W. P. Carey Inc.
Form 10-K
February 25, 2019

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, 2018
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 every Interactive Data File required to be submitted 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 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. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Smaller reporting company o Emerging growth company o
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
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: $7.1 billion.
As of February 15, 2019 there were 166,078,281 shares of Common Stock of registrant outstanding.
DOCUMENTS INCORPORATED BY REFERENCE
The registrant incorporates by reference its definitive Proxy Statement with respect to its 2019 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.

INDEX

Forward-Looking Statements

This Annual Report on Form 10-K (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: the impact of the CPA:17 Merger and the potential UPREIT Reorganization (both as discussed and defined herein); the amount and timing of any future dividends; statements regarding our corporate strategy and estimated or future economic performance and results, including our projected assets under management, underlying assumptions about our portfolio (e.g., occupancy rate, lease terms, and tenant credit quality), possible new acquisitions and dispositions, and our international exposure (including the effects of Brexit, as defined herein); our capital structure, future capital expenditure levels (including any plans to fund our future liquidity needs), and future leverage and debt service obligations; capital markets, including our credit ratings and ability to sell shares under our “at-the-market” (“ATM”) program and the use of proceeds from that program; the outlook for the investment programs that we manage, including their earnings, as well as possible liquidity events for those programs; statements that we make regarding our ability to remain qualified for taxation as a real estate investment trust (“REIT”), and the Tax Cuts and Jobs Act; the impact of recently issued accounting pronouncements; other regulatory activity, such as the General Data Protection Regulation in the European Union or other data privacy initiatives; and the general economic outlook. 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, 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 that 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 (“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 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

W. P. Carey Inc. (“W. P. Carey”), together with our consolidated subsidiaries and predecessors, is an internally-managed diversified REIT and a leading owner of commercial real estate, net-leased to companies located primarily in the United States and Northern and Western Europe on a long-term basis. The vast majority of our revenues originate from lease revenue provided by our real estate portfolio, which is comprised primarily of single-tenant industrial, warehouse, office, and retail facilities that are critical to our tenants’ operations. Our portfolio is comprised of 1,163 properties, net-leased to 304 tenants in 25 countries. As of December 31, 2018, approximately 63% of our contractual minimum annualized base rent (“ABR”) was generated by properties located in the United States and approximately 35% was generated by properties located in Europe. In addition, our portfolio includes 48 operating properties, comprised of 46 self-storage properties and two hotels, substantially all of which we acquired in connection with the CPA:17 Merger, as described below.

We also earn fees and other income by managing the portfolios of certain non-traded investment programs through our investment management business. Founded in 1973, we originally operated as sponsor and advisor to a series of non-traded investment programs under the Corporate Property Associates (“CPA”) brand name. We became a publicly traded company listed on the New York Stock Exchange (“NYSE”) in 1998 and reorganized as a REIT in 2012. In June 2017, we exited non-traded retail fundraising activities and no longer sponsor new investment programs. On October 31, 2018, one of our former investment programs, Corporate Property Associates 17 – Global Incorporated (“CPA:17 – Global”), merged into one of our wholly-owned subsidiaries (the “CPA:17 Merger”), which added approximately $5.6 billion of assets to our portfolio and increased our equity market capitalization as of that date to approximately $10.6 billion.

Our shares of common stock are listed on the NYSE under the ticker symbol “WPC.” Headquartered in New York, we also have offices in Dallas, London, and Amsterdam. At December 31, 2018, we had 206 employees.

Narrative Description of Business

Business Objectives and Strategy

Our primary business objective is to increase long-term stockholder value through accretive acquisitions and proactive asset management of our real estate portfolio, enabling us to grow 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. We believe that many companies prefer to lease rather than own their corporate real estate because it allows them to deploy their capital more effectively into their core competencies. We generally structure financing for companies in the form of sale-leaseback transactions, where we acquire a company’s critical real estate and then lease it back to them on a long-term, triple-net basis, which requires them to pay substantially all of the costs associated with operating and maintaining the property (such as real estate taxes, insurance, and facility maintenance). Compared to other types of real estate investments, sale-leaseback transactions typically produce a more predictable income stream and require minimal capital expenditures, which in turn generate revenues that provide our stockholders with a stable, growing source of income.

We actively manage our real estate portfolio to monitor tenant credit quality and lease renewal risks. We believe that diversification across property type, tenant, tenant industry, and geographic location, as well as diversification of our lease expirations and scheduled rent increases, are vital aspects of portfolio risk management and accordingly have constructed a portfolio of real estate that we believe is well-diversified across each of these categories.

In addition to our real estate portfolio, as of December 31, 2018, we also managed assets, totaling approximately $7.6 billion, of the following entities: (i) Corporate Property Associates 18 – Global Incorporated ("CPA:18 – Global," and together with CPA:17 – Global until October 31, 2018, the "CPA REITs"); (ii) two publicly owned, non-traded REITs that have invested in lodging and lodging-related properties: Carey Watermark Investors Incorporated ("CWI 1") and Carey Watermark Investors 2 Incorporated ("CWI 2," and together with CWI 1, the "CWI REITs"); and (iii) a private limited partnership formed for the purpose of developing, owning, and operating student housing properties and similar investments in Europe: Carey European Student Housing Fund I, L.P. ("CESH"). As used herein, "Managed REITs" refers to the CPA REITs and the CWI REITS. At the date of this Report, all of these programs had fully invested the funds raised in their offerings.

In June 2017, in alignment with our long-term strategy of focusing exclusively on net lease investing for our own balance sheet, our board of directors (our "Board") approved a plan to exit non-traded retail fundraising activities carried out by our wholly-owned subsidiary Carey Financial LLC ("Carey Financial"), which was a registered broker-dealer. As a result, Carey Financial ceased active fundraising on behalf of the Managed Programs, as defined below, on June 30, 2017 and deregistered as a broker-dealer as of October 11, 2017. In August 2017, we resigned as the advisor to Carey Credit Income Fund, effective on September 11, 2017 (known since October 23, 2017 as Guggenheim Credit Income Fund) ("CCIF") and by extension its feeder funds ("CCIF Feeder Funds," and together with CCIF, the "Managed BDCs"), each of which is a business development company ("BDC"). We refer to the Managed REITs, CESH, and, prior to our resignation as their advisor, the Managed BDCs as the "Managed Programs." We continue to act as the advisor to the remaining Managed Programs and currently expect to do so through the end of their respective life cycles (Note 4).

We intend to operate our business in a manner that is consistent with the maintenance of our status as a REIT for federal income tax purposes. In addition, we expect to manage our investments in order to maintain our exemption from registration as an investment company under the Investment Company Act of 1940, as amended.

Investment Strategies

When considering potential net-lease investments for our real estate portfolio, we review various aspects of a transaction to determine whether the investment and lease structure will satisfy our investment criteria. We generally analyze the following main aspects of each transaction:

Tenant/Borrower Evaluation — We evaluate each potential tenant or borrower for creditworthiness, typically considering factors such as management experience, industry position and fundamentals, operating history, and capital structure. We also rate each asset based on its market, liquidity, and criticality to the tenant's operations, as well as other factors that may be unique to a particular investment. We seek opportunities where we believe the tenant may have a stable or improving credit profile or credit potential that has not been fully recognized by the market. 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. We have a robust internal credit rating system and may designate a tenant as "implied investment grade" even if the credit rating agencies have not made a rating determination.

Properties Critical to Tenant/Borrower Operations — We generally focus on properties and facilities that we believe are critical to the ongoing operations of the tenant. We believe that these properties generally provide better protection, particularly 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 portfolio to avoid undue dependence on any one particular tenant, borrower, collateral type, geographic location, or industry. By diversifying our portfolio, we seek to reduce the adverse effect of a single underperforming investment or a downturn in any particular industry or geographic region. While we do not set any fixed diversity metrics in our portfolio, we believe that it is well-diversified.

Lease Terms — Generally, the net-leased properties we invest in are leased on a full-recourse basis to the tenants or their affiliates. In addition, the vast majority of our leases provide for scheduled rent increases over the term of the lease (see Our Portfolio below). These rent increases are either fixed (i.e., mandated on specific dates) or tied to increases in inflation indices (e.g., the Consumer Price Index ("CPI") or similar indices in the jurisdiction where 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 the gross revenues of the tenant above a stated level, which we refer to as percentage rent.

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 when required. When considering an investment outside the United States, we will also consider factors particular to a country or region, including geopolitical risk, in addition to the risks normally associated with real property investments. See Item 1A. Risk Factors.

Transaction Provisions to Enhance and Protect Value — When negotiating leases with potential tenants, we attempt to include provisions that we believe help to protect the investment from material changes in the tenant's operating and financial characteristics, which may affect the tenant's ability to satisfy its obligations to us or reduce the value of the investment. Such provisions include covenants requiring our consent for certain activities, requiring indemnification protections and/or security deposits, and requiring the tenant to satisfy specific operating tests. We may also seek to enhance the likelihood that a tenant will satisfy their lease obligations through a letter of credit or guaranty from the tenant's parent or other entity. Such credit enhancements, if obtained, provide us with additional financial security. However, in markets where competition for net-lease transactions is strong, some or all of these lease provisions may be difficult to obtain. In addition, in some circumstances, tenants may retain the option to repurchase the property, typically at the greater of the contract purchase price or the fair market value of the property at the time the option is exercised.

Competition — We face active competition from many sources, both domestically and internationally, for net-lease investment opportunities in commercial properties. In general, we believe that our management's experience in real estate, credit underwriting, and transaction structuring will 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 find unacceptable.

Asset Management

We believe that proactive asset management is essential to maintaining and enhancing 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, credit and real estate risk analysis, building expansions and redevelopments, and strategic dispositions.

We monitor compliance by tenants with their lease obligations and other factors that could affect the financial performance of our real estate investments on an ongoing basis, which typically involves ensuring that each tenant has paid real estate taxes and other expenses relating to the properties it occupies and is maintaining appropriate insurance coverage. To ensure such compliance at our international properties, we often engage the expertise of third parties to complete property inspections. We also review tenant financial statements and undertake regular physical inspections of the properties to verify their condition and maintenance. 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.

Financing Strategies

We believe in maintaining ample liquidity, a conservative capital structure, and access to multiple forms of capital. We preserve balance sheet flexibility and liquidity by maintaining significant capacity on our $1.5 billion unsecured revolving credit facility (the "Unsecured Revolving Credit Facility"). We generally use the Unsecured Revolving Credit Facility to fund our immediate capital needs, including new acquisitions and the repayment of secured mortgage debt as we continue to transition to a more unencumbered balance sheet. We seek to replace short-term financing with more permanent forms of capital, including, but not limited to, common stock, unsecured debt securities, bank debt, and proceeds from asset sales. When evaluating which form of capital to pursue, we take into consideration multiple factors, including our corporate leverage levels and targets, the most advantageous sources of capital available to us, and the optimal timing to raise new capital. We strive to maintain an investment grade rating that places limitations on the amount of leverage acceptable in our capital structure. Although we expect to continue to have access to a wide variety of capital sources and maintain our investment grade rating, there can be no assurance that we will be able to do so in the future.

Our Portfolio

At December 31, 2018, our portfolio had the following characteristics:

- Number of properties — full or partial ownership interests in 1,163 net-leased properties, 46 self-storage properties, and two hotels;

- Total net-leased square footage — 131.0 million; and
- Occupancy rate — approximately 98.3%.

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

Tenant/Lease Information

At December 31, 2018, our tenants/leases had the following characteristics:

- Number of tenants — 304;
- Investment grade tenants as a percentage of total ABR — 20%;
- Implied investment grade tenants as a percentage of total ABR — 9%;
- Weighted-average lease term — 10.2 years;
- 99% of our leases provide rent adjustments as follows:
  - CPI and similar — 64%
  - Fixed — 32%
  - Other — 3%

Available Information

We will supply to any stockholder, upon written request and without charge, a copy of this Report as filed with the SEC. Our filings can also be obtained for free on the SEC's website at http://www.sec.gov. 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, as well as any amendments to those reports, are available for free on the Investor Relations portion of our website, http://www.wpcarey.com, as soon as reasonably practicable after they are filed with or furnished to the SEC. We are providing our website address solely for the information of investors and do not intend for it to be an active link. We do not intend to incorporate the information contained on our website into this Report or other documents filed with or furnished to 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 http://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. 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.

Our business, results of operations, financial condition, and ability to pay dividends could be materially adversely affected by various risks and uncertainties, including those enumerated below. These risk factors may have affected, and in the future could affect, our actual operating and financial results, and could cause such results to differ materially from those in any forward-looking statements. You should not consider this list exhaustive. New risk factors emerge periodically and we cannot assure you that the factors described below list all risks that may become material to us at any later time.

Risks Related to Our Business

We face active competition for investments.

We face active competition for our investments from many sources, including credit companies, pension funds, private individuals, financial institutions, finance companies, and investment companies. These institutions may accept greater risk or lower returns, allowing them to offer more attractive terms to prospective tenants. We believe that the investment community remains risk averse and 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. 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. In addition, the vast majority of our current investments are in single-tenant commercial properties that are subject to triple-net leases. Many factors, including changes in tax laws or accounting rules, may make these types of sale-leaseback transactions less attractive to potential sellers and lessees, which could negatively affect our ability to increase the amount of assets of this type under management.

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

Within the next five years, approximately 19% of our leases, based on our ABR as of December 31, 2018, are due to expire. If these leases are not renewed or if the properties cannot be re-leased on terms that yield comparable payments, our lease revenues could be substantially adversely affected. In addition, when attempting to re-lease such properties, we may incur significant costs and the terms of any new or renewed leases will depend on prevailing market conditions at that time. We may also seek to sell such properties and incur losses due to prevailing market conditions. Some of our properties are designed for the particular needs of a tenant; thus, we may be required to renovate or make rent concessions in order to lease the property to another tenant. If we need to sell such properties, we may have difficulty selling it to a third party due to the property's unique design. Real estate investments are generally less liquid than many other financial assets, which may limit our ability to quickly adjust our portfolio in response to changes in economic or other conditions. These and other limitations may affect our ability to re-lease or sell properties without adversely affecting returns to stockholders.

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

Subject to our intention to maintain our qualification as a REIT, we are not required to meet any diversification standards. Therefore, our investments may become concentrated in type or geographic location, which could subject us to significant risks 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, and may continue to invest, in properties located outside the United States. At December 31, 2018, our real estate properties located outside of the United States represented 37% of our ABR. These investments may be affected by factors particular to the local jurisdiction where the property is located and may expose us to additional risks, including:

- enactment of laws relating to the foreign ownership of property (including expropriation of investments), or laws and regulations relating to our ability to repatriate invested capital, profits, or cash and cash equivalents back to the United States;
- legal systems where the ability to enforce contractual rights and remedies may be more limited than under U.S. law;
- difficulty in complying with conflicting obligations in various jurisdictions and the burden of observing a variety of evolving foreign laws, regulations, and governmental rules and policies, which may be more stringent than U.S. laws and regulations (including land use, zoning, environmental, financial, and privacy laws and regulations), including the General Data Protection Regulation in the European Union;
- tax requirements vary by country and existing foreign tax laws and interpretations may change (e.g., the on-going implementation of the European Union's Anti-Tax Avoidance Directive), which may result in additional taxes on our international investments;
- changes in operating expenses in particular countries or regions; and
- geopolitical risk and adverse market conditions caused by changes in national or regional economic or political conditions (which may impact relative interest rates and the availability, cost, and terms of mortgage funds), including with regard to Brexit (discussed below).

The failure of our compliance and internal control systems to properly mitigate such additional risks, or of our operating infrastructure to support such international investments, could result in operational failures, regulatory fines, or other governmental sanctions.

In addition, the lack of publicly available information in certain jurisdictions in accordance with U.S. generally accepted accounting principles ("GAAP") could impair our ability to analyze transactions and may cause us to forego an investment opportunity. It may also impair our ability to receive timely and accurate financial information from tenants necessary to meet reporting obligations to financial institutions or governmental and regulatory agencies. Certain of these risks may be greater in less developed countries. Further, our expertise to date is primarily in the United States and certain countries in Europe. We have less experience in other international markets and may not be as familiar with the potential risks to investments in these areas, which could cause us and the entities we manage to incur losses.

We may engage third-party asset managers in international jurisdictions to monitor compliance with legal requirements and lending agreements. Failure to comply with applicable requirements may expose us, our operating subsidiaries, or the entities we manage to additional liabilities. Our operations in the United Kingdom, the European Economic Area, and other countries are subject to significant compliance, disclosure, and other obligations. The European Union's Alternative Investment Fund Managers Directive ("AIFMD"), as transposed into national law within the states of the European Economic Area, established a new regulatory regime for alternative investment fund managers, including private equity and hedge fund managers. Although AIFMD generally applies to managers with a registered office in the European Economic Area managing one or more alternative investments funds, if a regulator in Europe determines that we are an alternative investment fund manager, and therefore subject to the AIFMD, compliance with the requirements of AIFMD may impose additional compliance burdens and expense on us and could reduce our operating flexibility.

We are also subject to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar because we translate revenue denominated in foreign currency into U.S. dollars for our financial statements (our principal exposure is to the euro). Our results of foreign operations are adversely affected by a stronger U.S. dollar relative to foreign currencies (i.e., absent other considerations, a stronger U.S. dollar will reduce both our revenues and our expenses).

Economic conditions and regulatory changes following the United Kingdom's exit from the European Union could have a material adverse effect on our business and results of operations.

The United Kingdom invoked Article 50 of the Treaty on European Union on March 29, 2017, initiating the process to leave the European Union ("Brexit"), which is currently scheduled to occur on March 29, 2019. The real estate industry faces substantial uncertainty regarding the impact of Brexit. Adverse consequences could include, but are not limited to: global economic uncertainty and deterioration, volatility in currency exchange rates, adverse changes in regulation of the real estate industry, disruptions to the markets we invest in and the tax jurisdictions we operate in (which may adversely impact tax benefits or liabilities in these or other jurisdictions), and/or negative impacts on the operations and financial conditions of our tenants. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. As of December 31, 2018, 3.6% and 30.5% of our total ABR was from the United Kingdom and other European Union countries, respectively. Given the ongoing political uncertainty surrounding the form of Brexit (including a potential "hard Brexit" in which the United Kingdom would also give up full access to the European Union single market and customs union), we cannot predict how the Brexit process will finally be implemented and are continuing to assess the potential impact, if any, of these events on our operations, financial condition, and results of operations.

Changes in how LIBOR is determined, or the potential replacement of LIBOR with an alternative reference rate, may adversely affect our interest expense.

Certain instruments within our debt profile are indexed to the London Interbank Offered Rate ("LIBOR"), which is a benchmark rate at which banks offer to lend funds to one another in the international interbank market for short term loans. Concerns regarding the accuracy and integrity of LIBOR, including the underlying methodology for calculating LIBOR, led the United Kingdom to publish a review of LIBOR in September 2012. The review made a number of recommendations, including the introduction of statutory regulation of LIBOR, the transfer of responsibility for LIBOR from the British Bankers' Association to an independent administrator, changes to the method of compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate setting. Based on the review, final rules for the regulation and supervision of LIBOR by the Financial Conduct Authority (the "FCA") were published and came into effect on April 2, 2013. On July 27, 2017, the FCA announced its intention to phase out LIBOR rates by the end of 2021.

We cannot predict the impact of these changes, or any other regulatory reforms that may be enacted in other jurisdictions, to LIBOR. In addition, any other legal or regulatory changes made by the FCA or other governance or oversight bodies in the method by which LIBOR is determined or the transition from LIBOR to a successor benchmark may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, or changes in the rules or methodologies in LIBOR, all of which may discourage market participants from continuing to administer or to participate in LIBOR’s determination and, in certain situations, could result in LIBOR no longer being determined and published. If LIBOR is unavailable after 2021, the interest rates on our LIBOR-indexed debt will be determined using various alternative methods, any of which may result in higher interest obligations than under the current form of LIBOR. Further, the same costs and risks that may lead to the discontinuation or unavailability of LIBOR may make one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on our financing costs. Furthermore, there is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have an adverse effect on our business, results of operations, financial condition, and liquidity.

We may incur substantial impairment charges.

We may incur substantial impairment charges, which we are required to recognize: (i) 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; (ii) for direct financing leases, whenever the unguaranteed residual value of the underlying property has declined on an other-than-temporary basis; and (iii) 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.

Impairments of goodwill could also adversely affect our financial condition and results of operations. We assess our goodwill and other intangible assets for impairment at least 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, resulting 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.

Our level of indebtedness could have significant adverse consequences and our cash flow may be insufficient to meet our debt service obligations.

Our consolidated indebtedness as of December 31, 2018 was approximately $6.4 billion, representing a leverage ratio of approximately 6.8. This consolidated indebtedness was comprised of (i) $3.6 billion in Senior Unsecured Notes (as defined in Note 11), (ii) $2.7 billion in non-recourse mortgage loans on various properties, and (iii) $91.6 million outstanding under our Senior Unsecured Credit Facility (as defined in Note 11). Our level of indebtedness could have significant adverse consequences on our business and operations, including the following:

- it may increase our vulnerability to changes in economic conditions (including increases in interest rates) and limit our flexibility in planning for, or reacting to, changes in our business and/or industry;
- we may be at a disadvantage compared to our competitors with comparatively less indebtedness;
- we may be unable to hedge our debt, or such hedges may fail or expire, leaving us exposed to potentially volatile interest or currency exchange rates;
- any default on our secured indebtedness may lead to foreclosures, creating taxable income that could hinder our ability to meet the REIT distribution requirements imposed by the Internal Revenue Code; and
- we may be unable to refinance our indebtedness or obtain additional financing as needed or on favorable terms.

Our ability to generate sufficient cash flow determines whether we will be able to (i) meet our existing or potential future debt service obligations; (ii) refinance our existing or potential future indebtedness; and (iii) fund our operations, working capital, acquisitions, capital expenditures, and other important business uses. Our future cash flow is subject to many factors beyond our control and 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, to meet all of our debt service obligations and fund our other important business uses or liquidity needs. As a result, we may be forced to take other actions to meet those obligations, such as selling properties, raising equity, or delaying capital expenditures, any of which may not be feasible or could have a material adverse effect on us. In addition, despite our substantial outstanding indebtedness and the restrictions in the agreements governing our indebtedness, we may incur significantly more indebtedness in the future. which would exacerbate the risks discussed above.

Restrictive covenants in our credit agreement and indentures may limit our ability to expand or fully pursue our business strategies.

Our current credit agreement and the indentures governing our Senior Unsecured Notes contain financial and operating covenants that, among other things, require us to meet specified financial ratios and may limit our ability to take specific actions, even if we believe them to be in our best interest (e.g., subject to certain exceptions, our ability to consummate a merger, consolidation, or a transfer of all or substantially all of our consolidated assets to another person is restricted). 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.

Volatility and disruption in the 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 the capital markets upon favorable terms or at all, we may be required to liquidate one or more investments, including when an investment has not yet realized its maximum return, which could also result in adverse tax consequences and affect our ability to capitalize on acquisition opportunities and/or meet operational needs. Moreover, market turmoil could lead to decreased consumer confidence and widespread reduction of business activity, 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 Unsecured 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, and prospects. These ratings are subject to ongoing evaluation by credit rating agencies and we cannot provide any assurance that our ratings will not be changed or withdrawn by a rating agency in the future. If any of the credit rating agencies downgrades or lowers our credit rating, or if any credit rating agency indicates that it has placed our rating on a “watch list” for a possible downgrading or lowering, or otherwise indicates that its outlook for our 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 Unsecured Notes, or other similar debt securities that we issue) and to pay dividends on our common stock. Furthermore, any such action could negatively impact the market price of our Senior Unsecured Notes.

Some of our properties are encumbered by mortgage debt, which could adversely affect our cash flow.

At December 31, 2018, we had $2.73 billion of property-level mortgage debt on a non-recourse basis (including $1.85 billion of non-recourse mortgage debt that we assumed in the CPA:17 Merger), which limits our exposure on any property to the amount of equity invested in the property. If we are unable to make our mortgage-related debt payments 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 (including loan to value ratio, debt service coverage ratio, and material adverse changes in the borrower’s or tenant’s business) that can cause a technical loan default. 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 could reduce the value of our portfolio and revenues available for distribution to our stockholders.

Some of our property-level financing may also require us to make a balloon payment at maturity. Our ability to make such balloon payments may depend upon our ability to refinance the obligation or sell the underlying property. When a balloon payment is due, however, we may be unable to refinance the balloon payment on terms as favorable as the original loan, make the payment with existing cash or cash resources, or sell the property at a price sufficient to cover the payment. Our ability to accomplish these goals will be affected by various factors existing at the relevant time, such as the state of 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 disposition timeline of our assets.

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

We have granted certain tenants a right to repurchase the properties 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 would not be able to fully realize the appreciation on that property. Additionally, if the price at which the tenant can purchase the property is less than our carrying value (e.g., where the purchase price is based on an appraised value), we may incur a loss. In addition, we may also be unable to reinvest proceeds from these dispositions in investments with similar or better investment returns.

Our ability to fully control the management 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 successfully conduct their operations, their ability to pay rent may be adversely affected. Although we endeavor to monitor compliance by tenants with their lease obligations and other factors that could affect the financial performance of our properties on an ongoing basis, we may not always be able to ascertain or forestall deterioration 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 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, 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 the debt service payments we incur. General risks associated with the ownership of real estate include:

- adverse changes in general or local economic conditions, including changes in interest rates or foreign exchange rates;
- changes in the supply of, or demand for, similar or competing properties;
- competition for tenants and changes in market rental rates;
- inability to lease or sell properties upon termination of existing leases, or 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, or environmental laws that adversely impact the value of real estate;
- failure to comply with federal, state, and local legal and regulatory requirements, including the Americans with Disabilities Act and fire or life-safety requirements;
- uninsured property liability, property damage, or casualty losses;
- changes in operating expenses or unexpected expenditures for capital improvements;
- exposure to environmental losses; and
- force majeure and other factors beyond the control of our management.

In addition, the initial appraisals that we obtain on our properties are generally based on the value of the properties when they are leased. If the leases on the properties terminate, the value of the properties may fall significantly below the appraised value, which could result in impairment charges on the properties.

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; therefore, the success of our investments is materially dependent on the financial stability of these tenants. Revenues from several of our tenants/guarantors constitute a significant percentage of our lease revenues. Our top ten tenants accounted for approximately 24% of total ABR at December 31, 2018. Lease payment defaults by tenants could negatively impact our net income and reduce the amounts available for distribution 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 tenants with a recognized credit rating.

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

We have had, and may in the future have, tenants file for bankruptcy protection. Bankruptcy or insolvency of a tenant or borrower under one of our loan transactions could cause the loss of lease or interest and principal payments, an increase in the carrying cost of the property, litigation, a reduction in the value of our shares, and/or a decrease in our dividend.

Under U.S. bankruptcy law, a tenant that is the subject of bankruptcy proceedings has 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 such unexpired lease is assumed or rejected, the tenant or its trustee must perform the tenant's obligations under the lease in a timely manner. However, under certain circumstances, the time period for performance of such obligations may be extended by an order of the bankruptcy court. 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 the United States may not be as favorable to reorganization or the protection of a debtor's rights as in the United States. Our right to terminate a lease for default may be more likely to be enforced in foreign jurisdictions where a debtor/tenant or its insolvency representative lacks the right to force the 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. In addition, in circumstances where the bankruptcy laws of the United States are considered to be more favorable to debtors and/or their reorganization, entities that are not ordinarily perceived as U.S. entities may seek to take advantage of U.S. bankruptcy laws (an entity would be eligible to be a debtor under the U.S. bankruptcy laws if it had a domicile, place of business, or assets in the United States).

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 have invested, and may in the future invest, in real properties historically or currently used for industrial, manufacturing, and other commercial purposes, and some of our tenants may handle hazardous or toxic substances, generate hazardous wastes, or discharge regulated pollutants to the environment. Buildings and structures on the properties we purchase may have known or suspected asbestos-containing building materials. We may invest in properties located in countries that have adopted laws or observe environmental management standards that are less stringent than those generally followed in the United States, which may pose a greater risk that releases of hazardous or toxic substances have occurred. We therefore may own properties that have known or potential environmental contamination as a result of historical or ongoing operations, which may expose us to liabilities under environmental laws. Some of these laws could impose the following on us:

- responsibility and liability for the cost of investigation and removal or remediation (including at appropriate disposal facilities) of hazardous or toxic substances in, on, or migrating from our property, generally without regard to our knowledge of, or responsibility for, the presence of these contaminants;
- 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; and
- responsibility for managing asbestos-containing building materials and third-party claims for exposure to those materials.

Costs relating to investigation, remediation, or removal of hazardous or toxic substances, or for third-party claims for damages, may be substantial and could exceed any amounts estimated and recorded within our consolidated financial statements. The presence of hazardous or toxic substances at any of our properties, or the failure to properly remediate a contaminated property, could (i) give rise to a lien in favor of the government for costs it may incur to address the contamination or (ii) otherwise adversely affect our ability to sell or lease the property or to borrow using the property as collateral. In addition, environmental liabilities, or costs or operating limitations imposed on a tenant by environmental laws, could affect its ability to make rental payments to us. And although we endeavor to avoid doing so, we may be required, in connection with any future divestitures of property, to provide buyers with indemnifications against potential environmental liabilities.

Our participation in joint ventures creates additional risk.

From time to time, we have participated in joint ventures to purchase assets and we may do so in the future. 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 our investment partner. In addition, there is the potential that our investment partner may become bankrupt or that we may have diverging or inconsistent economic or business interests. These diverging interests could, among other things, expose us to liabilities in the joint venture in excess of our proportionate share of those liabilities. The partition rights of each owner in a jointly owned property could reduce the value of each portion of the divided property.

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

Revenue from our investment management business, as well as the value of our interests in the Managed Programs and distribution income from those interests, may be significantly affected by the results of operations of the Managed Programs. CPA:18 – Global has significant investments in triple-net leased properties substantially similar to those we hold. Consequently, the results of operations of, and cash available for distribution by, CPA:18 – Global are likely to be substantially affected by the same market conditions, and are subject to the same risk factors, as the properties we own. Historically, four of the 17 CPA programs temporarily reduced the rate of distributions to their investors as a result of adverse developments involving tenants.

The Managed Programs have fully invested the funds raised in their offerings, and as a result, we expect the structuring revenue that we earn for structuring and negotiating investments on their behalf to continue to decline. In addition, asset management revenue may be affected by factors such as changes in the valuation of the Managed Programs' portfolios. Further, our ability to earn revenue related to the disposition of properties is primarily tied to providing liquidity events for the Managed Programs, and our ability 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 time.

Finally, each of the Managed Programs has incurred and may continue to incur, significant debt that, 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 to us under each of our advisory agreements with the Managed REITs is subject to its variable annual cap based on a formula tied to the assets and income.

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. Unless otherwise renewed, the advisory agreement with each of the Managed REITs is scheduled to expire on December 31, 2019. There can be no assurance that these agreements will not expire or be terminated. Upon certain terminations, the Managed REITs each have the right, but not the obligation, 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.

W. P. Carey is not currently registered as an Investment Adviser and our failure to do so could subject us to civil and/or criminal penalties.

If the SEC determines that W. P. Carey is an investment adviser, we will have to register as an investment adviser with the SEC pursuant to the Investment Advisers Act. Registration requirements and other obligations imposed upon investment advisers may be costly and burdensome. In addition, if we must register with the SEC as an investment adviser, we will become subject to the requirements of the Investment Advisers Act, which requires: (i) fiduciary duties to clients; (ii) substantive prohibitions and requirements; (iii) contractual requirements; (iv) record-keeping requirements; and (v) administrative oversight by the SEC, primarily by inspection. If we are deemed to be out of compliance with such rules and regulations, we may be subject to civil and/or criminal penalties.

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, including our executive officers. The nature of our executive officers’ experience and the extent of the relationships they have developed with real estate professionals and financial institutions are important to the success of our business. We cannot provide any assurances regarding their continued employment with us. The loss of the services of certain of our executive officers could detrimentally affect our business and prospects.

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. Due to 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 significant subsequent 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, subject to certain exceptions, authorizes our Board to take such actions as are necessary and desirable to limit any person to beneficial or constructive ownership of 9.8%, in either value or number of shares, whichever is more restrictive, of our aggregate outstanding shares of (i) common and preferred stock (excluding any outstanding shares of our common or preferred stock not treated as outstanding for federal income tax purposes) or (ii) common stock (excluding any of our outstanding shares of common stock not treated as outstanding for federal income tax purposes). Our Board, in its sole discretion, may exempt a person from such ownership limits, provided that they obtain such representations, covenants, and undertakings as appropriate to determine that the exemption would not affect our REIT status. Our Board 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 other stock ownership restrictions contained in our charter may delay or prevent a transaction or 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 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 charter empowers our Board to, without stockholder approval, 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; classify any unissued shares of common stock or preferred stock; reclassify any previously classified, but unissued, shares of common stock or preferred stock into one or more classes or series of stock; and issue such shares of stock so classified or reclassified. Our Board 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 current 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 ("MGCL") may have the effect of inhibiting a third party from making a proposal to acquire us or impeding a change of control that 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 imposes 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 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 MGCL. 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 MGCL, we have elected to opt out of these provisions of the MGCL pursuant to a provision in our bylaws.

Additionally, Title 3, Subtitle 8 of the MGCL permits our Board, 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 MGCL, which permits a board of directors to be divided into classes pursuant to Title 3, Subtitle 8 of the MGCL. 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 MGCL 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 debt and equity securities may negatively affect the market price of our common stock.

We may issue debt or equity securities or incur additional borrowings in the future. Future issuances of debt securities would rank senior to our common stock upon our liquidation and additional issuances of equity securities would dilute the holdings of our existing common stockholders (and any preferred stock may rank senior to our common stock for the purposes of making distributions), both of which may negatively affect the market price of our common stock.

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, and results of operations.

The issuance or sale of substantial amounts of our common stock (directly, in underwritten offerings or through our ATM program, or indirectly through convertible or exchangeable securities, warrants, or options) to raise additional capital, or pursuant to our stock incentive plans, or the perception that such securities are available or that such issuances or sales are likely to occur, 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. However, our future growth will depend, in part, upon our ability to raise additional capital, including through the issuance of equity securities. We are not required to offer any additional equity securities to existing common stockholders on a preemptive basis and our charter empowers our Board to make significant changes to our stock without stockholder approval. See the risk factor above titled “Our Board 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 preferred stock, if any are 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.

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, but not limited to:

- actual or anticipated variations in our operating results, earnings, or liquidity, or those of our competitors;
- 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;
- 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 use of taxable REIT subsidiaries ("TRSs") may cause the market to value our common stock differently than the shares of REITs that do not use TRSs as extensively;
- 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;
- changes in key management personnel;
- our compliance with GAAP and its policies, including recent accounting pronouncements;
- our compliance with the listing requirements of the NYSE;
- our compliance with applicable laws and regulations or the impact of new laws and regulations;
- the financial condition, liquidity, results of operations, and prospects of our tenants;
- failure to maintain our REIT qualification;
- litigation, regulatory enforcement actions, or disruptive actions by activist stockholders;
- 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.

Our current or historical trading volume and share prices are not 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.

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 could be (i) an intentional attack, which could include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information; or (ii) an unintentional accident or error. We use information technology and other computer resources to carry out important operational activities and to maintain our business records. In addition, we may store or come into contact with sensitive information and data. As our reliance on technology has increased, so have the risks posed to our systems, both internal and outsourced. We have implemented systems and processes intended to address ongoing and evolving cyber security risks, secure confidential information, and prevent unauthorized access to or loss of sensitive, confidential and personal data. Although we and our service providers employ what we believe are adequate security, disaster recovery and other preventative and corrective measures, our security measures, may not be sufficient for all possible situations and could be vulnerable to, among other things, hacking, employee error, system error, and faulty password management.

If we or our partners fail to comply with applicable privacy or data security laws in handling this information, including the new General Data Protection Regulation in the European Union, we could face significant legal and financial exposure to claims of governmental agencies and parties whose privacy is compromised, including sizable fines and penalties. The 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. A significant and extended disruption could damage our business or reputation; cause a loss of revenue; have an adverse effect on tenant relations; cause an unintended or unauthorized public disclosure; or lead to the misappropriation of proprietary, personal identifying and confidential information; all of which could result in us incurring significant expenses to address and remediate or otherwise resolve these kinds of issues. In addition, the insurance we maintain that is intended to cover some of these risks may not be sufficient to cover 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. The release of confidential information may also lead to litigation or other proceedings against us by affected individuals, business partners and/or regulators, and the outcome of such proceedings, which could include losses, penalties, fines, injunctions, expenses, and charges recorded against our earnings and cause us reputational harm, could have a material and adverse effect on our business, financial position, or results of operations.

There can be no assurance that we will be able to maintain cash dividends, and certain agreements relating to our indebtedness may 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 dividend levels in the future for various reasons, including the following:

- 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;
- our Board, in its sole discretion, determines the amount and timing of any future dividend payments to our stockholders based on a number of factors, therefore our dividend levels are not guaranteed and may fluctuate; and
- the amount of dividends that our subsidiaries may distribute to us may be subject to restrictions imposed by state law or regulators, as well as 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 investment and increase our future interest costs. Our inability to pay dividends, or to pay dividends at expected levels, could adversely impact the market 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. Investors should be aware, however, that the 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 qualify as a REIT 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 on 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 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.

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;
- be subject to federal and state income tax, including any applicable alternative minimum tax (for taxable years ending prior to January 1, 2018), on our taxable income at regular corporate rates; and
- be barred from qualifying as a REIT for the four taxable years following the year when we were 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 the year in which the failure occurs and 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 qualify in a given year 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. 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 (e.g., 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 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. We will also 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 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 are 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 such transactions. If our cash flows are not sufficient to cover our REIT distribution requirements, it could adversely impact our ability to raise short- and long-term debt, sell assets, or offer equity securities in order to fund the 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, which 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. 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, thereby limiting our opportunities and the flexibility to change our business strategy. Furthermore, acquisition opportunities in domestic and international markets may be adversely affected if we need or require target companies to comply with certain REIT requirements prior to closing on acquisitions.

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 be invested in future acquisitions, capital expenditures, or debt repayment; 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 such transactions.

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 and liabilities that are not incurred to acquire or carry real estate. Generally, income from hedging transactions that have been properly identified for tax purposes (which we enter into to manage interest rate risk with respect to borrowings to acquire or carry real estate assets) and income from certain currency hedging transactions related to our non-U.S. operations, do not constitute "gross income" for purposes of the REIT gross income tests (such a hedging transaction is referred to as a "qualifying hedge"). In addition, if we enter into a qualifying hedge, but dispose of the underlying property (or a portion thereof) or the underlying debt (or a portion thereof) is extinguished, we can enter into a hedge of the original qualifying hedge, and income from the subsequent hedge will also 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 such hedges or expose us to greater interest rate risks 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.

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

To qualify as a REIT for federal income tax purposes, we hold our non-qualifying REIT assets and conduct our non-qualifying REIT income activities in or through one or more TRSs. The net income of our TRSs is not required to be distributed to us and income that is not distributed to us will generally 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 TRS interests and certain other non-qualifying assets to exceed 20% of the fair market value of our assets, we would lose tax efficiency and could potentially fail to qualify as a REIT.

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 we must comply with in order to maintain our REIT status. 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 income types. Thus, our ability to receive distributions from our TRSs is limited and may impact our ability to fund distributions to our stockholders using cash flows from our TRSs. Specifically, if our TRSs become highly profitable, we might be 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.

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.

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 investments in our TRSs in order to ensure 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 TRS ownership limitation or be able to avoid application of the 100% excise tax.

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 in the United States are currently eligible for federal income tax at a maximum rate of 20%. Distributions payable by REITs, in contrast, are generally not eligible for this reduced rate, unless the distributions are attributable to dividends received by the REIT from other corporations that would otherwise be eligible for the reduced rate. This more favorable tax rate for regular corporate distributions could cause qualified investors to perceive investments in REITs to be less attractive than investments in the stock of corporations that pay distributions, which could adversely affect the value of REIT stocks, 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 (i) federal, state, local, and foreign taxes on our income and assets (including alternative minimum taxes for taxable years ending prior to January 1, 2018); (ii) taxes on any undistributed income and state, local, or foreign income; and (iii) franchise, property, and transfer taxes. In addition, we could be required to pay an excise or penalty tax under certain circumstances in order to utilize one or more relief provisions under the Internal Revenue Code to maintain qualification for taxation as a REIT, which could be significant in amount.

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 (currently 21%) on all or a portion of the gain recognized from a sale of assets formerly held by any C corporation that we acquire on a carry-over basis transaction occurring within a five-year period 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 the sale of an asset occurring after the specified period 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 U.S. trade or business are generally subject to U.S. withholding tax at a rate of 30%, unless reduced by an applicable income tax treaty. Additional rules with respect to certain capital gain distributions will apply to foreign stockholders that own more than 10% of our common stock.

The ability of our Board to revoke our REIT election, without stockholder approval, may cause adverse consequences for our stockholders.

Our organizational documents permit our Board to revoke or otherwise terminate our 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 and state 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.

Federal and state income tax laws governing REITs or the administrative interpretations of those laws may be amended at any time. 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 tax laws, regulations, or administrative interpretations, which may be applied retroactively, could adversely affect us or our stockholders. We cannot predict 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.

Recent changes to U.S. tax laws could have a negative impact on our business.

On December 22, 2017, the President signed a tax reform bill into law, referred to herein as the “Tax Cuts and Jobs Act,” which among other things:

- reduces the corporate income tax rate from 35% to 21% (including with respect to our TRSs);
-

reduces the rate of U.S. federal withholding tax on distributions made to non-U.S. shareholders by a REIT that are attributable to gains from the sale or exchange of U.S. real property interests from 35% to 21%;

- allows for an immediate 100% deduction of the cost of certain capital asset investments (generally excluding real estate assets), subject to a phase-down of the deduction percentage over time;
- changes the recovery periods for certain real property and building improvements (e.g., 30 years (previously 40 years) for residential real property);
- restricts the deductibility of interest expense by businesses (generally, to 30% of the business's adjusted taxable income) except, among others, real property businesses electing out of such restriction; generally, we expect our business to qualify as such a real property business, but businesses conducted by our TRSs may not qualify, and we have not yet determined whether our subsidiaries can and/or will make such an election;

- requires the use of the less favorable alternative depreciation system to depreciate real property in the event a real property business elects to avoid the interest deduction restriction above;
- restricts the benefits of like-kind exchanges that defer capital gains for tax purposes to exchanges of real property;
- permanently repeals the "technical termination" rule for partnerships, meaning sales or exchanges of the interests in a partnership will be less likely to, among other things, terminate the taxable year of, and restart the depreciable lives of assets held by, such partnership for tax purposes;
- requires accrual method taxpayers to take certain amounts in income no later than the taxable year in which such income is taken into account as revenue in an applicable financial statement prepared under GAAP, which, with respect to certain leases, could accelerate the inclusion of rental income;
- eliminates the federal corporate alternative minimum tax;
- implements a one-time deemed repatriation tax on corporate profits (at a rate of 15.5% on cash assets and 8% on non-cash assets) held offshore, which profits are not taken into account for purposes of the REIT gross income tests;
- reduces the highest marginal income tax rate for individuals to 37% from 39.6% (excluding, in each case, the 3.8% Medicare tax on net investment income);
- generally allows a deduction for individuals equal to 20% of certain income from pass-through entities, including ordinary dividends distributed by a REIT (excluding capital gain dividends and qualified dividend income), generally resulting in a maximum effective federal income tax rate applicable to such dividends of 29.6% compared to 37% (excluding, in each case, the 3.8% Medicare tax on net investment income), although regulations may restrict the ability to claim this deduction for non-corporate shareholders depending upon their holding period in our stock; and
- limits certain deductions for individuals, including deductions for state and local income taxes, and eliminates deductions for miscellaneous itemized deductions (including certain investment expenses).

As a REIT, we are required to distribute at least 90% of our taxable income to our shareholders annually. As a result of the changes to U.S. federal tax laws implemented by the Tax Cuts and Jobs Act, our taxable income and the amount of distributions to our stockholders required to maintain our REIT status, as well as our relative tax advantage as a REIT, could change.

The Tax Cuts and Jobs Act is a complex revision to the U.S. federal income tax laws with impacts on different categories of taxpayers and industries, which will require subsequent rulemaking and interpretation in a number of areas. In addition, many provisions in the Tax Cuts and Jobs Act, particularly those affecting individual taxpayers, expire at the end of 2025. The long-term impact of the Tax Cuts and Jobs Act on the overall economy, government revenues, our tenants, us, and the real estate industry cannot be reliably predicted at this time. Furthermore, the Tax Cuts and Jobs Act may negatively impact the operating results, financial condition, and future business plans for some or all of our tenants. The Tax Cuts and Jobs Act may also result in reduced government revenues, and therefore reduced government spending, which may negatively impact some of our tenants that rely on government funding. There can be no assurance that the Tax Cuts and Jobs Act will not negatively impact our operating results, financial condition, and future business operations.

Risks Related to a Potential Umbrella Partnership Real Estate Investment Trust ("UPREIT") Reorganization

The UPREIT structure will make us dependent on distributions from the Operating Partnership.

As previously announced, we may reorganize into an UPREIT (the "UPREIT Reorganization"), in connection with which we will convert WPC Holdco LLC, our directly wholly-owned subsidiary that currently holds substantially all of our assets, into a limited partnership (the "Operating Partnership"). Following the consummation of the UPREIT Reorganization, we will own all or substantially all of the equity interests in the Operating Partnership, including all of the non-economic equity interests of the general partner thereof, and the Operating Partnership will own substantially all of the assets that we owned prior to the UPREIT Reorganization. Since we expect to conduct our operations generally through the Operating Partnership following the UPREIT Reorganization, our ability to service debt obligations and pay dividends will be entirely dependent upon the earnings and cash flows of the Operating Partnership and the ability of the Operating Partnership to make distributions to us.

It is possible that factors outside our control could result in the UPREIT Reorganization being completed at a later time, or not at all, or that our board of directors may, in their sole discretion and without any prior written notice, cancel, delay or modify the UPREIT Reorganization at any time for any reason.

Adoption of the UPREIT structure could inhibit us from selling properties or retiring debt that would otherwise be in our best interest and the best interest of our stockholders.

One of the benefits of the UPREIT structure is that sellers of property may contribute their properties to the Operating Partnership in exchange for limited partnership units in the Operating Partnership, which allows such sellers to realize certain tax benefits that are not available if we acquired the properties directly for cash or shares of our common stock. In order to ensure such tax-deferred contributions, sellers of properties may require us to agree to maintain a certain level of minimum debt at the Operating Partnership level and refrain from selling such properties for a period of time. Agreeing to certain of these restrictions, therefore, could inhibit us from selling properties or retiring debt that would otherwise be in our best interest and the best interest of our stockholders.

Our interest in the Operating Partnership may be diluted upon the issuance of additional limited partnership units of the Operating Partnership.

Upon the issuance of limited partnership units of the Operating Partnership in connection with future property contributions or as a form of employee compensation, our interest (and therefore the interest of our stockholders) in the assets of the Operating Partnership will be diluted. This dilutive effect would remain if limited partnership units were redeemed or exchanged for shares of our common stock (although our interest in the Operating Partnership will increase if limited partnership units are redeemed for cash). The dilutive effect from property contributions in exchange for limited partnership units of the Operating Partnership is comparable to that from sales of shares of our common stock to fund acquisitions.

The UPREIT structure could lead to potential conflicts of interest.

As the ultimate owner of the general partner of the Operating Partnership, upon the admission of additional limited partners to the Operating Partnership, we may owe a fiduciary obligation to the limited partners under applicable law. In most cases, the interests of the other partners would coincide with our interests and the interests of our stockholders because (i) we would own a majority of the interests in the Operating Partnership and (ii) the other partners will generally receive shares of our common stock upon redemption of their limited partnership units of the Operating Partnership. Nevertheless, under certain circumstances, the interests of the other partners might conflict with our interests and the interests of our stockholders. We currently expect that the operating partnership agreement of the Operating Partnership will provide that in the event of a conflict in the duties owed by us to our stockholders and the fiduciary duties owed by us to the limited partners, we will fulfill our fiduciary duties to the limited partners by acting in the best interests of our company.

In addition, our directors and officers have duties to us and our stockholders under Maryland law. At the same time, as the ultimate general partner of the Operating Partnership, we will have fiduciary duties to the limited partners in the Operating Partnership and to the other members in connection with our management of the Operating Partnership. The duties of our officers and directors in relation to us and our duties as the ultimate owner of the general partner in these two roles may conflict.

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 international offices are located in London and Amsterdam. We have additional office space domestically in Dallas. 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.

Various 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.

Market Information

Our common stock is listed on the NYSE under the ticker symbol "WPC." At February 15, 2019 there were 10,409 registered holders of record of our common stock. This figure does not reflect the beneficial ownership of shares of our common stock.

Stock Price Performance Graph

The graph below provides an indicator of cumulative total stockholder returns for our common stock for the period December 31, 2013 to December 31, 2018, as compared with the S&P 500 Index and the FTSE NAREIT Equity REITs Index. The graph assumes a $100 investment on December 31, 2013, together with the reinvestment of all dividends.

	At December 31,					
	2013	2014	2015	2016	2017	2018
W. P. Carey Inc.	$100.00	$120.90	$108.33	$115.41	$142.91	$144.33
S&P 500 Index	100.00	113.69	115.26	129.05	157.22	150.33
FTSE NAREIT Equity REITs Index	100.00	130.14	134.30	145.74	153.36	146.27

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

We currently intend to continue paying cash dividends consistent with our historical practice; however, our Board determines the amount and timing of any future dividend payments to our stockholders based on a variety of factors.

Securities Authorized for Issuance Under Equity Compensation Plans

This information will be contained in our definitive proxy statement for the 2019 Annual Meeting of Stockholders, to be filed within 120 days following the end of our fiscal year, and is incorporated herein 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,				
	2018	2017	2016	2015	2014
Operating Data					
Revenues [a]	$885,732	$848,302	$941,533	$938,383	$908,446
Net income [a] [b] [c] [d]	424,341	285,083	274,807	185,227	246,069
Net income attributable to noncontrolling interests [a]	(12,775)	(7,794)	(7,060)	(12,969)	(6,385)
Net loss attributable to redeemable noncontrolling interest	—	—	—	—	142
Net income attributable to W. P. Carey [a] [b] [c] [d]	411,566	277,289	267,747	172,258	239,826
Basic earnings per share [e]	3.50	2.56	2.50	1.62	2.42
Diluted earnings per share [e]	3.49	2.56	2.49	1.61	2.39
Cash dividends declared per share	4.0900	4.0100	3.9292	3.8261	3.6850
Balance Sheet Data					
Total assets	$14,183,039	$8,231,402	$8,453,954	$8,742,089	$8,641,029
Net investments in real estate	11,928,854	6,703,715	6,781,900	7,229,873	7,190,507
Senior Unsecured Notes, net	3,554,470	2,474,661	1,807,200	1,476,084	494,231
Senior credit facilities	91,563	605,129	926,693	734,704	1,056,648
Non-recourse mortgages, net	2,732,658	1,185,477	1,706,921	2,269,421	2,530,217

____

(a) The year ended December 31, 2018, reflects the impact of the CPA:17 Merger, which was completed on October 31, 2018 (Note 3).

(b) The year ended December 31, 2014 includes income from discontinued operations totaling $33.3 million and $33.5 million within Net income and Net income attributable to W. P. Carey, respectively.

(c) Amount for the year ended December 31, 2018 includes a Gain on change in control of interests of $47.8 million recognized in connection with the CPA:17 Merger (Note 3). Amount for the year ended December 31, 2014 includes a Gain on change in control of interests of $105.9 million recognized in connection with our merger with a former affiliate, Corporate Property Associates 16 – Global Incorporated, on January 31, 2014.

(d) Amounts from year to year will not be comparable primarily due to fluctuations in gains/losses recognized on the sale of real estate and impairment charges.

(e) The year ended December 31, 2014 includes income from discontinued operations attributable to W. P. Carey of $0.34 and $0.33 within basic earnings per share and diluted earnings per share, respectively.

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 assist in understanding our financial statements and the reasons for changes in certain key components of our financial statements from period to period. This item also provides our perspective on our financial position and liquidity, as well as certain other factors that may affect our future results. The discussion also breaks down the financial results of our business by segment 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 in Item 8 of this Report and the matters described under Item 1A. Risk Factors.

Business Overview

We are a diversified net lease REIT with a portfolio of operationally-critical, commercial real estate that includes 1,163 net lease properties covering approximately 131.0 million square feet and 48 operating properties as of December 31, 2018. We invest in high-quality single tenant industrial, warehouse, office, and retail properties subject to long-term leases with built-in rent escalators. Our portfolio is located primarily in the United States and Northern and Western Europe, and we believe it is well-diversified by tenant, property type, geographic location, and tenant industry.

We also earn fees and other income by managing the portfolios of the Managed Programs through our investment management business. In June 2017, we exited non-traded retail fundraising activities carried out by our wholly-owned broker-dealer subsidiary, Carey Financial. We currently expect to continue to manage all existing Managed Programs through the end of their respective natural life cycles (Note 1).

Significant Development

CPA:17 Merger

On June 17, 2018, we and certain of our subsidiaries entered into a merger agreement with CPA:17 – Global, pursuant to which, CPA:17 – Global would merge with and into one of our wholly-owned subsidiaries in exchange for shares of our common stock. The CPA:17 Merger and related transactions were approved by our stockholders and the stockholders of CPA:17 – Global on October 29, 2018 and completed on October 31, 2018 (Note 3).

Financial Highlights

During the year ended December 31, 2018, we completed the following (as further described in the consolidated financial statements):

Real Estate

CPA:17 Merger

On October 31, 2018, we completed the CPA:17 Merger (Note 3).

- We acquired full or partial ownership interests in 410 properties in the CPA:17 Merger (including 137 properties in which we already owned a partial ownership interest), substantially all of which were triple-net leased with a weighted-average lease term of 11.0 years, an occupancy rate of 97.4%, and an estimated ABR totaling $364.4

million. We also acquired 44 self-storage operating properties (including seven self-storage properties accounted for under the equity method) and one hotel operating property totaling 3.1 million square feet.

- We issued 53,849,087 shares of our common stock to CPA:17 – Global stockholders as part of the merger consideration of approximately $3.6 billion.
- Lease revenues and operating property revenues from properties acquired in the CPA:17 Merger were $52.8 million and $8.0 million, respectively, for the year ended December 31, 2018.
- We recognized a Gain on change in control of interests of $47.8 million in connection with the CPA:17 Merger during the year ended December 31, 2018, of which $18.8 million was attributable to our Real Estate segment and $29.0 million was attributable to our Investment Management segment.

Investments

- We acquired 15 investments totaling $806.9 million, including a property valued at $85.5 million that was swapped in exchange for 23 properties leased to the same tenant in a nonmonetary transaction (Note 5)
- We completed nine construction projects at a cost totaling $102.5 million. Construction projects include build-to-suit, expansion, and renovation projects (Note 5).
- We committed to fund an aggregate of $19.6 million (based on the exchange rate of the euro at December 31, 2018) for an expansion project at a warehouse facility in Rotterdam, the Netherlands. We currently expect to complete the project in the third quarter of 2019 (Note 5).
- We committed to fund an aggregate of $75.0 million for a build-to-suit project in San Antonio, Texas. Commencement of the project is contingent upon securing certain building plans and permits. We currently expect to complete the project in the second quarter of 2020 (Note 5).
- We entered into a joint venture investment to acquire a 90% interest in two self-storage properties for an aggregate amount of $19.9 million, with our portion of the investment totaling $17.9 million. This transaction was accounted for as an equity method investment (Note 8). This acquisition was initiated by CPA:17 – Global prior to, and completed by us subsequent to, the CPA:17 Merger, in which we acquired seven other self-storage properties related to this investment.

Dispositions

- As part of our active capital recycling program, we sold 49 properties for total proceeds of $431.6 million, net of selling costs, including the sale of one of our hotel operating properties in April 2018 (Note 17).
- We completed a nonmonetary transaction, in which we disposed of 23 properties in exchange for the acquisition of one property leased to the same tenant (described above). This swap was recorded based on the fair value of the property acquired of $85.5 million (Note 17).

Financing and Capital Markets Transactions

- On March 6, 2018, we completed a public offering of €500.0 million of 2.125% Senior Notes due 2027, at a price of 99.324% of par value, issued by our wholly owned finance subsidiary, WPC Eurobond B.V., and fully and unconditionally guaranteed by us. These 2.125% Senior Notes due 2027 have a nine-year term and are scheduled to mature on April 15, 2027 (Note 11).
- On October 9, 2018, we completed a public offering of €500.0 million of 2.250% Senior Notes due 2026, at a price of 99.252% of par value, issued by our wholly owned finance subsidiary, WPC Eurobond B.V., and fully and unconditionally guaranteed by us. These 2.250% Senior Notes due 2026 have a 7.5-year term and are scheduled to mature on April 9, 2026 (Note 11).
- On March 7, 2018, we repaid and terminated our Unsecured Term Loans in full for €325.0 million (equivalent to $403.6 million), using a portion of the proceeds from the issuance of the 2.125% Senior Notes due 2027. The aggregate principal amount (of revolving and term loans) available under the Credit Agreement may be increased up to an amount not to exceed the U.S. dollar equivalent of $2.35 billion (Note 11).
- We repaid at maturity or prepaid $251.5 million of non-recourse mortgage loans with a weighted-average interest rate of 3.9% (Note 11). As a result of paying off certain non-recourse mortgage loans since January 1, 2017, our weighted-average interest rate decreased from 3.6% during the year ended December 31, 2017 to 3.4% during the year ended December 31, 2018.
- We issued 4,229,285 shares of our common stock under our ATM program at a weighted-average price of $69.03 per share for net proceeds of $287.5 million (Note 14). See Note 20 for a discussion of activity under our ATM program since December 31, 2018.

Investment Management

As of December 31, 2018, we managed total assets of approximately $7.6 billion on behalf of CPA:18 – Global, CWI 1, CWI 2, and CESH. Upon completion of the CPA:17 Merger (Note 3), we ceased earning advisory fees and other income previously earned when we served as advisor to CPA:17 – Global. During 2018, through the date of the CPA:17 Merger, such fees and other income from CPA:17 – Global totaled $58.8 million.

Investment Transactions

We structured new investments on behalf of the Managed Programs totaling $427.3 million, from which we earned $19.9 million in structuring revenue:

- CPA:18 – Global: we structured ten new investments and one increase in a funding commitment related to student housing development projects for $369.9 million. Approximately $299.7 million was invested internationally and $70.2 million was invested in the United States.
- CPA:17 – Global: we structured one investment in a portfolio of domestic self-storage properties for $57.4 million.

Since we have exited non-traded retail fundraising activities (Note 1) and the funds we raised for the Managed Programs in their public offerings are all fully invested, and in light of the completion of the CPA:17 Merger (Note 3), we expect to structure fewer investments on behalf of the Managed Programs going forward.

We also arranged mortgage financing totaling $353.7 million for the Managed Programs, from which we earned $0.9 million in structuring revenue.

Dividends to Stockholders

We declared cash dividends totaling $4.090 per share, comprised of four quarterly dividends per share of $1.015, $1.020, $1.025, and $1.030.

Consolidated Results

(in thousands, except shares)

	Years Ended December 31,		
	2018	2017	2016
Revenues from Real Estate	$ 779,125	$ 687,208	$ 755,364
Reimbursable tenant costs	28,076	21,524	25,438
Revenues from Real Estate (excluding reimbursable tenant costs)	751,049	665,684	729,926
Revenues from Investment Management	106,607	161,094	186,169
Reimbursable costs from affiliates	21,925	51,445	66,433
Revenues from Investment Management (excluding reimbursable costs from affiliates)	84,682	109,649	119,736
Total revenues	885,732	848,302	941,533
Total reimbursable costs	50,001	72,969	91,871
Total revenues (excluding reimbursable costs)	835,731	775,333	849,662
Net income from Real Estate attributable to W. P. Carey	307,236	192,139	202,557
Net income from Investment Management attributable to W. P. Carey	104,330	85,150	65,190
Net income attributable to W. P. Carey	411,566	277,289	267,747
Dividends declared	502,819	433,834	420,998
Net cash provided by operating activities [(a)]	509,166	520,659	546,797
Net cash (used in) provided by investing activities [(a)]	(266,132)	214,238	(284,741)
Net cash used in financing activities [(a)]	(24,292)	(745,466)	(282,023)
Supplemental financial measures [(b)]:			
Adjusted funds from operations attributable to W. P. Carey (AFFO) — Real Estate	516,502	456,865	463,411
Adjusted funds from operations attributable to W. P. Carey (AFFO) — Investment Management	118,084	116,114	84,286
Adjusted funds from operations attributable to W. P. Carey (AFFO)	634,586	572,979	547,697
Diluted weighted-average shares outstanding [(c)]	117,706,445	108,035,971	107,073,203

(a) On January 1, 2018, we adopted Accounting Standards Update (“ASU”) 2016-15 and ASU 2016-18, which revised how certain items are presented in the consolidated statements of cash flows. As a result of adopting this guidance, we retrospectively revised Net cash provided by operating activities, Net cash (used in) provided by investing activities, and Net cash provided by (used in) financing activities within our consolidated statements of cash flows for the years ended December 31, 2017 and 2016, as described in Note 2.

(b) We consider Adjusted funds from operations (“AFFO”), a supplemental measure that is not defined by GAAP (a “non-GAAP measure”), to be an important measure in the evaluation of our operating performance. See Supplemental Financial Measures below for our definition of this non-GAAP measure and a reconciliation to its most directly comparable GAAP measure.

(c) Amount for the year ended December 31, 2018 includes the dilutive impact of the 53,849,087 shares of our common stock issued to stockholders of CPA:17 – Global in connection with the CPA:17 Merger on October 31, 2018 (Note 3).

Revenues and Net Income Attributable to W. P. Carey

2018 vs. 2017 — Total revenues increased in 2018 as compared to 2017, primarily due to higher revenues within our Real Estate segment, partially offset by lower revenues within our Investment Management segment. Real Estate revenue increased due to an increase in lease revenues, primarily from the properties we acquired in the CPA:17 Merger on October 31, 2018 (Note 3) and other property acquisition activity, partially offset by the impact of property dispositions. Investment Management revenue decreased primarily due to a decrease in reimbursable costs from affiliates and dealer manager fees due to our exit from non-traded retail fundraising activities in June 2017 (Note 1) and a decrease in structuring revenue resulting from lower investment volume for the Managed Programs during 2018 since they are all fully invested.

Net income attributable to W. P. Carey increased significantly in 2018 as compared to 2017, primarily due to a higher aggregate gain on sale of real estate (Note 17), a gain on change in control of interests recognized in connection with the CPA:17 Merger (Note 3), and higher revenues within our Real Estate segment during 2018 as compared to 2017. These increases are partially offset by merger expenses recognized in 2018 related to the CPA:17 Merger (Note 3), higher interest expense (primarily related to non-recourse mortgage loans assumed by us in the CPA:17 Merger), and lower revenues within our Investment Management segment during 2018 as compared to 2017.

2017 vs. 2016 — Total revenues decreased in 2017 as compared to 2016, due to decreases within both our Real Estate and Investment Management segments. Real Estate revenue declined primarily due to a decrease in lease revenues as a result of dispositions of properties since January 1, 2016 (Note 17), as well as higher lease termination income recognized during 2016, which was primarily related to a domestic property sold in February 2016. Investment Management revenue decreased primarily due to a decrease in structuring revenue due to lower investment volume for the Managed Programs during 2017 and a decrease in dealer manager fees due to our exit from non-traded retail fundraising activities in June 2017 (Note 1), partially offset by an increase in asset management revenue as a result of growth in assets under management for the Managed Programs.

Net income attributable to W. P. Carey increased in 2017 as compared to 2016, primarily due to lower interest expense and general and administrative expenses during 2017 as compared to 2016. During 2016, we recognized impairment charges on certain international properties (Note 9), as well as a related offsetting deferred tax benefit on those impairment charges, which reduced Net income attributable to W. P. Carey for that year. During 2016, we also recognized one-time restructuring and other compensation expenses, consisting primarily of severance costs, related to the reduction-in-force (“RIF”) (Note 13), that we implemented in March of that year, as well as an allowance for credit losses on a direct financing lease (Note 6). These increases to earnings were partially offset by lower aggregate gain on sale of real estate, as well as decreases in Real Estate and Investment Management revenues. During 2017, we also recognized non-recurring restructuring expenses, primarily comprised of severance costs, related to our exit from non-traded retail fundraising activities (Note 13).

Net Cash Provided by Operating Activities

2018 vs. 2017 — Net cash provided by operating activities decreased in 2018 as compared to 2017, primarily due to merger expenses recognized in 2018 related to the CPA:17 Merger (Note 3), a decrease in structuring revenue received from the Managed Programs as a result of their lower investment volume during 2018, an increase in interest expense, and a decrease in cash flow as a result of property dispositions during 2017 and 2018. These decreases were partially offset by an increase in cash flow generated from properties acquired during 2017 and 2018, including properties acquired in the CPA:17 Merger (Note 3).

2017 vs. 2016 —Net cash provided by operating activities decreased in 2017 as compared to 2016, primarily due to the lease termination income received in connection with the sale of a property during 2016, our receipt of asset management fees and structuring revenue in shares of common stock of certain of the Managed Programs rather than cash during 2017 (Note 4), and a decrease in operating cash flow as a result of property dispositions during 2016 and 2017. These decreases were partially offset by an increase in operating cash flow generated from properties acquired during 2016 and 2017, a decrease in interest expense, and lower general and administrative expenses in 2017.

AFFO

2018 vs. 2017 — AFFO increased in 2018 as compared to 2017, primarily due to higher lease revenues and lower general and administrative expenses, partially offset by lower Investment Management revenue and higher interest expense.

2017 vs. 2016 — AFFO increased in 2017 as compared to 2016, primarily due to lower interest expense, lower general and administrative expenses, higher asset management revenue, and higher earnings from our equity interests in the Managed Programs, partially offset by lower structuring revenue due to lower investment volume for the Managed Programs during 2017 and lower lease revenues, as well as the lease termination income received in connection with the sale of a property in 2016.

Portfolio Overview

Our portfolio is comprised of operationally-critical, commercial real estate assets net leased to tenants located primarily in the United States and Northern and Western Europe. We invest in high-quality single tenant industrial, warehouse, office, and retail properties subject to long-term leases with built-in rent escalators. 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,		
	2018	2017	2016
Number of net-leased properties [a]	1,163	887	903
Number of operating properties [b]	48	2	2
Number of tenants (net-leased properties)	304	210	217
Total square footage (net-leased properties, in thousands) [c]	130,956	84,899	87,866
Occupancy (net-leased properties)	98.3 %	99.8 %	99.1 %
Weighted-average lease term (net-leased properties, in years)	10.2	9.6	9.7
Number of countries [d]	25	17	19
Total assets (in thousands)	$14,183,039	$8,231,402	$8,453,954
Net investments in real estate (in thousands)	11,928,854	6,703,715	6,781,900

	Years Ended December 31,		
	2018	2017	2016
Acquisition volume (in millions) [e]	824.8	31.8	530.3
Construction projects completed (in millions) [f]	102.5	65.4	13.8
Net proceeds from dispositions (in millions) [g]	517.2	188.0	632.1
Average U.S. dollar/euro exchange rate	1.1813	1.1292	1.1067
Average U.S. dollar/British pound sterling exchange rate	1.3356	1.2882	1.3558
Change in the U.S. CPI [h]	1.9 %	2.1 %	2.0 %
Change in the Germany CPI [h]	1.7 %	1.7 %	1.7 %
Change in the Poland CPI [h]	1.2 %	2.2 %	0.9 %
Change in the Spain CPI [h]	1.2 %	1.1 %	1.6 %
Change in the Netherlands CPI [h]	1.9 %	1.3 %	0.7 %

____

(a) We acquired 273 net-leased properties (in which we did not already have an ownership interest) in the CPA:17 Merger in October 2018 (Note 3).

(b) At December 31, 2018, operating properties consisted of 46 self-storage properties, with an average occupancy of 85.2% at that date, and two hotel properties, with an average occupancy of 74.6% for the year ended December 31, 2018. We acquired 44 self-storage properties and one hotel in the CPA:17 Merger in October 2018 (Note 3), and we acquired two self-storage properties in November 2018 (Note 8). We also sold a hotel in April 2018 (Note 17). At both December 31, 2017 and 2016, operating properties consisted of two hotel properties.

(c) Excludes total square footage of 3.4 million for our operating properties at December 31, 2018.

(d) We acquired investments in Croatia, the Czech Republic, Estonia, Italy, Latvia, Lithuania, and Slovakia in connection with the CPA:17 Merger in October 2018 (Note 3). We also acquired investments in Denmark and Portugal during 2018 (Note 5). We sold all of our investments in Australia during 2018 (Note 17). We sold all of our investments in Malaysia and Thailand during 2017 (Note 17).

(e) Amount for 2018 excludes properties acquired in the CPA:17 Merger (Note 3). Amount for 2018 includes a property valued at $85.5 million that was acquired in exchange for 23 properties leased to the same tenant in a nonmonetary transaction (Note 5). Amount for 2018 includes the acquisition of an equity interest in two self-storage properties for $17.9 million (Note 8). Amount for 2018 excludes $3.2 million of funding for improvements at a portfolio of properties acquired during that year (Note 5).

(f) Amount for 2017 includes projects that were partially completed in 2016.

(g) Amount for 2018 includes 23 properties valued at $85.5 million that were disposed of in exchange for a property leased to the same tenant, as referenced in footnote (e) above (Note 5). Amount for 2017 includes two properties, with an outstanding balance of $28.1 million on the related non-recourse mortgage loan, that were transferred to the mortgage lender (Note 17). Amount for 2016 includes three properties, with an aggregate outstanding balance of $89.8 million on the related non-recourse mortgage loans, that were transferred to the mortgage lender or foreclosed upon (Note 17).

(h) Many of our lease agreements 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, 2018 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
(dollars in thousands)

Tenant/Lease Guarantor	Description	Number of Properties	ABR	ABR Percent		Weighted-Average Lease Term (Years)
U-Haul Moving Partners Inc. and Mercury Partners, LP	Net lease self-storage properties in the U.S.	78	$36,008	3.4	%	5.3
Hellweg Die Profi-Baumärkte GmbH & Co. KG [(a)]	Do-it-yourself retail properties in Germany	44	35,028	3.3	%	18.2
State of Andalucia [(a)]	Government office properties in Spain	70	28,288	2.6	%	16.0
The New York Times Company [(b)]	Media headquarters in New York City	1	27,656	2.6	%	5.2
Metro Cash & Carry Italia S.p.A. [(a)]	Business-to-business wholesale stores in Italy and Germany	20	27,506	2.6	%	8.3
Pendragon PLC [(a)]	Automotive dealerships in the United Kingdom	70	21,640	2.0	%	11.3
Marriott Corporation	Net lease hotel properties in the U.S.	18	20,065	1.9	%	4.9
Nord Anglia Education, Inc.	K-12 private schools in the U.S.	3	18,419	1.7	%	24.7
Advance Auto Parts, Inc.	Distribution facilities in the U.S.	30	18,345	1.7	%	14.1
Forterra, Inc. [(a) (c)]	Industrial properties in the U.S. and Canada	27	17,990	1.7	%	24.5
Total		361	$250,945	23.5	%	12.5

____

(a) ABR amounts are subject to fluctuations in foreign currency exchange rates.

(b) In January 2018, the tenant exercised its option to repurchase the property that it is leasing in the fourth quarter of 2019. There can be no assurance that such repurchase will be completed (Note 6).

(c) Of the 27 properties leased to Forterra, Inc., 25 are located in the United States and two are located in Canada.

Portfolio Diversification by Geography
(in thousands, except percentages)

Region	ABR	ABR Percent		Square Footage [(a)]	Square Footage Percent	
United States						
South						
Texas	$94,648	8.9	%	10,807	8.2	%
Florida	41,135	3.8	%	3,770	2.9	%
Georgia	28,784	2.7	%	4,024	3.1	%
Tennessee	16,103	1.5	%	2,445	1.9	%
Alabama	13,859	1.3	%	2,259	1.7	%
Other [(b)]	12,279	1.2	%	2,258	1.7	%
Total South	206,808	19.4	%	25,563	19.5	%
East						
New York	34,583	3.2	%	1,769	1.3	%
North Carolina	27,543	2.6	%	6,490	5.0	%
Massachusetts	20,759	2.0	%	1,397	1.1	%
New Jersey	19,096	1.8	%	1,100	0.8	%
Pennsylvania	15,673	1.5	%	2,578	2.0	%
Virginia	13,214	1.2	%	1,430	1.1	%
South Carolina	11,843	1.1	%	3,158	2.4	%
Kentucky	10,890	1.0	%	3,063	2.3	%
Other [(b)]	19,903	1.9	%	2,768	2.1	%
Total East	173,504	16.3	%	23,753	18.1	%
Midwest						
Illinois	46,324	4.3	%	5,547	4.2	%
Minnesota	26,749	2.5	%	2,451	1.9	%
Indiana	17,540	1.6	%	2,827	2.1	%
Michigan	13,624	1.3	%	2,073	1.6	%
Ohio	13,460	1.3	%	3,036	2.3	%
Wisconsin	13,355	1.3	%	3,125	2.4	%
Other [(b)]	26,100	2.4	%	4,703	3.6	%
Total Midwest	157,152	14.7	%	23,762	18.1	%
West						
California	56,632	5.3	%	4,679	3.6	%
Arizona	36,776	3.5	%	3,652	2.8	%
Colorado	11,145	1.0	%	1,008	0.8	%
Other [(b)]	34,194	3.2	%	3,675	2.8	%
Total West	138,747	13.0	%	13,014	10.0	%
United States Total	676,211	63.4	%	86,092	65.7	%
International						
Germany	64,522	6.1	%	6,922	5.3	%
Poland	50,302	4.7	%	6,932	5.3	%
Spain	48,960	4.6	%	4,226	3.2	%
The Netherlands	47,336	4.4	%	6,306	4.8	%
United Kingdom	38,389	3.6	%	2,924	2.3	%
Italy	25,869	2.4	%	2,386	1.8	%
France	15,926	1.5	%	1,429	1.1	%

Denmark	12,091	1.1	%	1,987	1.5	%
Croatia	11,577	1.1	%	1,856	1.4	%
Finland	11,479	1.1	%	949	0.7	%
Canada	11,290	1.1	%	1,817	1.4	%
Lithuania	10,829	1.0	%	1,640	1.3	%
Other [c]	41,504	3.9	%	5,490	4.2	%
International Total	390,074	36.6	%	44,864	34.3	%
Total	$1,066,285	100.0	%	130,956	100.0	%

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

Property Type	ABR	ABR Percent	Square Footage (a)	Square Footage Percent
Office	$271,731	25.5 %	17,156	13.1 %
Industrial	247,880	23.2 %	44,420	33.9 %
Warehouse	220,470	20.7 %	41,208	31.5 %
Retail (d)	189,878	17.8 %	18,612	14.2 %
Other (e)	136,326	12.8 %	9,560	7.3 %
Total	$1,066,285	100.0 %	130,956	100.0 %

____

(a) Includes square footage for any vacant properties.

(b) Other properties within South include assets in Louisiana, Arkansas, Oklahoma, and Mississippi. Other properties within East include assets in Maryland, Connecticut, New Hampshire, West Virginia, and Maine. Other properties within Midwest include assets in Missouri, Kansas, Nebraska, Iowa, South Dakota, and North Dakota. Other properties within West include assets in Nevada, Washington, Utah, Oregon, New Mexico, Wyoming, Montana, and Alaska.

(c) Includes assets in Norway, Hungary, Mexico, Austria, Portugal, Japan, the Czech Republic, Slovakia, Latvia, Sweden, Belgium, and Estonia.

(d) Includes automotive dealerships.

(e) Includes ABR from tenants with the following property types: education facility, self storage (net lease), hotel (net lease), fitness facility, laboratory, theater, and student housing (net lease).

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

Industry Type	ABR	ABR Percent	Square Footage	Square Footage Percent
Retail Stores [a]	$222,710	20.9 %	28,934	22.1 %
Consumer Services	90,340	8.5 %	6,628	5.1 %
Automotive	68,801	6.5 %	11,733	9.0 %
Cargo Transportation	57,001	5.3 %	9,239	7.0 %
Business Services	56,659	5.3 %	5,075	3.9 %
Grocery	52,422	4.9 %	6,695	5.1 %
Healthcare and Pharmaceuticals	46,499	4.4 %	3,728	2.8 %
Hotel, Gaming, and Leisure	44,665	4.2 %	2,550	1.9 %
Media: Advertising, Printing, and Publishing	42,968	4.0 %	2,292	1.7 %
Sovereign and Public Finance	41,289	3.9 %	3,364	2.6 %
Construction and Building	41,109	3.9 %	7,673	5.9 %
Capital Equipment	35,965	3.4 %	5,882	4.5 %
Containers, Packaging, and Glass	35,678	3.3 %	6,527	5.0 %
Beverage, Food, and Tobacco	28,821	2.7 %	4,164	3.2 %
High Tech Industries	27,141	2.5 %	2,921	2.2 %
Insurance	24,252	2.3 %	1,759	1.3 %
Banking	19,088	1.8 %	1,247	1.0 %
Telecommunications	18,713	1.8 %	1,736	1.3 %
Non-Durable Consumer Goods	16,912	1.6 %	4,731	3.6 %
Durable Consumer Goods	16,131	1.4 %	3,502	2.7 %
Aerospace and Defense	13,313	1.2 %	1,279	1.0 %
Media: Broadcasting and Subscription	12,648	1.2 %	784	0.6 %
Wholesale	12,350	1.2 %	1,932	1.5 %
Chemicals, Plastics, and Rubber	11,846	1.1 %	1,403	1.1 %
Other [b]	28,964	2.7 %	5,178	3.9 %
Total	$1,066,285	100.0 %	130,956	100.0 %

(a) Includes automotive dealerships.

(b) Includes ABR from tenants in the following industries: metals and mining, oil and gas, environmental industries, electricity, consumer transportation, forest products and paper, real estate, and finance. Also includes square footage for vacant properties.

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

Year of Lease Expiration [a]	Number of Leases Expiring	Number of Tenants with Leases Expiring	ABR	ABR Percent	Square Footage	Square Footage Percent
2019	19	16	$16,611	1.6 %	1,142	0.9 %
2020	28	25	23,787	2.2 %	2,361	1.8 %
2021	80	23	37,439	3.5 %	4,833	3.7 %
2022	42	31	74,638	7.0 %	9,591	7.3 %
2023	29	27	49,561	4.6 %	6,351	4.9 %
2024 [b]	52	32	134,454	12.6 %	14,535	11.1 %
2025	57	25	54,770	5.1 %	7,046	5.4 %
2026	30	18	45,632	4.3 %	7,068	5.4 %
2027	47	28	73,443	6.9 %	8,582	6.6 %
2028	43	25	66,861	6.3 %	6,794	5.2 %
2029	28	16	32,139	3.0 %	4,120	3.1 %
2030	34	22	77,696	7.3 %	7,900	6.0 %
2031	62	12	58,203	5.5 %	6,304	4.8 %
2032	39	17	48,193	4.5 %	7,493	5.7 %
Thereafter (>2032)	109	62	272,858	25.6 %	34,546	26.4 %
Vacant	—	—	—	— %	2,290	1.7 %
Total	699		$1,066,285	100.0 %	130,956	100.0 %

____

(a) Assumes tenants do not exercise any renewal options or purchase options.

(b) Includes ABR of $27.7 million from a tenant (The New York Times Company) that in January 2018 exercised its option to repurchase the property it is leasing in the fourth quarter of 2019. There can be no assurance that such repurchase will be completed (Note 6).

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, which we do not control, we report our net investment and our net income or loss from that investment. Under the pro rata consolidation method, we present our proportionate share, based on our economic ownership of these jointly owned investments, of the portfolio metrics of those investments. Multiplying each of our jointly owned investments' financial statement line items by our percentage ownership and adding or subtracting those amounts from our totals, as applicable, may not accurately depict the legal and economic implications of holding an ownership interest of less than 100% in our jointly owned investments.

ABR — ABR represents contractual minimum annualized base rent for our net-leased properties, net of receivable reserves as determined by GAAP, and reflects exchange rates as of December 31, 2018. If there is a rent abatement, we annualize the first monthly contractual base rent following the free rent period. ABR is not applicable to operating properties.

Results of Operations

We operate in two reportable segments: Real Estate 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 segment. We focus our efforts on accretive investing and improving portfolio quality through re-leasing efforts, including negotiation of lease renewals, or selectively selling assets in order to increase value in our real estate portfolio. Through our Investment Management segment, we will continue to earn fees and other income from the management of the portfolios of the remaining Managed Programs until those programs reach the end of their respective life cycles.

Real Estate

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

	Years Ended December 31,					
	2018	2017	Change	2017	2016	Change
Revenues						
Lease revenues	$716,422	$630,373	$86,049	$630,373	$663,463	$(33,090)
Reimbursable tenant costs	28,076	21,524	6,552	21,524	25,438	(3,914)
Operating property revenues	28,072	30,562	(2,490)	30,562	30,767	(205)
Lease termination income and other	6,555	4,749	1,806	4,749	35,696	(30,947)
	779,125	687,208	91,917	687,208	755,364	(68,156)
Operating Expenses						
Depreciation and amortization:						
Net-leased properties	277,151	243,867	33,284	243,867	266,637	(22,770)
Operating properties	9,021	4,276	4,745	4,276	4,238	38
Corporate depreciation and amortization	1,289	1,289	—	1,289	1,399	(110)
	287,461	249,432	38,029	249,432	272,274	(22,842)
Property expenses:						
Reimbursable tenant costs	28,076	21,524	6,552	21,524	25,438	(3,914)
Net-leased properties	22,773	17,330	5,443	17,330	26,804	(9,474)
Operating properties	20,150	23,426	(3,276)	23,426	22,627	799
	70,999	62,280	8,719	62,280	74,869	(12,589)
General and administrative	47,210	39,002	8,208	39,002	34,591	4,411
Merger and other expenses	41,426	605	40,821	605	2,993	(2,388)
Stock-based compensation expense	10,450	6,960	3,490	6,960	5,224	1,736
Impairment charges	4,790	2,769	2,021	2,769	59,303	(56,534)
Restructuring and other compensation	—	—	—	—	4,413	(4,413)
	462,336	361,048	101,288	361,048	453,667	(92,619)
Other Income and Expenses						
Interest expense	(178,375)	(165,775)	(12,600)	(165,775)	(183,409)	17,634
Gain on sale of real estate, net	118,605	33,878	84,727	33,878	71,318	(37,440)
Gain on change in control of interests	18,792	—	18,792	—	—	—
Equity in earnings of equity method investments in real estate	13,341	13,068	273	13,068	12,928	140
Other gains and (losses)	30,015	(5,655)	35,670	(5,655)	3,665	(9,320)
	2,378	(124,484)	126,862	(124,484)	(95,498)	(28,986)
Income before income taxes	319,167	201,676	117,491	201,676	206,199	(4,523)
Benefit from (provision for) income taxes	844	(1,743)	2,587	(1,743)	3,418	(5,161)
Net Income from Real Estate	320,011	199,933	120,078	199,933	209,617	(9,684)

Net income attributable to noncontrolling interests	(12,775)	(7,794)	(4,981)	(7,794)	(7,060)	(734)
Net Income from Real Estate Attributable to W. P. Carey	$307,236	$192,139	$115,097	$192,139	$202,557	$(10,418)

Property Level Contribution

The following table presents the Property level contribution for our consolidated net-leased and operating properties, as well as a reconciliation to Net income from Real Estate attributable to W. P. Carey (in thousands):

	Years Ended December 31,					
	2018	2017	Change	2017	2016	Change
Existing Net-Leased Properties						
Lease revenues	$562,786	$547,858	$14,928	$547,858	$545,111	$2,747
Depreciation and amortization	(214,244)	(208,103)	(6,141)	(208,103)	(207,199)	(904)
Property expenses	(17,326)	(13,865)	(3,461)	(13,865)	(13,133)	(732)
Property level contribution	331,216	325,890	5,326	325,890	324,779	1,111
Net-Leased Properties Acquired in the CPA:17 Merger						
Lease revenues	52,779	—	52,779	—	—	—
Depreciation and amortization	(22,469)	—	(22,469)	—	—	—
Property expenses	(2,934)	—	(2,934)	—	—	—
Property level contribution	27,376	—	27,376	—	—	—
Recently Acquired Net-Leased Properties						
Lease revenues	72,979	40,087	32,892	40,087	19,318	20,769
Depreciation and amortization	(28,805)	(16,468)	(12,337)	(16,468)	(8,793)	(7,675)
Property expenses	(954)	(513)	(441)	(513)	(109)	(404)
Property level contribution	43,220	23,106	20,114	23,106	10,416	12,690
Existing Operating Property						
Operating property revenues	15,179	14,554	625	14,554	15,225	(671)
Depreciation and amortization	(1,947)	(1,714)	(233)	(1,714)	(1,702)	(12)
Operating property expenses	(11,608)	(11,358)	(250)	(11,358)	(11,193)	(165)
Property level contribution	1,624	1,482	142	1,482	2,330	(848)
Operating Properties Acquired in the CPA:17 Merger						