W. P. CAREY

2013 Annual Report

A world of opportunity

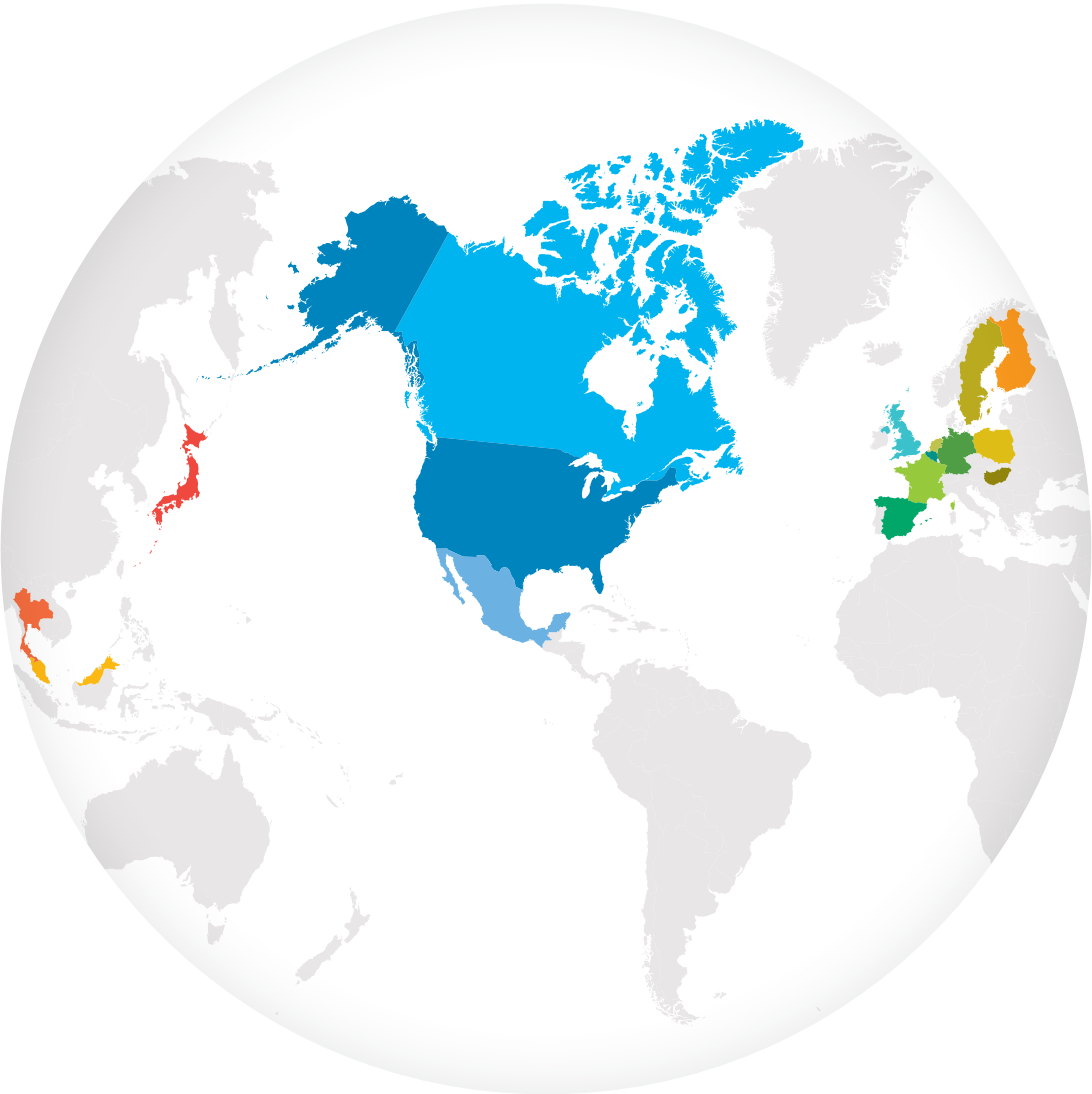
Investing for the long run™

Income generation for generations of investors

Our strategy to build long-term shareholder value and provide our investors with rising income has not wavered during our 40+ year history. We strive to accomplish these goals by:

- structuring investments with contractual rental increases
- growing our managed portfolio
- making accretive asset acquisitions for our owned portfolio
- maintaining our disciplined investment approach

W. P. Carey Inc. is a global net lease REIT that provides long-term sale-leaseback and build-to-suit financing solutions for companies worldwide and acts as manager to a series of income-oriented non-traded REITs.



Our investments worldwide

United States
504 properties

France
82 properties

Germany
69 properties

Poland
18 properties

Finland
10 properties

Netherlands
9 properties

United Kingdom
6 properties

Canada
3 properties

Hungary
2 properties

Thailand
2 properties

Belgium
1 property

Japan
1 investment

Malaysia
1 property

Mexico
1 property

Spain
1 property

Sweden
1 property

This Annual Report includes statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. We cannot guarantee that any forward-looking statement will be accurate. Investors should consider the risk factors identified in our periodic reports filed with the SEC when evaluating our forward-looking statements.

Dear Fellow Investors

2013 was a year of many opportunities for W. P. Carey: we continued to expand and diversify our owned and managed portfolios globally, applied our underwriting expertise to a broader scope of investments in an increasingly competitive environment, closed on record investment volume, sold our self-storage fund, and achieved our dual goals of providing investors with consistent income and long-term value.

As a result, we had another strong year, during which we:

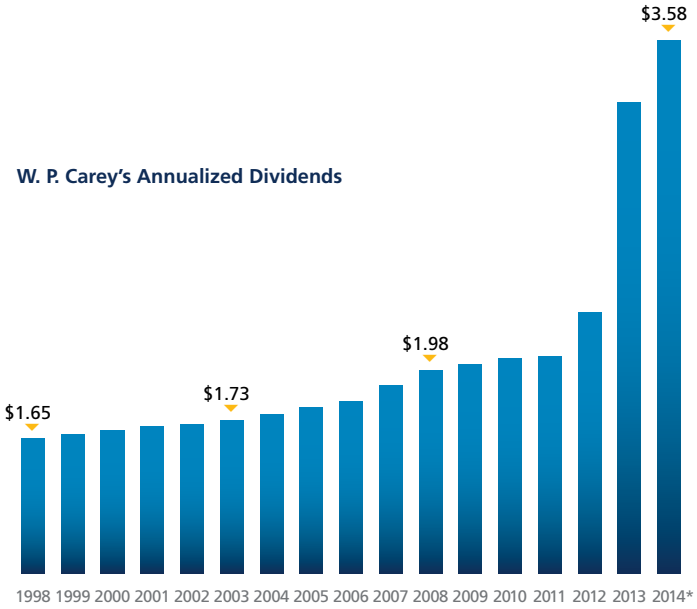
- Closed on record investment volume of $1.8 billion, including $350 million on our own balance sheet and $1.4 billion on behalf of our managed REITs.
- Increased Adjusted Funds from Operations (AFFO) for 2013 to $4.22 per share, up 12% over the prior year.*
- Raised our annualized dividend rate to $3.48 during the fourth quarter of 2013—our 51st consecutive quarterly increase and a 31.8% increase over the fourth quarter of 2012.
- Generated a total shareholder return for 2013 of approximately 23%.

*Please refer to page 15 for additional information on AFFO.

Our core skills in financial analysis and credit assessment enable us to identify corporate credits that we expect will improve over time, thus improving the overall quality of our portfolios. We believe that our ability to seek out and execute such "out of the box" opportunities is a core competency and key driver of our long-term success, as well as a point of differentiation.

Despite increasing competition in the net lease space and uncertainty over the pace and impact of rising interest rates, our global coverage and expertise continue to enable us to access a deeper, broader pool of attractive opportunities that may not fit into the box for other net lease buyers. While these investments require more work to underwrite and negotiate, they allow us to diversify risk—notwithstanding a competitive U.S. climate. In addition, our core skills in financial analysis and credit assessment enable us to identify corporate credits that we expect will improve over time, thus improving the overall quality of our portfolios. We believe that our ability to seek out and execute such "out of the box" opportunities is a core competency and key driver of our long-term success, as well as a point of differentiation.

W. P. Carey's Annualized Dividends



Past performance is not a guarantee of future results. *3/20/14

Our Investment Management platform continues to be a unique and valuable component of our business model that has proved to be a steady source of fundraising even during periods of turmoil in more traditional markets.

With more than 15 years of investing experience in European markets, we continue to prove ourselves nimble, competitive and able to provide funding for corporations, developers and owners of institutional quality corporate assets—at a time when more traditional European lenders and investors have been trimming their balance sheets. Approximately half of our 2013 investments were located in Europe.

Included among our 2013 highlights was the opportunistic sale of our institutional self-storage fund, of which W. P. Carey's ownership interest was 38.3%. In addition to providing an attractive return, its sale to one of the big-four storage REITs underscored the success of our strategy, as well as our continued ability to enhance revenues from our Investment Management platform beyond the net lease space.

During the first quarter of 2014, we completed a number of strategic steps designed to deliver long-term growth for our stockholders and position the company for enhanced access to capital markets. Specifically, we completed a merger with one of our managed REITs, CPA®:16 – Global, successfully executed our inaugural public debt offering, increased the capacity of our unsecured line of credit, and obtained investment grade ratings from both Moody's and Standard & Poor's.

While the merger with CPA®:16 – Global had the positive effect of increasing our market capitalization to $5.9 billion and our enterprise value to $9.6 billion, we don't believe that scale alone will enhance stockholder value unless it leads to sustained AFFO per share growth. This focus has led us to the types of investments that we believe will continue to support AFFO growth through:

- Diversification—by property type, industry and geography
- Use of conservative leverage
- Contractual rental increases embedded into our leases

Contractual rent increases include both fixed and Consumer Price Index-tied bumps that help us maintain a consistent income stream even during times of rising inflation or economic downturns. We are able to structure our leases in this way because we partner with tenants that we believe will continue to operate in our buildings 10 and 20 years down the road. Thus, we are investing in their future, as well as ours. This combination has produced a portfolio of assets that both we and the investment community view as comparable with investment grade.

Our Investment Management platform continues to be a unique and valuable component of our business model that has proved to be a steady source of fundraising even during periods of turmoil in more traditional markets. During 2013, we commenced fundraising for CPA®:18 – Global, which intends to raise up to $1 billion of equity, and we recently launched a secondary offering of up to $350 million for our lodging REIT, Carey Watermark Investors. Our challenge is to balance the capital we raise with attractive investment opportunities, and we believe that our ability to cast a wide net within the framework of our established investment criteria allows us to do just that.

In conclusion, given our increased scale and access to multiple capital sources, the ongoing value provided through our Investment Management platform, and the hard work and entrepreneurial spirit of our employees, we believe that we are better positioned to capitalize on a wider range of global opportunities than others in the net lease sector.

Combining our established capabilities with the strategies implemented over the last year, we look forward to continuing to increase AFFO and dividends, growing total assets owned and under management, and creating long-term value for our stockholders as we source and secure the "World of Opportunity" we believe to be uniquely available to us.

With best wishes,

Trevor P. Bond
President and Chief Executive Officer

A world of opportunity

Pioneering, entrepreneurial, opportunistic. Disciplined, prudent, consistent.

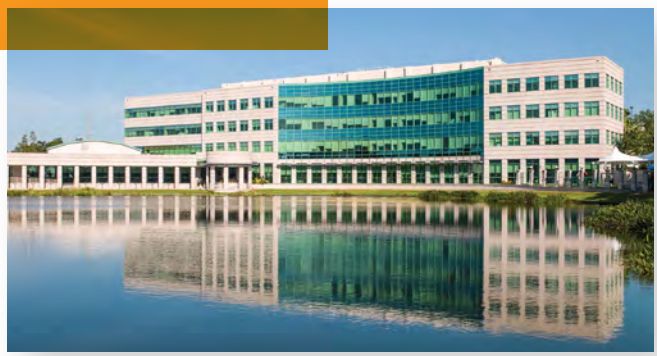
W. P. Carey is a combination of these attributes, which, together with 40 years of investing for the long term, enables us to evaluate the world of opportunity before us.

For each pioneering, entrepreneurial, opportunistic endeavor we have embarked upon, we have balanced the risk with a disciplined, prudent investment approach. This combination has enabled us to provide our investors with consistently rising dividends and long-term value.

We made our first investment in France in 1998, bringing sale-leaseback financing to Europe.

Wm. Polk Carey pioneered the concept of offering individual investors seeking steady income and capital preservation the ability to invest in portfolios of diversified net lease real estate.

We learned early on the value of rent escalators in our leases, and subsequent to our first investment program—CPA®:1—we have endeavored to embed these clauses into our leases in order to protect ourselves in times of rising interest rates and inflation.



Soon after our first European investment, we opened our London office in 1999, our Amsterdam asset management office in 2008 and our Shanghai office in 2010 and hired local talent so that we truly could understand the nuances of each market.

In 2010, we launched Carey Watermark Investors (CWI), our non-traded lodging REIT, to take advantage of the greatest dislocation in the hotel industry since the 1930s.

We had made several hotel investments in the years prior to 2010, developing a relationship with our CWI partner, Watermark Capital Partners, a company with decades of lodging industry investment, management and strategic value-enhancement experience.

In 2004, we entered the self-storage space with the purchase of 78 U-Haul facilities. Together with our managed REITs, we are the ninth largest owner of self-storage properties in the U.S.

We eased our way into the self-storage sector, first providing traditional sale-leaseback financing and then evolving the types of transactions structured as our expertise grew.

At a time of increased competition in the net lease sector, our recognition as an international, diversified investor has continued to provide us with steady deal flow and has broadened the scope of opportunities that meet our established investment criteria. We continue to expand this global footprint by seeking such opportunities in new markets and products and by taking advantage of our access to public and private capital.

We are in a unique position to take on the world of opportunity we see today.

Opportunities executed

Growing our portfolio

In 2013, we sourced, structured and completed transactions that support our strategy of generating income and value for our investors. We saw opportunity in a variety of industries and geographic areas and closed $1.8 billion in global investments—$350 million for our own portfolio and $1.4 billion for our managed non-traded REITs. The following are examples of acquisitions made for W. P. Carey's owned portfolio.

Tommy Hilfiger

Location: Venlo, Netherlands
Property Type: Main European Distribution Center
Acquisition Date: April 2013
Space: 473,611 square feet

Headquartered in Amsterdam, Tommy Hilfiger Europe B.V. represents the European business of the Tommy Hilfiger Group. In Europe, Tommy Hilfiger sells to more than 9,000 wholesalers and owns/operates 118 retail stores and 43 outlet stores. Since 2010, the Tommy Hilfiger Group has been owned by PVH Corp. (NYSE: PVH), one of the world's largest apparel companies.

W. P. Carey acquired the main European distribution center of the Tommy Hilfiger Group from its current landlord, Aspen Real Estate Investments BV. The total acquisition cost for the facility was $35.3 million (€27 million). The 473,611 square-foot facility is subject to an existing net lease with Tommy Hilfiger Europe B.V.

The facility is Tommy Hilfiger's main logistics center for all of Europe. It has received significant investment by Tommy Hilfiger for internal fit-out and has both unbuilt land and adjacent land available for expansion. The facility is located in Venlo, a core logistics hub in the Netherlands. Venlo is an established distribution location, with close proximity to the German border and the two largest ports in Europe.

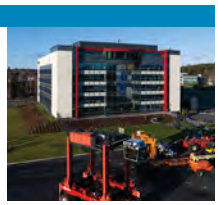
Kraft Foods

Location: Northfield, Illinois
Property Type: Corporate Headquarters
Acquisition Date: January 2013
Space: 679,109 square feet

Kraft Foods Group, Inc. (NASDAQ: KRFT), North America's fourth largest consumer packaged food and beverage company, launched as a public and independent company on October 1, 2012.

W. P. Carey acquired Kraft's 70-acre corporate headquarters campus in Northfield, Illinois for $72 million. The 679,109 square-foot facility is leased to Kraft on a long-term triple-net basis.

Kraft was able to redeploy illiquid capital tied up in real estate into its core business and W. P. Carey secured a high-quality, long-term leased asset for its portfolio.



Cargotec

Location: Tampere, Finland
Property Type: R&D and Class-A Office Facility
Acquisition Date: June 2013
Space: 183,568 square feet

Cargotec is a Finnish public company that develops and manufactures cargo-handling machinery for ships, ports, terminals and local distribution. Cargotec's products are used in every major port around the globe and on half of the world's oceangoing fleet. It operates in 120 countries and employs approximately 10,000 personnel globally.

W. P. Carey acquired Cargotec's research and development and Class-A office facility in Tampere, Finland for $52 million (€40 million). The 183,568 square-foot facility is leased to Cargotec under a 20-year triple-net lease.

Completed in December 2012, Cargotec's Technology and Competence Center is dedicated to research and development of energy-efficient, safe and intelligent machinery and automation solutions. The facility is located in an established office and industrial region of Tampere, near the Tampere University of Technology, the leading technical university in Finland.

A unique model

Diverse capabilities and investment platforms

W. P. Carey is a global net lease REIT with a unique model: we own a diversified portfolio of income-generating real estate assets and we receive management fees from our managed non-traded REITs, which, on a pro forma basis, represented approximately 17% of our revenues following our merger with CPA®:16 – Global on January 31, 2014. Currently, we manage CPA®:17 – Global, CPA®:18 – Global and Carey Watermark Investors (CWI).

Our investment management business provides us with strategic advantages that differentiate us from other REITs: access to capital through various market cycles and a stable stream of asset management fees. In addition, it affords us the opportunity to grow our assets under management, and thereby our revenues, to support our stable dividend. We continue to explore opportunities to apply our disciplined investment approach to new products and geographic areas in order to continue growing this aspect of our business.

CPA®:17 – Global

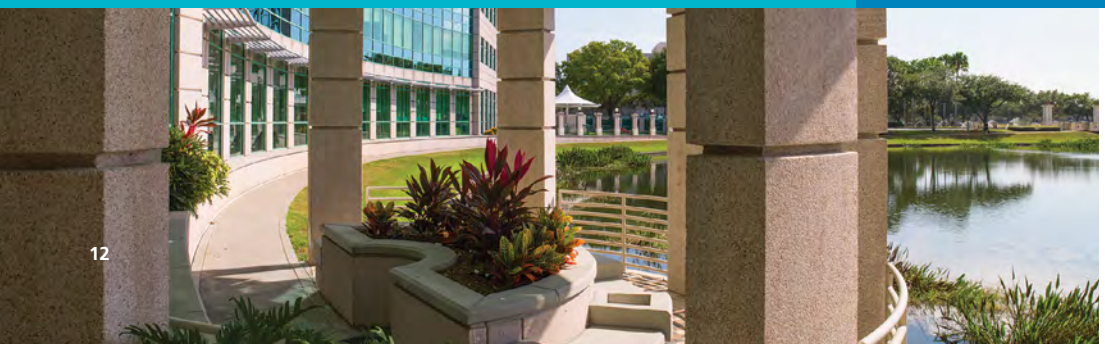
In 2013, CPA®:17 – Global made investments totaling $517 million. The 28 properties acquired included the new European Innovation Center of Royal FrieslandCampina, an H&M distribution center in Poland, and the corporate headquarters of Avnet Technology Solutions. As of December 31, 2013, CPA®:17 – Global's $5 billion diversified portfolio consisted of 99 tenants in 10 countries and 27 industries.

CPA®:18 – Global

CPA®:18 – Global began fundraising in July 2013 and raised $636 million of the $1 billion offering as of March 31, 2014. We made three investments on behalf of CPA®:18 – Global in 2013: State Farm's Austin operations center (owned 50% by CPA®:18 – Global and 50% by CPA®:17 – Global), three industrial facilities leased to Crowne Group and five Agrokor retail stores in Croatia (owned 80% by CPA®:18 – Global and 20% by CPA®:17 – Global). Subsequently, CPA®:18 – Global closed six investments in early 2014, including the Siemens AS headquarters—Norway's most energy-efficient office building with a LEED Gold (Energy-A) rating.

Carey Watermark Investors

Carey Watermark Investors, or CWI, has allowed us to capitalize on our experience in the lodging industry at a time that we believe was the bottom of the hotel cycle—when we felt advantageously positioned to execute on attractive opportunities to generate growth with income for investors. In 2013, CWI made investments in 12 properties with a total acquisition cost of approximately $745 million. These included the Renaissance Chicago Downtown Hotel, Hawks Cay Resort in the Florida Keys, the Hutton Hotel in Nashville and a five-property Hilton Worldwide-branded portfolio. We also completed a joint venture with Fairmont Hotels & Resorts for The Fairmont Sonoma Mission Inn & Spa.



Performance of W. P. Carey's Liquidated CPA® Programs

Since the founding of Corporate Property Associates—CPA®—series of programs in 1979, we've sponsored 18 real estate investment programs, including CWI. Fifteen CPA® programs have gone full cycle, having delivered quarterly income and solid long-term total returns to generations of investors. This track record has created tremendous value and brand loyalty for W. P. Carey with the financial advisors who offer our non-traded REIT investments to their clients. This directly benefits the stockholders in W. P. Carey Inc. through the stable management fees that we earn.

	Program life	Total cash distributions plus liquidation value per $10,000 investment	Average annual return
CPA®:1	1979-1998	$23,670	**7.17%**
CPA®:2	1980-1998	$36,864	**14.89%**
CPA®:3	1982-1998	$40,806	**18.81%**
CPA®:4	1983-1998	$31,007	**13.85%**
CPA®:5	1984-1998	$21,024	**7.72%**
CPA®:6	1985-1998	$26,382	**12.47%**
CPA®:7	1987-1998	$21,504	**10.15%**
CPA®:8	1988-1998	$22,851	**13.10%**
CPA®:9	1989-1998	$18,393	**9.59%**
CPA®:10	1991-2002	$20,833	**8.81%**
CIP®	1992-2004	$24,243	**11.22%**
CPA®:12	1994-2006	$23,689	**10.91%**
CPA®:14	1998-2011	$21,719	**8.96%**
CPA®:15	2002-2012	$20,208	**9.58%**
CPA®:16 – Global	2003-2014	$17,534	**7.53%**

Past performance is not a guarantee of future results.

Active management

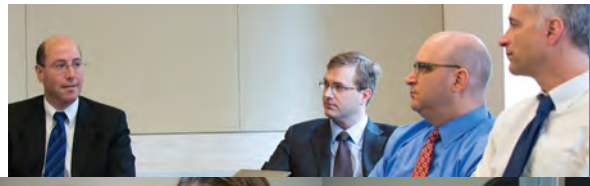
Think globally, act locally

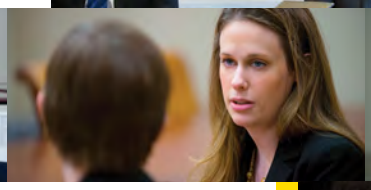
To us, active asset management means not only achieving our investment team's initial goals, but also seeking opportunities to beat them, while protecting the downside.

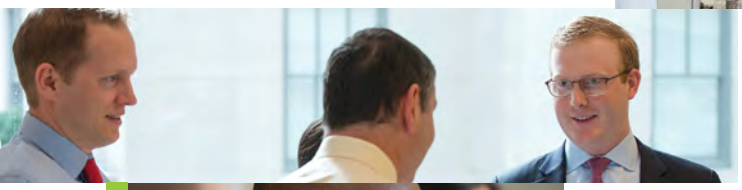
Our asset management approach can be summarized as follows: we think globally and act locally. With asset management officers based in New York, Amsterdam and Shanghai, we bring a global outlook to managing portfolios and the local knowledge to build close working relationships with our tenants. By analyzing their industries, the local markets in which they operate and the ongoing criticality of the properties we lease to them, we are prepared to deal effectively with end-of-lease decisions, manage the sale or re-tenanting of a property when a tenant decides to vacate, or uncover expansion opportunities.

As W. P. Carey has evolved from the manager of a series of non-traded REITs to the owner of a diverse global portfolio, our asset management team also has evolved. This past year, our team's skills and depth of experience allowed us to anticipate opportunities and potential issues in our portfolios and to ensure that our facilities remain occupied; that rent is paid and transmitted on time; that assets are sold if the right opportunity arises; and, if a tenant does encounter financial difficulty, that we will continue to receive the rental income upon which our investors have come to rely. These capabilities have been a key factor in creating ongoing value for our stockholders. Here are a few examples of successful asset management transactions in 2013:

During 2013, we disposed of 28 properties with total proceeds of $176 million.







W. P. Carey's portfolio occupancy rate is 98%.

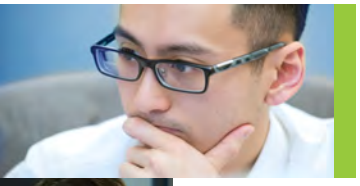
Matching opportunities: timing is everything

Recognizing the current strength of the local market and the inherent volatility of the airline industry, we locked in a favorable sale price for a Class-A asset that has been leased to US Airways since we acquired the facility in 1998. We redeployed the sale proceeds on a tax-deferred basis, acquiring an existing long-term lease with a creditworthy tenant, tw telecom. The pricing and value of this investment were further enhanced by our ability to meet the seller's liquidity objectives by closing prior to year-end.

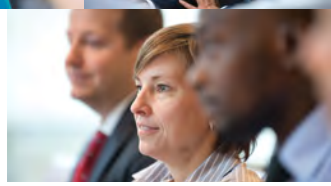
Turning a lease termination into a value-add opportunity

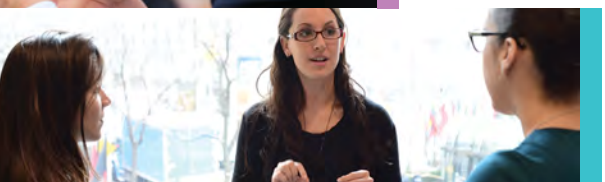
In 1981, we acquired a facility leased to Western Union for $6 million. Over the course of 30+ years, we stayed close to the tenant and worked through a tenant-funded $8 million renovation of the property. The tenant decided to terminate the lease, at which time we negotiated a termination fee that enabled us to recoup our equity investment in the property. In March 2013, we secured a new tenant that is investing an additional $11.5 million in renovations.

No matter where a particular asset is located, we believe that timely information is the key to successful asset management.



We are a proactive asset manager and capital recycler, completing, on average, more than 100 discrete asset management transactions a year.





Creating value out of opportunity

2013 results

As a result of our merger with CPA®:16 – Global and our increased scale and portfolio diversification, we believe we are in a good position to capitalize on new opportunities that support our long-standing tradition of stable dividend growth and value creation for our investors.

2013 was marked by continued growth of our owned portfolio, as well as substantial acquisitions on behalf of our managed REITs. Our record total acquisition volume of $1.8 billion included significant net lease acquisitions in Europe, as well as considerable activity in both self-storage properties and hotels, which generated structuring and asset management fees. In addition, our activities as a proactive asset manager and capital recycler resulted in the disposition of 28 properties for a total of $176 million in 2013.

Tenant Industry Diversification Chart

- Aerospace and Defense (1.30%)
- Automobile (5.05%)
- Banking (0.86%)
- Beverages, Food and Tobacco (4.20%)
- Buildings and Real Estate (3.19%)
- Business and Commercial Services (5.23%)
- Chemicals, Plastics, Rubber and Glass (6.09%)
- Construction and Building (4.56%)
- Consumer and Durable Goods (0.95%)
- Consumer Non-durable Goods (2.45%)
- Consumer Services (0.39%)
- Electronics (9.79%)
- Federal, State and Local Governments (2.41%)
- Forest Products and Paper (0.53%)
- Grocery (2.17%)
- Healthcare, Education and Childcare (5.16%)
- Hotels and Gaming (3.46%)
- Insurance (1.98%)
- Leisure, Amusement, Entertainment (3.16%)
- Machinery (3.14%)
- Media: Printing and Publishing (2.03%)
- Mining, Metals and Primary Metal Industries (1.19%)
- Retail (21.89%)
- Telecommunications (2.98%)
- Textiles, Leather and Apparel (0.93%)
- Transportation—Cargo (2.99%)
- Transportation—Personal (1.75%)
- Utilities (0.15%)
- Other (0.02%)

Pro rata as of December 31, 2013

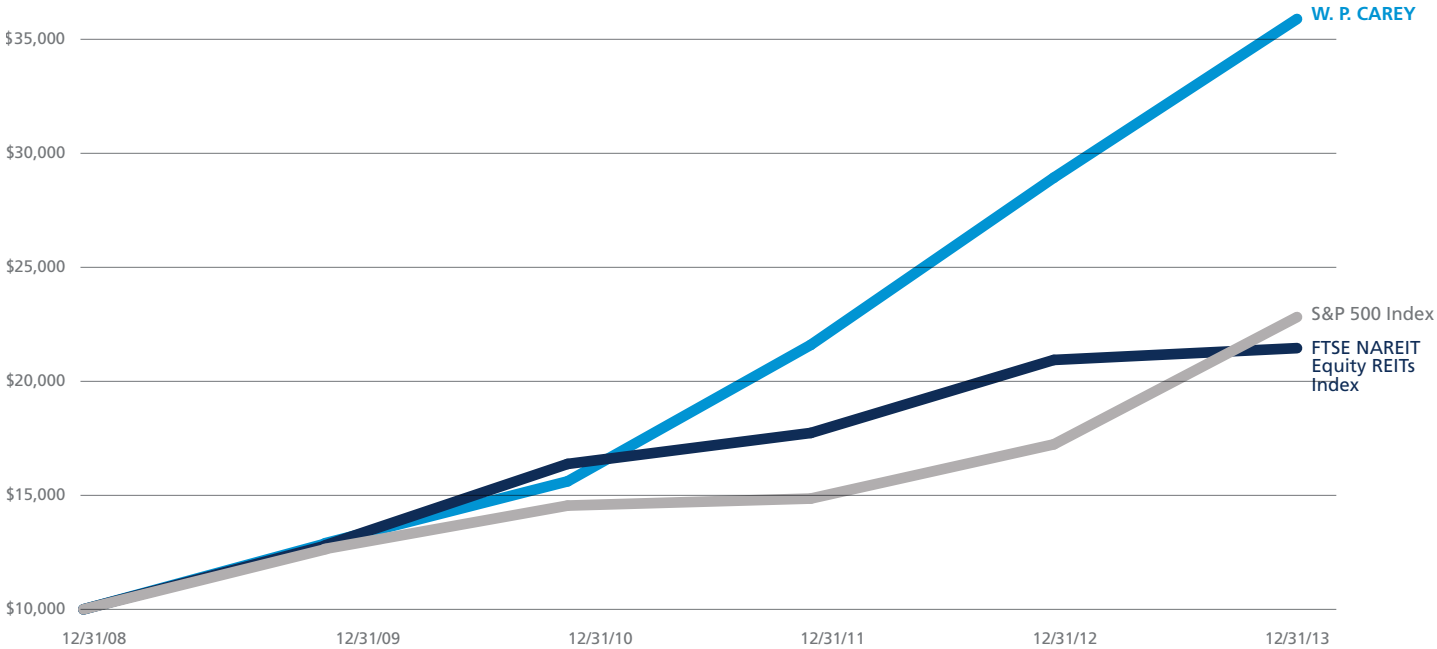
As a result of these activities, we generated $4.22 of AFFO per share for the year, raised our annual dividend rate to $3.48 per share and generated a total shareholder return of approximately 23% during 2013.*

With the completion of our merger with CPA®:16 – Global in January 2014 and the receipt of investment grade credit ratings from Moody's and Standard & Poor's, we believe we are well-positioned for continued growth as a global net lease REIT. Our 40+ years of experience, evolving capabilities and access to multiple sources of capital support our strategy of building our owned portfolio of net lease assets. At the same time, we will continue to benefit from the income generated by our managed portfolios and the additional value created by actively managing and building an increasingly diversified global portfolio while adhering to the disciplined investment process we have cultivated over more than four decades.

* This Annual Report contains references to AFFO, a non-GAAP financial measure. AFFO represents funds from operations, or FFO, as defined by the National Association of Real Estate Investment Trusts, adjusted to include the impact of certain non-cash charges to net income. We believe that this non-GAAP financial measure is a useful supplemental measure that will help investors to better understand the underlying performance of our business segments. This non-GAAP financial measure does not represent net income or cash flow from operating activities as computed in accordance with GAAP and should not be considered an alternative to net income or cash flow from operating activities as an indicator of our financial performance. AFFO as computed by us may not be comparable to similarly titled measures of other companies. Please reference the Form 8-K that we filed with the SEC on March 3, 2014, which is available on our website at www.wpcarey.com and at www.sec.gov, for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure in our Consolidated Financial Statements. GAAP refers to accounting principles generally accepted in the United States of America.

Cumulative Five-Year Total Return, 2008-2013

$10,000 invested in W. P. Carey common stock on December 31, 2008, with dividends reinvested, would have appreciated in five years to $35,891—a 29% average annual return, compared with 18% for the S&P 500 Index and 17% for the FTSE NAREIT Equity REITs Index.



Sources: Bloomberg for W. P. Carey returns; S&P website for S&P 500 Index returns; and SNL Financial website for FTSE NAREIT Equity REITs Index returns

Past performance is not a guarantee of future results.

Carey Forward

Our opportunity to give back

Our founder, Wm. Polk Carey, believed deeply in giving back and investing in the community around us. One of his favorite mottos, *Doing Good While Doing Well,* has become the core of our Carey Forward initiative. Founded in 2013, Carey Forward empowers employees to take time during the year to volunteer outside the office and bring to our community the same qualities they bring to their professional work: excellence, commitment and, of course, *Doing Good While Doing Well.* Interacting directly with those we are helping creates a strong sense of commitment and relationship between our company and our community, allowing us to move forward together.

The philanthropic groups we have partnered with this past year vary in breadth and in mission, but all maintain overarching ambitions aimed to enhance our community through education, arts and restoration. For 2013, we identified three programs to support: City Harvest, Habitat for Humanity and the Emily N. Carey Harbor Preschool.

Here are a few of the volunteer opportunities we embarked upon over the course of the year:

City Harvest – Staten Island Mobile Market

City Harvest has been providing nutritious food to underserved areas in these farmers' market-style settings since 2005. W. P. Carey volunteers helped distribute produce to eligible market goers.

Habitat for Humanity – Jimmy & Rosalyn Carter Work Project

This project is Habitat for Humanity's premier international building project. Our volunteers helped to rebuild an abandoned home in Queens.

Emily N. Carey Harbor Preschool – Volunteer Day

Boys & Girls Harbor, located in New York City's Harlem, is an education-focused organization committed to providing its students with comprehensive academic training and emotional development, enriched by infusing the arts into its culture and curriculum. We spent a day doing arts and crafts with the students.

We are excited to have expanded our work as good corporate citizens by supporting these fine organizations through the Carey Forward initiative and are proud to report that, in the program's inaugural year, approximately 50% of W. P. Carey's New York-based employees participated. As we continue to expand Carey Forward in the coming years, we hope to achieve 100% participation.

"Volunteering with the Carey Forward initiative gives me a chance to support my local community and give back."
Daniel Kosydar, Strategic Planning

"I volunteer because my one day of helping someone can turn into a lifetime of change for him or her."
Richard Klee, Treasury

Creative direction and design: Odgis + Company; Primary photography: Andy Ryan, Kit Kittle, Ian Spanier, Michael Paras; Printing: The Hennegan Company

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"Volunteering has been such an eye-opening, rewarding and fun experience."

Bryanna Baxenden, Investments

"I spent a wonderful, fun day with my W. P. Carey teammates giving back to the community and learning new handy skills."

Victoria Chou, Financial Reporting

"Helping a family in need gave me a tremendous sense of accomplishment. I am grateful to be part of a company that cares."

Yana Semiglazova, Tax

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