previously estimated. These increases were partially offset by a decrease of $6.8 million of stock-based compensation allocated to the Investment Management segment due to the CPA®:15 Merger, which reduced our managed real estate portfolio and increased our owned real estate portfolio.

Dealer Manager Fees and Expenses

Dealer manager fees earned are generally offset by costs incurred in connection with the related offerings, which are included in Dealer manager fees and expenses in the consolidated financial statements.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, dealer manager fees and expenses increased by $8.7 million, primarily due to an increase of $7.3 million in expenses paid in connection with the sale of CPA®:18 – Global shares in its initial public offering, which commenced in May 2013. Dealer manager fees and expenses also increased by $1.5 million as a result of an increase in expenses paid in connection with the sale of CWI shares in its follow-on offering, which commenced in December 2013, and its initial public offering, which closed in September 2013, as a result of a corresponding increase in funds raised.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, dealer manager fees and expenses decreased by $4.8 million, primarily due to a decrease of $14.8 million in expenses paid as a result of the termination of the CPA®:17 – Global follow-on offering on January 31, 2013. This decrease was partially offset by $7.2 million in expenses paid in connection with the sale of CPA®:18 – Global shares in its initial public offering, which commenced in May 2013, and by an increase of $2.9 million in expenses paid in connection with the sale of CWI shares in its initial public offering, which terminated in September 2013, as a result of a corresponding increase in funds raised.

Subadvisor Fees

As discussed in Note 4, we earn investment management revenue from CWI. Pursuant to the terms of the subadvisory agreement we have with the third party subadvisor in connection with CWI, we pay a subadvisory fee equal to 20% of the amount of fees paid to us by CWI, including but not limited to: acquisition fees, asset management fees, loan refinancing fees, property management fees, and subordinated disposition fees, each as defined in the advisory agreement we have with CWI. We also pay to the subadvisor 20% of the net proceeds resulting from any sale, financing, or recapitalization or sale of securities of CWI by us, the advisor. In addition, in connection with the acquisitions of multi-family and multi-tenant properties on behalf of CPA®:18 – Global that we structured during 2014, we entered into agreements with third-party advisors for the day-to-day management of the properties for a fee.

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, subadvisor fees increased by $1.4 million. Subadvisor fees increased by $0.8 million as a result of an increase in fees earned from CWI as a result of investments CWI entered into during 2014 and 2013, which increased the asset management fees we earned from CWI and the resulting asset management-related fees we paid to the subadvisor. Additionally, subadvisor fees increased by $0.6 million as a result of fees paid to the third-party advisors in connection with the acquisitions of multi-family and multi-tenant properties that we structured on behalf of CPA®:18 – Global during 2014.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, subadvisor fees increased by $3.6 million, primarily due to increased fees earned from CWI as a result of higher acquisition volume in 2013 as compared to 2012.

Impairment Charge

During the year ended December 31, 2013, we recognized an other-than-temporary impairment charge of $0.6 million on an investment in an equity fund. During the fourth quarter of 2013, we received information indicating that the fair value of the equity fund was less than its carrying value. Since the fund is being wound down and the remaining investments have fair values less than their cost, this impairment was deemed other-than-temporary and the carrying value was written down to the estimated fair value (Note 9).

(Provision for) Benefit from Income Taxes

2014 vs. 2013 — For the year ended December 31, 2014, we recorded a provision for income taxes of $18.5 million, compared to a benefit from income taxes of $3.5 million recognized during 2013, primarily due to $21.1 million in pre-tax income recognized by our TRSs in the Investment Management segment. In addition, provision for income taxes increased by $4.8 million due to a permanent difference from the recognition of taxable income associated with accelerated vesting of shares previously issued by CPA®:16 – Global for asset management and performance fees in connection with the CPA®:16 Merger. The benefit from income taxes for the year ended December 31, 2013 was primarily due to losses recognized by our TRSs in the Investment Management segment in 2013.

2013 vs. 2012 — For the year ended December 31, 2013, we recognized a benefit from income taxes of $3.5 million, compared to a provision for income taxes of $2.8 million recognized during 2012, primarily due to the losses recognized by our TRSs in the Investment Management segment in 2013 compared to income recognized by our TRSs in the prior year.

Net Income from Investment Management Attributable to W. P. Carey

2014 vs. 2013 — For the year ended December 31, 2014 as compared to 2013, the resulting net income from Investment Management attributable to W. P. Carey increased by $7.1 million.

2013 vs. 2012 — For the year ended December 31, 2013 as compared to 2012, the resulting net income from Investment Management attributable to W. P. Carey decreased by $12.9 million.

Financial Condition

Sources and Uses of Cash During the Year

We use the cash flow generated from our investments primarily to meet our operating expenses, service debt, and fund distributions to stockholders. Our cash flows fluctuate from period to period due to a number of factors, which may include, among other things, the timing of our equity and debt offerings, the timing of purchases and sales of real estate, the timing of the receipt of proceeds from, and the repayment of, mortgage loans and receipt of lease revenues, the receipt of the annual installment of deferred acquisition revenue and interest thereon from the CPA® REITs, the election to receive asset management fees in either shares of the Managed REITs' common stock or cash, the timing and characterization of distributions from equity investments in real estate and the Managed REITs, the receipt of distributions of Available Cash from the Managed REITs, and changes in foreign currency exchange rates. Despite these fluctuations, we believe that we will generate sufficient cash from operations and from equity distributions in excess of equity income in real estate to meet our normal recurring short-term and long-term liquidity needs. We may also use existing cash resources, the proceeds of mortgage loans, unused capacity on our Revolver, net contributions from noncontrolling interests, and the issuance of additional debt or equity securities to meet these needs. We assess our ability to access capital on an ongoing basis. Our sources and uses of cash during the year are described below.

2014

Operating Activities — Net cash provided by operating activities increased by $191.2 million during 2014 as compared to 2013, primarily due to operating cash flow generated from the properties we acquired in the CPA®:16 Merger.

Investing Activities — Our investing activities are generally comprised of real estate-related transactions (purchases and sales) and capitalized property-related costs. In connection with the CPA®:16 Merger, we paid $1.3 million, representing the cash portion of the merger consideration paid to CPA®:16 – Global stockholders, and acquired $65.4 million of cash.

During 2014, we sold 32 properties for net proceeds of $285.7 million. We used $898.2 million to acquire 109 properties. Net funds that were invested in escrow accounts totaled $23.7 million. Total capital expenditures on our owned real estate for 2014 were $26.4 million, including $20.6 million used primarily to fund a build-to-suit transaction and $5.8 million to make capital improvements to various properties. We also used $18.3 million to purchase corporate fixed assets, including $14.6 million related to the planned implementation of the new software system that will be used in our accounting, tax, and financial reporting functions. We used $7.7 million to purchase marketable securities for defeasance of a mortgage loan. We also used $25.0 million to purchase our interest in CCIF. In order to facilitate an acquisition by CWI, we made an $11.0 million loan to CWI in June 2014, which was repaid in full, with interest, prior to the loan's maturity, on July 22, 2014. We also received $13.1 million in distributions from equity investments in real estate and the Managed REITs in excess of cumulative equity income.

Financing Activities — During 2014, gross borrowings under our senior credit facility were $1.8 billion and repayments were$1.4 billion, inclusive of the repayment of a $170.0 million line of credit facility assumed in the CPA®:16 Merger. We received $498.2 million in net proceeds from the issuance of the 4.6% senior unsecured notes, which we used to pay off the outstanding balance on the Revolver at that time (Note 11). In connection with the Second Amended and Restated Credit Agreement and the issuance of the 4.6% senior unsecured notes, we paid financing costs totaling $12.3 million. During the year ended December 31, 2014, in connection with our long-term plan to become a primarily unsecured borrower, we used $220.8 million to prepay 20 non-recourse mortgage loans. We also made scheduled mortgage loan principal payments of $205.0 million and drew down $20.4 million on a construction loan in relation to a build-to-suit transaction. We received $282.2 million in net proceeds from the issuance of shares in the Equity Offering, which we used in part to pay down a portion of the outstanding balance on the Revolver at that time. We paid distributions to stockholders of $347.9 million related to the fourth quarter of 2013 and the first, second, and third quarters of 2014, and in 2014 we also paid distributions of $20.6 million to affiliates who hold noncontrolling interests in various entities with us. We recognized windfall tax benefits of $5.6 million in 2014 in connection with the exercise of employee stock options and the vesting of PSUs and restricted share units, or RSUs, which reduced our tax liability to various taxing authorities.

2013

Operating Activities — Cash flow from operating activities increased by $127.3 million during 2013 as compared to 2012, primarily due to operating cash flow generated from the properties we acquired in the CPA®:15 Merger, partially offset by a decrease in cash received for providing asset management services to the Managed REITs due to the cessation of such fees earned from CPA®:15 after the CPA®:15 Merger in September 2012.

Investing Activities — During 2013, we purchased seven investments for $265.4 million, which we partially funded with $51.7 million from the escrowed proceeds of the sales of properties in exchange transactions under Section 1031 of the Internal Revenue Code. Net funds that were released from escrow accounts totaled $43.1 million. We also used $6.9 million primarily to make capital improvements to various properties and $7.1 million to purchase corporate fixed assets. We used $15.0 million to make a loan to CPA®:18 – Global in order to facilitate its property acquisition, which it repaid in full during 2013. We received $58.0 million in distributions from equity investments in real estate and the Managed REITs in excess of cumulative equity income. We also received cash proceeds totaling $171.3 million from the sale of 28 properties and an equity investment, including $111.1 million from the sale of 19 self-storage properties.

Financing Activities — During 2013, we paid distributions to stockholders of $220.4 million and paid distributions of $72.1 million to affiliates who hold noncontrolling interests in various entities with us, including $40.8 million in connection with the sale of 19 self-storage properties (Note 16). We made scheduled mortgage loan principal payments of $391.8 million and received mortgage financing proceeds of $115.6 million. We received $300.0 million from the draw-down of the Unsecured Term Loan (Note 11), which we used primarily to pay off the outstanding balance on the Revolver at that time. Net borrowings under our Revolver increased overall by $22.0 million in 2013 and were comprised of gross borrowings of $435.0 million and repayments of $413.0 million. Net borrowings under our Revolver were primarily used for new investments. We also used $40.0 million to purchase shares of our common stock from the Estate of Mr. Wm. Polk Carey, our founder who passed away in January 2012 (Note 4). In connection with obtaining the Unsecured Term Loan and various mortgage financings, we paid financing costs totaling $2.4 million. We received contributions of $65.1 million from affiliates who hold noncontrolling interests in various entities with us, including $62.3 million received to repay a maturing mortgage loan. We recognized windfall tax benefits of $12.8 million in connection with the exercise of employee stock options and the vesting of PSUs and RSUs which reduced our tax liability to various taxing authorities.

Summary of Financing

The table below summarizes our non-recourse debt, our Senior Unsecured Credit Facility, and our 4.6% senior unsecured notes (dollars in thousands):

	December 31,			
	2014		2013	
Carrying Value				
Fixed rate:				
Non-recourse mortgages	$2,174,604		$1,139,122	
Senior unsecured notes	498,345		—	
	2,672,949		1,139,122	
Variable rate: [(a)]				
Revolver	807,518		100,000	
Term Loan Facility	250,000		175,000	
Unsecured Term Loan	—		300,000	
	1,057,518		575,000	
Non-recourse debt:				
Amount subject to interest rate swap and cap	320,220		321,409	
Amount subject to floating rate	24,299		27,600	
Amount of fixed-rate debt subject to interest rate reset features	13,560		4,279	
	358,079		353,288	
	$4,088,546		$2,067,410	
Percent of Total Debt				
Fixed rate	65	%	55	%
Variable rate	35	%	45	%
	100	%	100	%
Weighted-Average Interest Rate at End of Year				
Fixed rate	5.4	%	5.3	%
Variable rate	2.0	%	2.7	%

(a) As described in Note 13, in October 2014 we utilized $225.8 million of net proceeds from the Equity Offering to pay down a portion of the amount outstanding under the Revolver. As described in Note 11, in January 2014, the Prior Senior Credit Facility and Unsecured Term Loan were repaid and terminated with borrowings under the Senior Unsecured Credit Facility.

Credit Facilities and Unsecured Term Loan

Our credit facilities and Unsecured Term Loan are more fully described in Note 11. A summary of our credit facilities and our Unsecured Term Loan, which was repaid in full and terminated in January 2014, is provided below (in thousands):

	December 31, 2014		December 31, 2013	
	Outstanding Balance	Maximum Available	Outstanding Balance	Maximum Available
Senior Unsecured Credit Facility and Prior Senior Credit Facility:				
Revolver	$ 807,518	$ 1,000,000	$ 100,000	$ 450,000
Term Loan Facility	250,000	250,000	175,000	175,000
Unsecured Term Loan	—	—	300,000	300,000

Cash Resources

At December 31, 2014, our cash resources consisted of the following:

- Cash and cash equivalents totaling $198.7 million. Of this amount, $117.2 million, at then-current exchange rates, was held in foreign subsidiaries and we could be subject to restrictions or significant costs should we decide to repatriate these amounts;
- Our Revolver, with unused capacity of $192.5 million, excluding amounts reserved for outstanding letters of credit. Our lender has issued letters of credit totaling $1.1 million on our behalf in connection with certain contractual obligations, which reduce amounts that may be drawn under the facility; and
- We also had unleveraged properties that had an aggregate carrying value of $2.3 billion at December 31, 2014, although there can be no assurance that we would be able to obtain financing for these properties.

We also have the ability to access the capital markets, in the form of additional bond or equity offerings, if necessary. In January 2015 (Note 19), we exercised the Accordion Feature (Note 11) under our unsecured line of credit to increase the maximum borrowing capacity under the Revolver to $1.5 billion and obtained a new accordion feature totaling $500.0 million. We also issued €500.0 million of 2.0% senior unsecured notes and $450.0 million of 4.0% senior unsecured notes in separate public offerings during January 2015, the net proceeds of which were used to partially pay down amounts outstanding under our Revolver, to fund new investments, and for general corporate purposes. Our cash resources can be used for working capital needs and other commitments and may be used for future investments.

Cash Requirements

During the next 12 months, we expect that our cash requirements will include payments to acquire new properties, paying distributions to our stockholders and distributions to our affiliates that hold noncontrolling interests in entities we control, making scheduled interest payments on our senior unsecured notes (Note 11) and scheduled mortgage loan principal payments, including mortgage balloon payments totaling $133.0 million and $12.4 million on our consolidated and unconsolidated mortgage loan obligations, respectively, as well as other normal recurring operating expenses.

We expect to fund future investments, build-to-suit commitments, any capital expenditures on existing properties, scheduled debt maturities on non-recourse mortgage loans and any loans to the Managed REITs (Note 4) through cash generated from operations, the use of our cash reserves or unused amounts on our Revolver, and/or additional equity or debt offerings.

Off-Balance Sheet Arrangements and Contractual Obligations

The table below summarizes our debt, off-balance sheet arrangements and other contractual obligations at December 31, 2014 and the effect that these arrangements and obligations are expected to have on our liquidity and cash flow in the specified future periods (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Non-recourse debt — principal [a]	$2,525,796	$210,081	$1,111,104	$380,633	$823,978
Interest on borrowings [b]	682,367	126,411	215,855	141,730	198,371
Senior unsecured notes — principal [c]	500,000	—	—	—	500,000
Senior Unsecured Credit Facility — principal [d]	1,057,518	—	250,000	807,518	—
Operating and other lease commitments [e]	88,114	6,171	12,652	12,849	56,442
Build-to-suit and expansion commitments [f] [g]	37,886	25,751	10,605	1,530	—
Property improvement commitments	3,542	3,542	—	—	—
	$4,895,223	$371,956	$1,600,216	$1,344,260	$1,578,791

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(a) Excludes the unamortized fair market value adjustment of $6.9 million resulting from the assumption of property-level debt in connection with the CPA®:15 Merger and the CPA®:16 Merger, and the unamortized discount on the 4.6% senior unsecured notes of $1.7 million (Note 11).

(b) Interest on unhedged variable-rate debt obligations was calculated using the applicable annual variable interest rates and balances outstanding at December 31, 2014.

(c) Our 4.6% senior unsecured notes are scheduled to mature on April 1, 2024. Amounts exclude our €500.0 million 2.0% senior unsecured notes due in 2023 and our $450.0 million 4.0% senior unsecured notes due in 2025, which were issued in separate public offerings during January 2015 (Note 19).

(d) Our Revolver is scheduled to mature on January 31, 2018 and our Term Loan Facility is scheduled to mature on January 31, 2016.

(e) Operating and other lease commitments consist primarily of rental obligations under ground leases and the future minimum rents payable on the lease for our principal offices. Pursuant to their respective advisory agreements with us, we are reimbursed by the Managed REITs for their share of overhead costs, which includes a portion of those future minimum rent amounts. Our operating lease commitments are presented net of $8.7 million, which the Managed REITS are obligated to reimburse us.

(f) Represents a build-to-suit transaction we entered into in December 2013 for the construction of an office building located in Germany. Amount is based on the exchange rate of the euro at December 31, 2014.

(g) In connection with an investment in Australia, we committed to fund a tenant expansion allowance of $12.1 million. Amount is based on the exchange rate of the Australia dollar at December 31, 2014.

Amounts in the table above that relate to our foreign operations are based on the exchange rate of the local currencies at December 31, 2014, which consisted primarily of the euro. At December 31, 2014, we had no material capital lease obligations for which we were the lessee, either individually or in the aggregate.

Equity Method Investments

We have investments in unconsolidated investments that own single-tenant properties net leased to companies. Generally, the underlying investments are jointly-owned with our affiliates. Summarized financial information for these investments and our ownership interest in the investments at December 31, 2014 is presented below. Cash requirements with respect to our share of these debt obligations are discussed above under Cash Requirements. Summarized financial information provided represents the total amounts attributable to the investments and does not represent our proportionate share (dollars in thousands):

Lessee	Ownership Interest at December 31, 2014	Total Assets	Total Third-Party Debt	Maturity Date
Actebis Peacock GmbH [a] [b]	30%	$31,611	$24,345	7/2015
Waldaschaff Automotive GmbH and Wagon Automotive Nagold GmbH [a]	33%	33,383	16,141	8/2015
Frontier Spinning Mills, Inc. [b]	40%	37,250	21,444	8/2016
Wanbishi Archives Co. Ltd [c]	3%	29,805	21,679	12/2017
The New York Times Company [d]	45%	245,815	111,703	4/2018
C1000 Logistiek Vastgoed B. V. [a]	15%	108,994	82,700	3/2020
		$486,858	$278,012	

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(a) Dollar amounts shown are based on the exchange rate of the euro at December 31, 2014.
(b) We acquired our interest in this investment from CPA®:16 – Global in the CPA®:16 Merger.
(c) Dollar amounts shown are based on the exchange rate of the Japanese yen at December 31, 2014.
(d) In connection with the CPA®:16 Merger in January 2014, we acquired an additional 27% interest in this investment (Note 7).

Environmental Obligations

In connection with the purchase of many of our properties, we required the sellers to perform environmental reviews. We believe, based on the results of these reviews, that our properties were in substantial compliance with federal, state, and foreign environmental statutes at the time the properties were acquired. However, portions of certain properties have been subject to some degree of contamination, principally in connection with leakage from underground storage tanks, surface spills, or other on-site activities. In most instances where contamination has been identified, tenants are actively engaged in the remediation process and addressing identified conditions. Sellers are generally subject to environmental statutes and regulations regarding the discharge of hazardous materials and any related remediation obligations, and we frequently require sellers to address them before closing or obtain contractual protection (e.g. indemnities, cash, reserves, letters of credit, or other instruments) from sellers when we acquire a property. In addition, our leases generally require tenants to indemnify us from all liabilities and losses related to the leased properties and the provisions of such indemnifications specifically address environmental matters. The leases generally include provisions that allow for periodic environmental assessments, paid for by the tenant, and allow us to extend leases until such time as a tenant has satisfied its environmental obligations. Certain of our leases allow us to require financial assurances from tenants, such as performance bonds or letters of credit, if the costs of remediating environmental conditions are, in our estimation, in excess of specified amounts. With respect to our operating properties, which are not subject to net lease arrangements, there is no tenant to provide for indemnification, so we maybe liable for costs associated with environmental contamination in the event any such circumstances arise. However, we believe that the ultimate resolution of environmental matters should not have a material adverse effect on our financial condition, liquidity, or results of operations.

Critical Accounting Estimates

Our significant accounting policies are described in Note 2. Many of these accounting policies require judgment and the use of estimates and assumptions when applying these policies in the preparation of our consolidated financial statements. On a quarterly basis, we evaluate these estimates and judgments based on historical experience as well as other factors that we believe to be reasonable under the circumstances. These estimates are subject to change in the future if underlying assumptions or factors change. Certain accounting policies, while significant, may not require the use of estimates. Those accounting policies that require significant estimation and/or judgment are listed below.

Accounting for Acquisitions

In connection with our acquisition of properties, we allocate the purchase price to the tangible and intangible assets and liabilities acquired based on their respective estimated fair values.

Tangible Assets

The tangible assets consist of land, building and site improvements. The intangible assets include the above- and below- market value of the leases and the in-place lease which includes a value for tenant relationships. Land is typically valued utilizing the sales comparison (or market) approach. Buildings are valued, as if vacant, using the cost and/or income approach. Site improvements are valued using the cost approach. The fair value of real estate is determined by reference to portfolio appraisals which determines their values, on a property level, by applying a discounted cash flow analysis to the estimated cash net operating income, for each property in the portfolio during the remaining anticipated lease term, and the estimated residual value. The estimated residual value of each property is based on a hypothetical sale of the property upon expiration of a lease factoring in the re-tenanting of such property at estimated current market rental rates, applying a selected capitalization rate.

Assumptions used in the model are property-specific where this information is available; however, when certain necessary information is not available, we use available regional and property-type information. Assumptions and estimates include the following:

- a discount rate or internal rate of return;
- the marketing period necessary to put a lease in place;
- carrying costs during the marketing period;
- leasing commissions and tenant improvement allowances;
- market rents and growth factors of these rents; and
- a market lease term and a capitalization rate to be applied to an estimate of market rent at the end of the market lease term.

The discount rates and residual capitalization rates used to value the properties are selected based on several factors, including:

- the creditworthiness of the lessees;
- industry surveys;
- property type;
- property location and age;
- current lease rates relative to market lease rates; and
- anticipated lease duration.

In the case where a tenant has a purchase option deemed to be favorable to the tenant, or the tenant has long-term renewal options at rental rates below estimated market rental rates, we include the value of the exercise of such purchase option or long-term renewal options in the determination of residual value.

Where a property is deemed to have excess land, the discounted cash flow analysis includes the estimated excess land value at the assumed expiration of the lease, based upon an analysis of comparable land sales or listings in the general market area of the property grown at estimated market growth rates through the year of lease expiration.

The remaining economic life of leased assets is estimated by relying in part upon third-party appraisals of the leased assets, industry standards, and based on our experience. Different estimates of remaining economic life will affect the depreciation expense that is recorded.

Intangible Assets

We record above- and below-market lease intangible values for acquired properties based on the present value (using a discount rate reflecting the risks associated with the leases acquired including consideration of the credit of the lessee) of the difference between (i) the contractual rents to be paid pursuant to the leases negotiated and in place at the time of acquisition of the properties and (ii) our estimate of fair market lease rates for the property or equivalent property, both of which are measured over a period equal to the estimated lease term, which includes any renewal options that have rental rates below estimated market rental rates. Estimates of market rent are generally determined by us relying in part upon a third-party appraisal obtained in connection with the property acquisition and can include estimates of market rent increase factors, which are generally provided in the appraisal or by local real estate brokers. We measure the fair value of below-market purchase option liabilities we acquire as the excess of the present value of the fair value of the real estate over the present value of the tenant's exercise price at the option date.

We evaluate the specific characteristics of each tenant's lease and any pre-existing relationship with each tenant in determining the value of in-place lease intangibles. To determine the value of in-place lease intangibles, we consider the following:

- estimated market rent;
- estimated lease term including renewal options at rental rates below estimated market rental rates;
- estimated carrying costs of the property during a hypothetical expected lease-up period; and
- current market conditions and costs to execute similar leases, including tenant improvement allowances and rent concessions.

Estimated carrying costs of the property include real estate taxes, insurance, other property operating costs, and estimates of lost rentals at market rates during the market participants' expected lease-up periods, based on assessments of specific market conditions.

We determine these values using our estimates or by relying in part upon third-party appraisals conducted by independent appraisal firms.

Debt

When we acquire leveraged properties, the fair value of the related debt instruments is determined using a discounted cash flow model with rates that take into account the credit of the tenants, where applicable, and interest rate risk. Such resulting premium or discount is amortized over the remaining term of the obligation. We also consider the value of the underlying collateral taking into account the quality of the collateral, the credit quality of the tenant, the time until maturity, and the current interest rate.

Goodwill

In the case of a business combination, after identifying all tangible and intangible assets and liabilities, the excess consideration paid over the fair value of the assets and liabilities acquired and assumed, respectively, represents goodwill. We allocate goodwill to the respective reporting units in which such goodwill arose.

Impairments

We periodically assess whether there are any indicators that the value of our long-lived real estate and related intangibles may be impaired or that their carrying value may not be recoverable. These impairment indicators include, but are not limited to, the vacancy of a property that is not subject to a lease; an upcoming lease expiration, a tenant with credit difficulty, or a likely disposition of the property. We may incur impairment charges on long-lived assets, including real estate, direct financing leases, assets held for sale, and equity investments in real estate. We may also incur impairment charges on marketable securities and goodwill. Estimates and judgments used when evaluating whether these assets are impaired are presented below.

Real Estate

For real estate assets held for investment, which include finite-lived intangibles in which an impairment indicator is identified, we follow a two-step process to determine whether an asset is impaired and to determine the amount of the charge. First, we compare the carrying value of the property's asset group to the estimated future net undiscounted cash flow that we expect the property's asset group will generate, including any estimated proceeds from the eventual sale of the property's asset group. The undiscounted cash flow analysis requires us to make our best estimate of market rents, residual values, and holding periods. We estimate market rents and residual values using market information from outside sources such as broker quotes or recent comparable sales. Depending on the assumptions made and estimates used, the future cash flow projected in the evaluation of long-lived assets and associated intangible assets can vary within a range of outcomes. We consider the likelihood of possible outcomes in determining our estimate of future cash flows and, if warranted, we apply a probability-weighted method to the different possible scenarios. If the future net undiscounted cash flow of the property's asset group is less than the carrying value, the carrying value of the property's asset group is considered not recoverable. We then measure the impairment loss as the excess of the carrying value of the property's asset group over its estimated fair value. The property's asset group's estimated fair value is primarily determined using market information from outside sources such as broker quotes or recent comparable sales. In cases where the available market information is not deemed appropriate, we perform a future net cash flow analysis discounted for inherent risk associated with each asset to determine an estimated fair value.

Assets Held for Sale

We classify real estate assets that are accounted for as operating leases as held for sale when we have entered into a contract to sell the property, all material due diligence requirements have been satisfied, and we believe it is probable that the disposition will occur within one year. When we classify an asset as held for sale, we carry the investment at the lower of its current carrying value or the fair value, less estimated cost to sell. We base the fair value on the contract and the estimated cost to sell on information provided by brokers and legal counsel. We then compare the asset's fair value, less estimated cost to sell to its carrying value, and if the fair value, less estimated cost to sell is less than the property's carrying value, we reduce the carrying value to the fair value, less estimated cost to sell. We will continue to review the initial impairment for subsequent changes in the fair value, and may recognize an additional impairment charge if warranted.

Direct Financing Leases

We review our direct financing leases at least annually to determine whether there has been an other-than-temporary decline in the current estimate of residual value of the property. The residual value is our estimate of what we could realize upon the sale of the property at the end of the lease term, based on market information. If this review indicates that a decline in residual value has occurred that is other-than-temporary, we recognize an impairment charge equal to the difference between the fair value and the carrying amount of the residual value.

When we enter into a contract to sell the real estate assets that are recorded as direct financing leases, we evaluate whether we believe it is probable that the disposition will occur. If we determine that the disposition is probable, we assess the carrying amount for recoverability and if as a result of the decreased expected cash flows, we determine that our carrying value is not fully recoverable, we record an allowance for credit losses to reflect the change in the estimate of the undiscounted future rents. Accordingly, the net investment balance is written down to fair value.

Equity Investments in Real Estate and the Managed REITs

We evaluate our equity investments in real estate and in the Managed REITs on a periodic basis to determine if there are any indicators that the value of our equity investments may be impaired and whether or not that impairment is other-than-temporary. For our equity investments in real estate, we calculate the estimated fair value of the underlying investment's real estate or net investment in direct financing lease as described in Real Estate and Direct Financing Leases above. The fair value of the underlying investment's debt, if any, is calculated based on market interest rates and other market information. The fair value of the underlying investment's other financial assets and liabilities (excluding net investment in direct financing leases) have fair values that generally approximate their carrying values. For our investments in certain Managed REITs, we calculate the estimated fair value of our investment using the most recently published net asset value per share of each Managed REIT, which for CPA®:18 – Global is deemed to be the most recent offering price through December 31, 2014, multiplied by the number of shares owned.

Goodwill

We evaluate goodwill for possible impairment at least annually or upon the occurrence of a triggering event using a two-step process. To identify any impairment, we first compare the estimated fair value of each of our reporting units with their respective carrying amount, including goodwill. We calculate the estimated fair value of the Investment Management reporting unit by applying a price-to-EBITDA multiple to earnings. For the Real Estate Ownership reporting unit, we calculate its estimated fair value by applying an AFFO multiple. For both reporting units, the multiples are based on comparable companies. The selection of the comparable companies and transactions to be used in our evaluation process could have a significant impact on the fair value of our reporting units and possible impairments. If the fair value of the reporting unit exceeds its carrying amount, we do not consider goodwill to be impaired and no further analysis is required. If the carrying amount of the reporting unit exceeds its estimated fair value, we then perform the second step to determine and measure the amount of the potential impairment charge.

For the second step, if it were required, we compare the implied fair value of the goodwill for each reporting unit with its respective carrying amount and record an impairment charge equal to the excess of the carrying amount over the implied fair value. We would determine the implied fair value of the goodwill by allocating the estimated fair value of the reporting unit to its assets and liabilities. The excess of the estimated fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of the goodwill.

Our annual impairment test for the goodwill recorded in both our reporting units is evaluated in the fourth quarter of every year.

Proposed Accounting Change

The following proposed accounting change may potentially impact our Real Estate Ownership and Investment Management segments if the outcome has a significant influence on sale-leaseback demand in the marketplace:

The International Accounting Standards Board and the Financial Accounting Standards Board have issued an Exposure Draft on a joint proposal that would dramatically transform lease accounting from the existing model. These changes would impact most companies but are particularly applicable to those that are significant users of real estate. The proposal outlines a new model for accounting by lessees, whereby their rights and obligations under substantially all leases, existing and new, would be capitalized and recorded on the balance sheet. For some companies, the new accounting guidance may influence whether or not, or the extent to which, they may enter into the type of sale-leaseback transactions in which we specialize. In May 2013, the International Accounting Standards Board and the Financial Accounting Standards Board issued a revised exposure draft for public comment and the comment period ended in September 2013. As of the date of this Report, the International Accounting Standards Board and the Financial Accounting Standards Board continue their redeliberations of the proposals included in the May 2013 Exposure Draft based on the comments received, and the proposed guidance has not yet been finalized, and as such we are unable to determine whether this proposal will have a material impact on our business.

Supplemental Financial Measures

In the real estate industry, analysts and investors employ certain non-GAAP supplemental financial measures in order to facilitate meaningful comparisons between periods and among peer companies. Additionally, in the formulation of our goals and in the evaluation of the effectiveness of our strategies, we use Funds from Operations, or FFO, and AFFO, supplemental non-GAAP measures, which are uniquely defined by our management. We believe that these measures are useful to investors to consider because they may assist them to better understand and measure the performance of our business over time and against similar companies. A description of FFO and AFFO and reconciliations of FFO and AFFO to the most directly comparable GAAP measures are provided below.

Adjusted Funds from Operations

FFO is a non-GAAP measure defined by the National Association of Real Estate Investment Trusts, or NAREIT. NAREIT defines FFO as net income or loss (as computed in accordance with GAAP) excluding: depreciation and amortization expense from real estate assets, impairment charges on real estate, gains or losses from sales of depreciated real estate assets and extraordinary items; however, FFO related to assets held for sale, sold or otherwise transferred and included in the results of discontinued operations are included. These adjustments also incorporate the pro rata share of unconsolidated subsidiaries. FFO is used by management, investors and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers. Although NAREIT has published this definition of FFO, companies often modify this definition as they seek to provide financial measures that meaningfully reflect their distinctive operations.

We modify the NAREIT computation of FFO to include other adjustments to GAAP net income to adjust for certain non-cash charges such as amortization of real estate-related intangibles, deferred income tax benefits and expenses, straight-line rents, stock compensation, gains or losses from extinguishment of debt and deconsolidation of subsidiaries and unrealized foreign currency exchange gains and losses. Our assessment of our operations is focused on long-term sustainability and not on such non-cash items, which may cause short-term fluctuations in net income but have no impact on cash flows. Additionally, we exclude acquisition expenses and non-core expenses such as merger and restructuring expenses. Merger expenses are related to the CPA®:15 Merger and the CPA®:16 Merger, and restructuring expenses are related to the restructuring of Hellweg 2. We also exclude realized gains/losses on foreign exchange and derivatives, which are not considered fundamental attributes of our business plan and do not affect our overall long-term operating performance. We refer to our modified definition of FFO as AFFO. We exclude these items from GAAP net income as they are not the primary drivers in our decision making process and excluding those items provides investors a view of our portfolio performance over time and make it more comparable to other REITs which are currently not engaged in acquisitions, mergers and restructuring which are not part of our normal business operations. We use AFFO as one measure of our operating performance when we formulate corporate goals, evaluate the effectiveness of our strategies, and determine executive compensation.

We believe that AFFO is a useful supplemental measure for investors to consider as we believe it will help them to better assess the sustainability of our operating performance without the potentially distorting impact of these short-term fluctuations. However, there are limits on the usefulness of AFFO to investors. For example, impairment charges and unrealized foreign currency losses that we exclude may become actual realized losses upon the ultimate disposition of the properties in the form of lower cash proceeds or other considerations. We use our FFO and AFFO measures as supplemental financial measures of operating performance. We do not use our FFO and AFFO measures as, nor should they be considered to be, alternatives to net earnings computed under GAAP or as alternatives to cash from operating activities computed under GAAP or as indicators of our ability to fund our cash needs.

FFO and AFFO were as follows (in thousands):

	Years Ended December 31,		
	2014	2013	2012
Net income attributable to W. P. Carey	$239,826	$98,876	$62,132
Adjustments:			
Depreciation and amortization of real property	232,692	121,730	45,982
(Gain) loss on sale of real estate, net	(34,079)	(39,711)	2,676
Impairment charges	23,067	13,156	22,962
Proportionate share of adjustments for noncontrolling interests to arrive at FFO	(11,808)	5,783	(5,504)
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at FFO:			
Depreciation and amortization of real property	5,381	10,588	5,545
Gain on sale of real estate, net	—	(16,456)	(15,233)
Total adjustments	215,253	95,090	56,428
FFO (as defined by NAREIT)	455,079	193,966	118,560
Adjustments:			
Gain on change in control of interests [(a)] [(b)]	(105,947)	—	(20,734)
Above- and below-market rent intangible lease amortization, net	59,050	29,197	7,696
Merger expenses [(c)]	44,339	5,030	41,338
Stock-based compensation	31,075	37,195	26,052
Tax benefit — deferred and other non-cash charges	(22,582)	(19,370)	(26,800)
Straight-line and other rent adjustments	(17,116)	(8,019)	(4,446)
Other amortization and non-cash charges [(d)]	10,343	779	(585)
Loss on extinguishment of debt	9,835	1,189	—
Other, net [(e)]	5,369	(462)	(118)
Amortization of deferred financing costs	4,077	4,069	3,040
Property acquisition expenses [(f)]	3,994	4,074	—
Realized (gains) losses on foreign currency, derivatives and other	(95)	717	767
Proportionate share of adjustments to equity in net income of partially-owned entities to arrive at AFFO:			
AFFO adjustments to equity earnings from equity investments	6,190	41,587	37,234
Straight-line rent and other rent adjustments	(359)	(516)	(1,468)
Other amortization and non-cash charges [(d)]	196	691	624
Above- and below-market rent intangible lease amortization, net	24	1,086	163
Hellweg 2 restructuring [(g)]	—	8,357	—
Impairment charge	—	553	—
Proportionate share of adjustments for noncontrolling interests to arrive at AFFO	(3,006)	(5,972)	(692)
Total adjustments	25,387	100,185	62,071
AFFO	$480,466	$294,151	$180,631
Summary			
FFO — as defined by NAREIT	$455,079	$193,966	$118,560
AFFO	$480,466	$294,151	$180,631

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(a) Gain on change in control of interests for the year ended December 31, 2014 represents a gain of $75.7 million recognized on our previously-held interest in shares of CPA®:16 – Global common stock and a gain of $30.2 million recognized on the purchase of the remaining interests in nine investments from CPA®:16 – Global, which we had previously accounted for under the equity method.

(b) Gain on change in control of interests for the year ended December 31, 2012 represents a gain of $14.6 million recognized on our previously-held interest in shares of CPA®:15 common stock, and a gain of $6.1 million recognized on the purchase of the remaining interests in five investments from CPA®:15, which we had previously accounted for under the equity method.

(c) Amount for the years ended December 31, 2014 and 2012 includes reported merger costs as well as income tax expense incurred in connection with the CPA®:16 Merger and the CPA®:15 Merger, respectively. Income tax expense incurred in connection with the CPA®:16 Merger and the CPA®:15 Merger represents the current portion of income tax expense including the permanent difference incurred upon recognition of deferred revenue associated with the accelerated vesting of shares previously issued to us by CPA®:16 – Global and CPA®:15 for asset management and performance fees.

(d) Represents primarily unrealized gains and losses from foreign currency exchange and derivatives, as well as amounts for the amortization of contracts.