W. P. CAREY

Net lease investing focus

Disciplined acquisition strategy

Proactive asset management

A history of *Doing Good While Doing Well®*

A constant for 45 years

Dear Fellow Shareholders,

2018 marks a number of milestones for W. P. Carey: our 45th anniversary, our 20th year as a public company, our 20th year of delivering rising dividend income to shareholders, and, for me personally, my first year as CEO. Over my 16-year career at W. P. Carey, I have been closely involved in building the portfolio of net lease assets we own today, and I am proud to have been part of the company's evolution into one of the leading diversified net lease REITs. This has afforded me a unique perspective. In this year's letter I am excited to explore our recent accomplishments and future direction, building on the core investment principles that have guided us throughout our history of *Investing for the Long Run*.

Our Perspective

W. P. Carey was a pioneer of net lease investing and today ranks among the largest and foremost REITs operating in this space. We see virtually every investment opportunity brought to market and many that are not, providing unparalleled insight. Given this vantage point, I believe we will look back at 2017 as a period of peak pricing for the current cycle. The sustained strength of commercial real estate markets in both the U.S. and Europe positively impacted the value of our existing portfolio and provided a favorable environment for dispositions. In light of that, and adhering to our underwriting discipline, we elected to be a net seller for the year.

Looking ahead, we expect sellers to become more motivated, allowing buyers to regain some leverage. Coupled with the outlook for higher interest rates, we anticipate a more favorable acquisition environment over the near to medium term and as a result, we expect to be a net acquirer in 2018. Furthermore, we believe the limitations on the deductibility of interest as compared to the full deductibility of rental expense in the recent U.S. tax reform act will support corporate sale-leaseback activity, which often competes with debt financing.

Our Approach

We focus on assets that have critical importance to our tenants' businesses. Our investments are originated primarily through sale-leaseback and build-to-suit transactions, augmented by opportunities sourced from within our portfolio. Like other real estate investors, evaluating the fundamental value of the underlying real estate is central to our established process. Our expertise in credit underwriting and our ability to perform

in-depth analysis of each tenant's business, industry position and financial health enable us to source, evaluate and invest in a wide array of opportunities. Our ability to execute on more complex transactions distinguishes us from other net lease investors, driving more meaningful yield spreads and significant value creation through the lease structure itself, including longer lease terms, stronger financial covenants when warranted and superior rent escalations.

I continue to believe in the importance of internally generated growth. By concentrating our investments outside of the commodity segment of net lease, we have been able to structure inflation-based rent escalations and attractive fixed rent increases into our leases. This is especially valuable during periods of rising inflation. Compared to prior years, inflation picked up in both the U.S. and Europe, which was reflected in our same-store rent growth. Looking ahead, the outlook for global economic growth and declining unemployment suggest that inflation will continue to rise. Among net lease REITs we have one of the highest percentages of annualized base rent coming from leases tied to CPI, thereby ensuring we are among the best positioned to benefit from higher inflation.

Diversification has long been a distinguishing characteristic of W. P. Carey's approach, and having spent my career investing in commercial real estate, I firmly believe in its benefits for the net lease asset class. In addition to insulating the portfolio from disruptions in one area of the market, diversification expands our opportunity set and enables us to direct our investments to the most attractive risk–reward opportunities. Over multiple real estate cycles, we have been a prudent allocator of capital, adjusting our portfolio composition by proactively selling into strength when we believe markets are mispriced and buying into weakness when we see opportunity.

During 2017, disruption to traditional retailers in the U.S. continued, validating the benefits of diversification as well as our long-held belief that the market is oversaturated by the commodity segment of retail real estate. By proactively managing our exposure and selling the majority of our U.S. big-box retail assets in 2011, we have maintained an underweight allocation to retail, with negligible exposure to high-risk properties. Since then, we have allocated capital in the U.S. towards more attractive risk–reward investments in the warehouse and industrial sectors. In Europe, which has higher barriers to development, our focus in the retail sector has been on tenants insulated from e-commerce disruption, such as DIY retailers and auto dealerships, reducing our risk.

Unlike many net lease REITs, proactive asset management is central to W. P. Carey's approach, enabling us to stay well ahead of lease expirations and providing additional opportunities for internally driven growth. In a year during which we opted to be less active as a buyer, we were able to maintain a weighted average lease term of close to ten years and to achieve strong rent recapture with minimal capital expenditure. We also reduced our near-term lease expirations and further lowered vacant space, ending the year at close to full occupancy. Given the size and composition of our portfolio, proactive asset management has also provided us with a meaningful pool of follow-on investment opportunities through which we are able to create significant value by investing discretionary capital into existing assets. Such deals often offer above-market yields and enhance overall portfolio quality by extending lease term, modernizing assets and increasing criticality.

Building Long-Term Shareholder Value

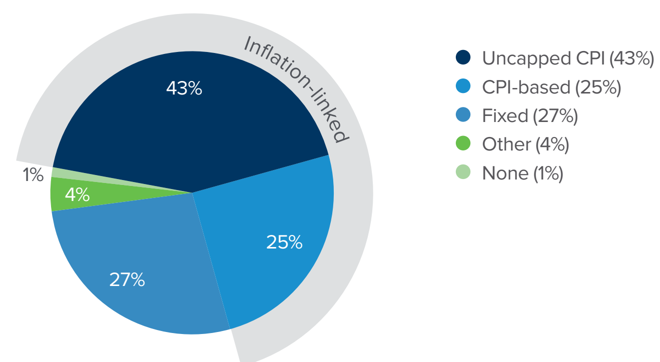
In addition to our investment and asset management activities, we are building a more valuable company by refining our focus and simplifying our business. The most significant development for W. P. Carey during 2017 was our strategic decision to exit retail fundraising activities, manage the programs through their natural liquidity cycle and ultimately exit the investment management business altogether. All net lease transactions are now exclusively available for our balance sheet, and our business continues to move towards more predictable and higher-quality income streams. Equally important, the narrative surrounding the company has been clarified and simplified—something we expect to further benefit our cost of capital over time—thereby enhancing our ability to grow earnings through accretive investments.

We have made meaningful and sustainable reductions to our cost structure over the last two years through the elimination of costs associated with non-traded retail fundraising activities and a heightened focus on operational efficiencies across the firm. We have also continued to streamline our business by opportunistically divesting non-core investments and pulling back from regions like Southeast Asia, where we lack a path to scale. Over the near term, we plan to exit additional non-core investments to further refine our geographic focus on North America and Europe.

Our investment and asset management activity does not happen in a vacuum. We constantly look to the other side of our balance sheet to assess our ability to access various forms of capital, with particular focus on ensuring we have the appropriate flexibility and liquidity to take advantage of future investment opportunities at an advantageous cost of capital. During 2017, we successfully executed a €500-million eurobond issuance and renewed our credit facility, extending the vast majority of our debt maturities to 2021 and beyond. Since year-end we have issued an additional €500 million of eurobonds at an attractive rate, which has minimized our exposure to floating-rate debt and increased our natural hedge on euro-denominated income and investments.

Rent Escalations*

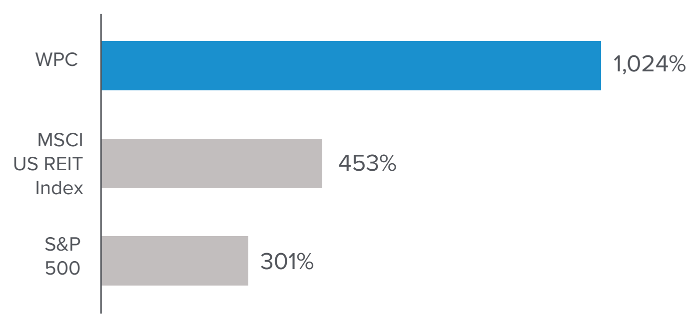
99% of our leases have contractual rent increases, and 68% are tied to CPI, positioning us well for a higher inflationary environment



*Based on contractual minimum ABR.

Total Return

Since going public in 1998, W. P. Carey has significantly outpaced REIT indices and the broader markets



Total return from January 21, 1998, through market close December 31, 2017. Reflects the reinvestment of all dividends.

We have managed our balance sheet conservatively and remain committed to maintaining our investment grade ratings. Our credit profile has continued to improve by steadily replacing mortgage loans with unsecured debt. We have a well-laddered series of debt maturities and minimal floating-rate debt, thereby limiting our exposure to near-term interest rate volatility. Furthermore, with ample liquidity and a sizable dispositions pipeline we have the flexibility to make new investments without an immediate need to issue equity.

Reflecting the advancements we made during 2017, we increased both our AFFO and dividends while maintaining a conservative payout ratio. AFFO per diluted share increased to $5.30, and dividends declared totaled $4.01 per share. Our results demonstrate our commitment to maximizing long-term shareholder value as we increased earnings while improving the quality of our portfolio and the composition of our revenue streams. Our shareholders earned a total return of 23.9% for the year, significantly outperforming the MSCI US REIT Index and our direct net lease peers.

Looking ahead to 2018 and beyond, we remain focused on our primary goal of maximizing recurring revenues and sustainable cash flow to enhance shareholder value. Today, we are a stronger, leaner and more focused company with a history of long-term performance and commitment to delivering superior risk-adjusted returns for our shareholders.

In Closing

In conjunction with the evolution of our business, our ongoing commitment to *Doing Good While Doing Well*, established by our founder Wm. Polk Carey, helps enhance and improve our local communities and shared environment. As part of our larger corporate responsibility, we strive to address the environmental and sustainability needs of our tenants and the communities in which we operate as well as the overall wellness of our employees. We are dedicated to supporting educational programs, hospitals, museums and other community organizations as a company and through our Carey Forward program, which encourages employees to become involved in philanthropic and charitable activities.

I would like to take this opportunity to recognize my predecessor, Mark DeCesaris, for his leadership in guiding the company through its recent period of evolution and his many contributions to W. P. Carey throughout his 12-year tenure. I would also like to acknowledge and thank our Board of Directors for their valuable guidance and oversight.

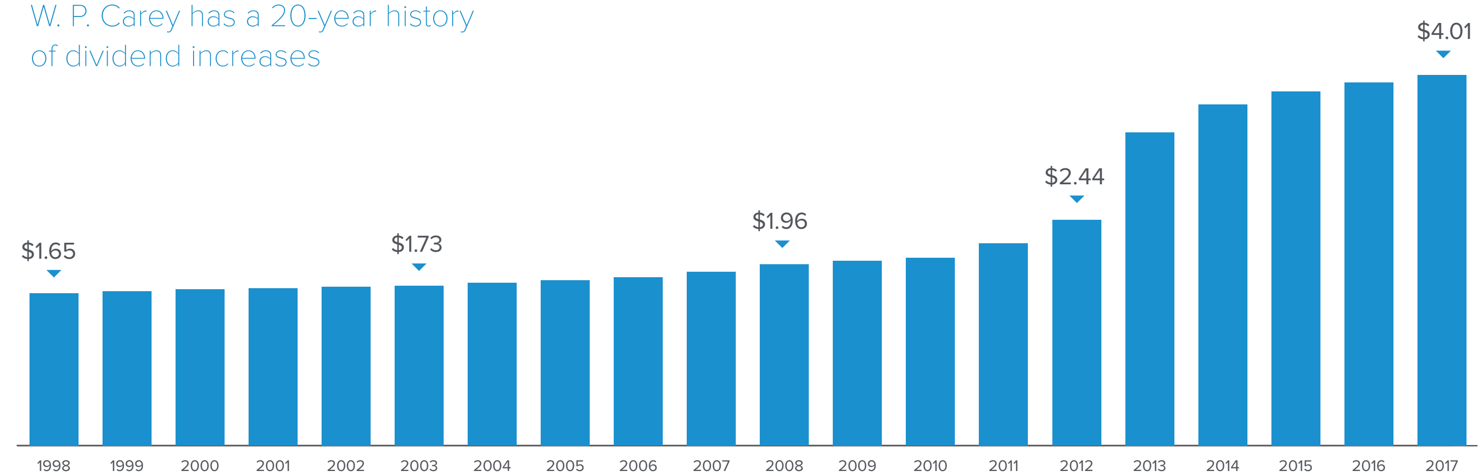
Over the course of my career, I have been keenly focused on investments for our portfolio of real estate assets. However, I recognize that the company's most important assets walk in the door each morning. I'm privileged to lead the team of exceptional people we have, and I feel fortunate to be part of the journey that Bill began 45 years ago. I can't think of a more exciting time in our history to be leading W. P. Carey.

With best regards,

Jason E. Fox
Chief Executive Officer

Annual Dividends

W. P. Carey has a 20-year history of dividend increases



Past performance is not a guarantee of future results.

Annual dividend per share reflects sum of quarterly dividends per share for the respective year.