

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2023**

**or**

☐ **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**

(State of incorporation)

**45-4549771**

(I.R.S. Employer Identification No.)

**One Manhattan West, 395 9th Avenue, 58th Floor**

**New York, New York**

(Address of principal executive offices)

**10001**

(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:

| <b>Title of each class</b>      | <b>Trading Symbol(s)</b> | <b>Name of each exchange on which registered</b> |
|---------------------------------|--------------------------|--------------------------------------------------|
| Common Stock, \$0.001 Par Value | WPC                      | New York Stock Exchange                          |

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 ☒ No ☐

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 ☒ No ☐

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   | <input checked="" type="checkbox"/> | Accelerated filer       | <input type="checkbox"/> | Non-accelerated filer | <input type="checkbox"/> |
| Smaller reporting company | <input type="checkbox"/>            | Emerging growth company | <input type="checkbox"/> |                       |                          |

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. ☐

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

Registrant has 218,671,874 shares of common stock, \$0.001 par value, outstanding at October 27, 2023.

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## Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Report”), including Management’s Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of Part I 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 continue,” “will likely result,” and similar expressions. These forward-looking statements include, but are not limited to, statements regarding: the NLOP Spin-Off (as defined herein), including the impact thereof; our corporate strategy and estimated or future economic performance and results, including our expectations surrounding the impact of the broader macroeconomic environment and the ability of tenants to pay rent, financial condition, liquidity, results of operations, and prospects; our future capital expenditure and leverage levels, debt service obligations, and plans to fund our liquidity needs; prospective statements regarding our access to the capital markets, including our “at-the-market” program (“ATM Program”) and settlement of our Equity Forwards (as defined herein); the outlook for the investment program that we manage, including possible liquidity events for the program; statements that we make regarding our ability to remain qualified for taxation as a real estate investment trust (“REIT”); and the impact of recently issued accounting pronouncements and regulatory activity.

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 risks or uncertainties, like the risks related to inflation and increased interest rates, the effects of pandemics and global outbreaks of contagious diseases (such as the COVID-19 pandemic) and domestic or geopolitical crises, such as terrorism, military conflict, war or the perception that hostilities may be imminent, political instability or civil unrest, or other conflict, 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 Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on February 10, 2023 (the “2022 Annual Report”), and in Part II, Item 1A. Risk Factors herein. 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 Report, 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 I, Item 1. Financial Statements (Unaudited).

## PART I — FINANCIAL INFORMATION

### Item 1. Financial Statements.

**W. P. CAREY INC.**  
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
*(in thousands, except share and per share amounts)*

|                                                                                                                                          | September 30, 2023   | December 31, 2022    |
|------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                                                                                                            |                      |                      |
| Investments in real estate:                                                                                                              |                      |                      |
| Land, buildings and improvements — net lease and other                                                                                   | \$ 13,390,692        | \$ 13,338,857        |
| Land, buildings and improvements — operating properties                                                                                  | 1,222,062            | 1,095,892            |
| Net investments in finance leases and loans receivable                                                                                   | 1,172,671            | 771,761              |
| In-place lease intangible assets and other                                                                                               | 2,696,403            | 2,659,750            |
| Above-market rent intangible assets                                                                                                      | 771,071              | 833,751              |
| Investments in real estate                                                                                                               | 19,252,899           | 18,700,011           |
| Accumulated depreciation and amortization                                                                                                | (3,438,183)          | (3,269,057)          |
| Assets held for sale, net                                                                                                                | 102,015              | 57,944               |
| Net investments in real estate                                                                                                           | 15,916,731           | 15,488,898           |
| Equity method investments                                                                                                                | 351,537              | 327,502              |
| Cash and cash equivalents                                                                                                                | 136,438              | 167,996              |
| Other assets, net                                                                                                                        | 1,191,350            | 1,080,227            |
| Goodwill                                                                                                                                 | 1,034,183            | 1,037,412            |
| <b>Total assets <sup>(a)</sup></b>                                                                                                       | <b>\$ 18,630,239</b> | <b>\$ 18,102,035</b> |
| <b>Liabilities and Equity</b>                                                                                                            |                      |                      |
| Debt:                                                                                                                                    |                      |                      |
| Senior unsecured notes, net                                                                                                              | \$ 5,902,854         | \$ 5,916,400         |
| Unsecured term loans, net                                                                                                                | 1,083,597            | 552,539              |
| Unsecured revolving credit facility                                                                                                      | 516,513              | 276,392              |
| Non-recourse mortgages, net                                                                                                              | 784,750              | 1,132,417            |
| Debt, net                                                                                                                                | 8,287,714            | 7,877,748            |
| Accounts payable, accrued expenses and other liabilities                                                                                 | 638,965              | 623,843              |
| Below-market rent and other intangible liabilities, net                                                                                  | 153,049              | 184,584              |
| Deferred income taxes                                                                                                                    | 171,929              | 178,959              |
| Dividends payable                                                                                                                        | 233,331              | 228,257              |
| <b>Total liabilities <sup>(a)</sup></b>                                                                                                  | <b>9,484,988</b>     | <b>9,093,391</b>     |
| Commitments and contingencies ( <a href="#">Note 12</a> )                                                                                |                      |                      |
| Preferred stock, \$0.001 par value, 50,000,000 shares authorized; none issued                                                            | —                    | —                    |
| Common stock, \$0.001 par value, 450,000,000 shares authorized; 213,925,817 and 210,620,949 shares, respectively, issued and outstanding | 214                  | 211                  |
| Additional paid-in capital                                                                                                               | 11,970,559           | 11,706,836           |
| Distributions in excess of accumulated earnings                                                                                          | (2,616,638)          | (2,486,633)          |
| Deferred compensation obligation                                                                                                         | 62,046               | 57,012               |
| Accumulated other comprehensive loss                                                                                                     | (281,820)            | (283,780)            |
| Total stockholders' equity                                                                                                               | 9,134,361            | 8,993,646            |
| Noncontrolling interests                                                                                                                 | 10,890               | 14,998               |
| <b>Total equity</b>                                                                                                                      | <b>9,145,251</b>     | <b>9,008,644</b>     |
| <b>Total liabilities and equity</b>                                                                                                      | <b>\$ 18,630,239</b> | <b>\$ 18,102,035</b> |

(a) See [Note 2](#) for details related to variable interest entities (“VIEs”).

See Notes to Consolidated Financial Statements.

**W. P. CAREY INC.**  
**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**  
*(in thousands, except share and per share amounts)*

|                                                        | Three Months Ended September 30, |                    | Nine Months Ended September 30, |                    |
|--------------------------------------------------------|----------------------------------|--------------------|---------------------------------|--------------------|
|                                                        | 2023                             | 2022               | 2023                            | 2022               |
| <b>Revenues</b>                                        |                                  |                    |                                 |                    |
| Real Estate:                                           |                                  |                    |                                 |                    |
| Lease revenues                                         | \$ 369,159                       | \$ 331,902         | \$ 1,090,619                    | \$ 953,981         |
| Income from finance leases and loans receivable        | 27,575                           | 20,637             | 75,641                          | 56,794             |
| Operating property revenues                            | 49,218                           | 21,350             | 140,780                         | 30,279             |
| Other lease-related income                             | 2,310                            | 8,192              | 20,723                          | 24,905             |
|                                                        | <u>448,262</u>                   | <u>382,081</u>     | <u>1,327,763</u>                | <u>1,065,959</u>   |
| Investment Management:                                 |                                  |                    |                                 |                    |
| Asset management revenue                               | 194                              | 1,197              | 836                             | 8,084              |
| Reimbursable costs from affiliates                     | 97                               | 344                | 322                             | 2,414              |
|                                                        | <u>291</u>                       | <u>1,541</u>       | <u>1,158</u>                    | <u>10,498</u>      |
|                                                        | <u>448,553</u>                   | <u>383,622</u>     | <u>1,328,921</u>                | <u>1,076,457</u>   |
| <b>Operating Expenses</b>                              |                                  |                    |                                 |                    |
| Depreciation and amortization                          | 144,771                          | 132,181            | 444,728                         | 362,654            |
| Operating property expenses                            | 26,570                           | 9,357              | 74,738                          | 15,335             |
| General and administrative                             | 23,258                           | 22,299             | 74,494                          | 66,224             |
| Reimbursable tenant costs                              | 20,498                           | 18,874             | 62,997                          | 52,538             |
| Impairment charges — real estate                       | 15,173                           | —                  | 15,173                          | 26,385             |
| Property expenses, excluding reimbursable tenant costs | 13,021                           | 11,244             | 31,164                          | 36,874             |
| Stock-based compensation expense                       | 9,050                            | 5,511              | 25,811                          | 23,102             |
| Merger and other expenses                              | 4,152                            | 17,667             | 5,595                           | 17,329             |
| Reimbursable costs from affiliates                     | 97                               | 344                | 322                             | 2,414              |
| Impairment charges — Investment Management goodwill    | —                                | 29,334             | —                               | 29,334             |
|                                                        | <u>256,590</u>                   | <u>246,811</u>     | <u>735,022</u>                  | <u>632,189</u>     |
| <b>Other Income and Expenses</b>                       |                                  |                    |                                 |                    |
| Interest expense                                       | (76,974)                         | (59,022)           | (219,658)                       | (151,492)          |
| Earnings from equity method investments                | 4,978                            | 11,304             | 14,569                          | 23,477             |
| Non-operating income                                   | 4,862                            | 9,263              | 13,997                          | 23,783             |
| Other gains and (losses)                               | 2,859                            | (15,020)           | 9,593                           | (1,021)            |
| Gain (loss) on sale of real estate, net                | 2,401                            | (4,736)            | 181,958                         | 37,631             |
| Gain on change in control of interests                 | —                                | 33,931             | —                               | 33,931             |
|                                                        | <u>(61,874)</u>                  | <u>(24,280)</u>    | <u>459</u>                      | <u>(33,691)</u>    |
| Income before income taxes                             | 130,089                          | 112,531            | 594,358                         | 410,577            |
| Provision for income taxes                             | (5,090)                          | (8,263)            | (30,338)                        | (21,598)           |
| <b>Net Income</b>                                      | <u>124,999</u>                   | <u>104,268</u>     | <u>564,020</u>                  | <u>388,979</u>     |
| Net loss attributable to noncontrolling interests      | 41                               | 660                | 20                              | 622                |
| <b>Net Income Attributable to W. P. Carey</b>          | <u>\$ 125,040</u>                | <u>\$ 104,928</u>  | <u>\$ 564,040</u>               | <u>\$ 389,601</u>  |
| <b>Basic Earnings Per Share</b>                        | <u>\$ 0.58</u>                   | <u>\$ 0.52</u>     | <u>\$ 2.64</u>                  | <u>\$ 1.98</u>     |
| <b>Diluted Earnings Per Share</b>                      | <u>\$ 0.58</u>                   | <u>\$ 0.51</u>     | <u>\$ 2.63</u>                  | <u>\$ 1.98</u>     |
| <b>Weighted-Average Shares Outstanding</b>             |                                  |                    |                                 |                    |
| Basic                                                  | 215,097,114                      | 203,093,553        | 214,052,907                     | 196,382,433        |
| Diluted                                                | <u>215,252,969</u>               | <u>204,098,116</u> | <u>214,427,425</u>              | <u>197,264,509</u> |

See Notes to Consolidated Financial Statements.

**W. P. CAREY INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
*(in thousands)*

|                                                                  | <b>Three Months Ended September 30,</b> |                  | <b>Nine Months Ended September 30,</b> |                   |
|------------------------------------------------------------------|-----------------------------------------|------------------|----------------------------------------|-------------------|
|                                                                  | <b>2023</b>                             | <b>2022</b>      | <b>2023</b>                            | <b>2022</b>       |
| <b>Net Income</b>                                                | \$ 124,999                              | \$ 104,268       | \$ 564,020                             | \$ 388,979        |
| <b>Other Comprehensive (Loss) Income</b>                         |                                         |                  |                                        |                   |
| Foreign currency translation adjustments                         | (8,844)                                 | (56,053)         | 7,092                                  | (109,198)         |
| Unrealized gain (loss) on derivative instruments                 | 6,816                                   | 23,610           | (5,384)                                | 50,956            |
| Reclassification of unrealized gain on investments to net income | —                                       | —                | —                                      | (18,688)          |
|                                                                  | (2,028)                                 | (32,443)         | 1,708                                  | (76,930)          |
| <b>Comprehensive Income</b>                                      | <b>122,971</b>                          | <b>71,825</b>    | <b>565,728</b>                         | <b>312,049</b>    |
| <b>Amounts Attributable to Noncontrolling Interests</b>          |                                         |                  |                                        |                   |
| Net loss                                                         | 41                                      | 660              | 20                                     | 622               |
| Foreign currency translation adjustments                         | 139                                     | 543              | 252                                    | 543               |
| Comprehensive loss attributable to noncontrolling interests      | 180                                     | 1,203            | 272                                    | 1,165             |
| <b>Comprehensive Income Attributable to W. P. Carey</b>          | <b>\$ 123,151</b>                       | <b>\$ 73,028</b> | <b>\$ 566,000</b>                      | <b>\$ 313,214</b> |

See Notes to Consolidated Financial Statements.

**W. P. CAREY INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)**  
*(in thousands, except share and per share amounts)*

|                                                               | W. P. Carey Stockholders |        |                                  |                                                          |                                        |                                               |                                      |                             |              |
|---------------------------------------------------------------|--------------------------|--------|----------------------------------|----------------------------------------------------------|----------------------------------------|-----------------------------------------------|--------------------------------------|-----------------------------|--------------|
|                                                               | Common Stock             |        | Additional<br>Paid-in<br>Capital | Distributions<br>in Excess of<br>Accumulated<br>Earnings | Deferred<br>Compensation<br>Obligation | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>W. P. Carey<br>Stockholders | Noncontrolling<br>Interests | Total        |
|                                                               | \$0.001 Par Value        |        |                                  |                                                          |                                        |                                               |                                      |                             |              |
|                                                               | Shares                   | Amount |                                  |                                                          |                                        |                                               |                                      |                             |              |
| Balance at July 1, 2023                                       | 213,901,170              | \$ 214 | \$ 11,959,060                    | \$ (2,510,816)                                           | \$ 62,046                              | \$ (279,931)                                  | \$ 9,230,573                         | \$ 16,359                   | \$ 9,246,932 |
| Shares issued upon delivery of vested restricted share awards | 24,647                   | —      | (61)                             |                                                          |                                        |                                               | (61)                                 |                             | (61)         |
| Amortization of stock-based compensation expense              |                          |        | 9,050                            |                                                          |                                        |                                               | 9,050                                |                             | 9,050        |
| Acquisition of noncontrolling interest                        |                          |        | 2,510                            |                                                          |                                        |                                               | 2,510                                | (2,510)                     | —            |
| Distributions to noncontrolling interests                     |                          |        |                                  |                                                          |                                        |                                               | —                                    | (2,779)                     | (2,779)      |
| Dividends declared (\$1.071 per share)                        |                          |        |                                  | (230,862)                                                |                                        |                                               | (230,862)                            |                             | (230,862)    |
| Net income                                                    |                          |        |                                  | 125,040                                                  |                                        |                                               | 125,040                              | (41)                        | 124,999      |
| Other comprehensive loss:                                     |                          |        |                                  |                                                          |                                        |                                               |                                      |                             |              |
| Foreign currency translation adjustments                      |                          |        |                                  |                                                          |                                        | (8,705)                                       | (8,705)                              | (139)                       | (8,844)      |
| Unrealized gain on derivative instruments                     |                          |        |                                  |                                                          |                                        | 6,816                                         | 6,816                                |                             | 6,816        |
| Balance at September 30, 2023                                 | 213,925,817              | \$ 214 | \$ 11,970,559                    | \$ (2,616,638)                                           | \$ 62,046                              | \$ (281,820)                                  | \$ 9,134,361                         | \$ 10,890                   | \$ 9,145,251 |

|                                                                                   | W. P. Carey Stockholders |        |                                  |                                                          |                                        |                                               |                                      |                             |              |
|-----------------------------------------------------------------------------------|--------------------------|--------|----------------------------------|----------------------------------------------------------|----------------------------------------|-----------------------------------------------|--------------------------------------|-----------------------------|--------------|
|                                                                                   | Common Stock             |        | Additional<br>Paid-in<br>Capital | Distributions<br>in Excess of<br>Accumulated<br>Earnings | Deferred<br>Compensation<br>Obligation | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>W. P. Carey<br>Stockholders | Noncontrolling<br>Interests | Total        |
|                                                                                   | \$0.001 Par Value        |        |                                  |                                                          |                                        |                                               |                                      |                             |              |
|                                                                                   | Shares                   | Amount |                                  |                                                          |                                        |                                               |                                      |                             |              |
| Balance at July 1, 2022                                                           | 192,891,792              | \$ 193 | \$ 10,201,614                    | \$ (2,352,839)                                           | \$ 57,012                              | \$ (266,157)                                  | \$ 7,639,823                         | \$ 1,639                    | \$ 7,641,462 |
| Shares issued to stockholders of CPA:18 – Global in connection with CPA:18 Merger | 13,786,302               | 14     | 1,205,736                        |                                                          |                                        |                                               | 1,205,750                            |                             | 1,205,750    |
| Shares issued under forward equity, net                                           | 1,337,500                | 1      | 97,454                           |                                                          |                                        |                                               | 97,455                               |                             | 97,455       |
| Shares issued upon delivery of vested restricted share awards                     | 17,124                   | —      | (12)                             |                                                          |                                        |                                               | (12)                                 |                             | (12)         |
| Amortization of stock-based compensation expense                                  |                          |        | 5,511                            |                                                          |                                        |                                               | 5,511                                |                             | 5,511        |
| Acquisition of noncontrolling interests in connection with the CPA:18 Merger      |                          |        |                                  |                                                          |                                        |                                               | —                                    | 14,367                      | 14,367       |
| Distributions to noncontrolling interests                                         |                          |        |                                  |                                                          |                                        |                                               | —                                    | (111)                       | (111)        |
| Dividends declared (\$1.061 per share)                                            |                          |        |                                  | (222,350)                                                |                                        |                                               | (222,350)                            |                             | (222,350)    |
| Net income                                                                        |                          |        |                                  | 104,928                                                  |                                        |                                               | 104,928                              | (660)                       | 104,268      |
| Other comprehensive loss:                                                         |                          |        |                                  |                                                          |                                        |                                               |                                      |                             |              |
| Foreign currency translation adjustments                                          |                          |        |                                  |                                                          |                                        | (55,510)                                      | (55,510)                             | (543)                       | (56,053)     |
| Unrealized gain on derivative instruments                                         |                          |        |                                  |                                                          |                                        | 23,610                                        | 23,610                               |                             | 23,610       |
| Balance at September 30, 2022                                                     | 208,032,718              | \$ 208 | \$ 11,510,303                    | \$ (2,470,261)                                           | \$ 57,012                              | \$ (298,057)                                  | \$ 8,799,205                         | \$ 14,692                   | \$ 8,813,897 |

(Continued)

**W. P. CAREY INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)**  
**(Continued)**

*(in thousands, except share and per share amounts)*

|                                                                 | W. P. Carey Stockholders |        |                                  |                                                          |                                        |                                               |                                      |                             |              |
|-----------------------------------------------------------------|--------------------------|--------|----------------------------------|----------------------------------------------------------|----------------------------------------|-----------------------------------------------|--------------------------------------|-----------------------------|--------------|
|                                                                 | Common Stock             |        | Additional<br>Paid-in<br>Capital | Distributions<br>in Excess of<br>Accumulated<br>Earnings | Deferred<br>Compensation<br>Obligation | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>W. P. Carey<br>Stockholders | Noncontrolling<br>Interests | Total        |
|                                                                 | \$0.001 Par Value        |        |                                  |                                                          |                                        |                                               |                                      |                             |              |
|                                                                 | Shares                   | Amount |                                  |                                                          |                                        |                                               |                                      |                             |              |
| Balance at January 1, 2023                                      | 210,620,949              | \$ 211 | \$ 11,706,836                    | \$ (2,486,633)                                           | \$ 57,012                              | \$ (283,780)                                  | \$ 8,993,646                         | \$ 14,998                   | \$ 9,008,644 |
| Shares issued under forward equity, net                         | 3,081,867                | 3      | 249,860                          |                                                          |                                        |                                               | 249,863                              |                             | 249,863      |
| Shares issued upon delivery of vested restricted share awards   | 218,266                  | —      | (13,679)                         |                                                          |                                        |                                               | (13,679)                             |                             | (13,679)     |
| Shares issued upon purchases under employee share purchase plan | 4,735                    | —      | 294                              |                                                          |                                        |                                               | 294                                  |                             | 294          |
| Amortization of stock-based compensation expense                |                          |        | 25,811                           |                                                          |                                        |                                               | 25,811                               |                             | 25,811       |
| Deferral of vested shares, net                                  |                          |        | (4,521)                          |                                                          | 4,521                                  |                                               | —                                    |                             | —            |
| Acquisition of noncontrolling interests                         |                          |        | 3,663                            |                                                          |                                        |                                               | 3,663                                | (3,663)                     | —            |
| Contributions from noncontrolling interests                     |                          |        |                                  |                                                          |                                        |                                               | —                                    | 2,886                       | 2,886        |
| Distributions to noncontrolling interests                       |                          |        |                                  |                                                          |                                        |                                               | —                                    | (3,059)                     | (3,059)      |
| Dividends declared (\$3.207 per share)                          |                          |        | 2,295                            | (694,045)                                                | 513                                    |                                               | (691,237)                            |                             | (691,237)    |
| Net income                                                      |                          |        |                                  | 564,040                                                  |                                        |                                               | 564,040                              | (20)                        | 564,020      |
| Other comprehensive income:                                     |                          |        |                                  |                                                          |                                        |                                               |                                      |                             |              |
| Foreign currency translation adjustments                        |                          |        |                                  |                                                          |                                        | 7,344                                         | 7,344                                | (252)                       | 7,092        |
| Unrealized loss on derivative instruments                       |                          |        |                                  |                                                          |                                        | (5,384)                                       | (5,384)                              |                             | (5,384)      |
| Balance at September 30, 2023                                   | 213,925,817              | \$ 214 | \$ 11,970,559                    | \$ (2,616,638)                                           | \$ 62,046                              | \$ (281,820)                                  | \$ 9,134,361                         | \$ 10,890                   | \$ 9,145,251 |

|                                                                                   | W. P. Carey Stockholders |        |                                  |                                                          |                                        |                                               |                                      |                             |              |
|-----------------------------------------------------------------------------------|--------------------------|--------|----------------------------------|----------------------------------------------------------|----------------------------------------|-----------------------------------------------|--------------------------------------|-----------------------------|--------------|
|                                                                                   | Common Stock             |        | Additional<br>Paid-in<br>Capital | Distributions<br>in Excess of<br>Accumulated<br>Earnings | Deferred<br>Compensation<br>Obligation | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>W. P. Carey<br>Stockholders | Noncontrolling<br>Interests | Total        |
|                                                                                   | \$0.001 Par Value        |        |                                  |                                                          |                                        |                                               |                                      |                             |              |
|                                                                                   | Shares                   | Amount |                                  |                                                          |                                        |                                               |                                      |                             |              |
| Balance at January 1, 2022                                                        | 190,013,751              | \$ 190 | \$ 9,977,686                     | \$ (2,224,231)                                           | \$ 49,810                              | \$ (221,670)                                  | \$ 7,581,785                         | \$ 1,666                    | \$ 7,583,451 |
| Shares issued to stockholders of CPA:18 – Global in connection with CPA:18 Merger | 13,786,302               | 14     | 1,205,736                        |                                                          |                                        |                                               | 1,205,750                            |                             | 1,205,750    |
| Shares issued under our prior ATM Program, net                                    | 2,740,295                | 3      | 218,098                          |                                                          |                                        |                                               | 218,101                              |                             | 218,101      |
| Shares issued under forward equity, net                                           | 1,337,500                | 1      | 97,454                           |                                                          |                                        |                                               | 97,455                               |                             | 97,455       |
| Shares issued upon delivery of vested restricted share awards                     | 152,830                  | —      | (6,612)                          |                                                          |                                        |                                               | (6,612)                              |                             | (6,612)      |
| Shares issued upon purchases under employee share purchase plan                   | 2,040                    | —      | 155                              |                                                          |                                        |                                               | 155                                  |                             | 155          |
| Amortization of stock-based compensation expense                                  |                          |        | 23,102                           |                                                          |                                        |                                               | 23,102                               |                             | 23,102       |
| Deferral of vested shares, net                                                    |                          |        | (6,696)                          |                                                          | 6,696                                  |                                               | —                                    |                             | —            |
| Acquisition of noncontrolling interests in connection with the CPA:18 Merger      |                          |        |                                  |                                                          |                                        |                                               | —                                    | 14,367                      | 14,367       |
| Distributions to noncontrolling interests                                         |                          |        |                                  |                                                          |                                        |                                               | —                                    | (176)                       | (176)        |
| Dividends declared (\$3.177 per share)                                            |                          |        | 1,380                            | (635,631)                                                | 506                                    |                                               | (633,745)                            |                             | (633,745)    |
| Net income                                                                        |                          |        |                                  | 389,601                                                  |                                        |                                               | 389,601                              | (622)                       | 388,979      |
| Other comprehensive loss:                                                         |                          |        |                                  |                                                          |                                        |                                               |                                      |                             |              |
| Foreign currency translation adjustments                                          |                          |        |                                  |                                                          |                                        | (108,655)                                     | (108,655)                            | (543)                       | (109,198)    |
| Unrealized gain on derivative instruments                                         |                          |        |                                  |                                                          |                                        | 50,956                                        | 50,956                               |                             | 50,956       |
| Reclassification of unrealized gain on investments to net income                  |                          |        |                                  |                                                          |                                        | (18,688)                                      | (18,688)                             |                             | (18,688)     |
| Balance at September 30, 2022                                                     | 208,032,718              | \$ 208 | \$ 11,510,303                    | \$ (2,470,261)                                           | \$ 57,012                              | \$ (298,057)                                  | \$ 8,799,205                         | \$ 14,692                   | \$ 8,813,897 |

See Notes to Consolidated Financial Statements.



**W. P. CAREY INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
*(in thousands)*

|                                                                                                                                              | <b>Nine Months Ended September 30,</b> |                    |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------------------|
|                                                                                                                                              | <b>2023</b>                            | <b>2022</b>        |
| <b>Cash Flows — Operating Activities</b>                                                                                                     |                                        |                    |
| Net income                                                                                                                                   | \$ 564,020                             | \$ 388,979         |
| Adjustments to net income:                                                                                                                   |                                        |                    |
| Depreciation and amortization, including intangible assets and deferred financing costs                                                      | 459,830                                | 374,163            |
| Gain on sale of real estate, net                                                                                                             | (181,958)                              | (37,631)           |
| Straight-line rent adjustments                                                                                                               | (55,671)                               | (42,342)           |
| Amortization of rent-related intangibles and deferred rental revenue                                                                         | 27,694                                 | 34,378             |
| Stock-based compensation expense                                                                                                             | 25,811                                 | 23,102             |
| Impairment charges — real estate                                                                                                             | 15,173                                 | 26,385             |
| Distributions of earnings from equity method investments                                                                                     | 15,107                                 | 26,276             |
| Earnings from equity method investments                                                                                                      | (14,569)                               | (23,477)           |
| Decrease in allowance for credit losses                                                                                                      | (6,113)                                | (27,777)           |
| Deferred income tax benefit                                                                                                                  | (2,706)                                | (1,561)            |
| Net realized and unrealized (gains) losses on equity securities, extinguishment of debt, foreign currency exchange rate movements, and other | (1,837)                                | 22,322             |
| Gain on change in control of interests                                                                                                       | —                                      | (33,931)           |
| Impairment charges — Investment Management goodwill                                                                                          | —                                      | 29,334             |
| Asset management revenue received in shares of CPA:18 – Global                                                                               | —                                      | (1,024)            |
| Net changes in other operating assets and liabilities                                                                                        | (32,094)                               | (54,668)           |
| <b>Net Cash Provided by Operating Activities</b>                                                                                             | <b>812,687</b>                         | <b>702,528</b>     |
| <b>Cash Flows — Investing Activities</b>                                                                                                     |                                        |                    |
| Purchases of real estate                                                                                                                     | (908,271)                              | (1,013,950)        |
| Proceeds from sales of real estate                                                                                                           | 187,678                                | 170,341            |
| Funding for real estate construction, redevelopments, and other capital expenditures on real estate                                          | (90,149)                               | (83,721)           |
| Capital contributions to equity method investments                                                                                           | (36,595)                               | (69,127)           |
| Proceeds from repayment of loans receivable                                                                                                  | 28,000                                 | 34,000             |
| Tenant-funded escrow for investing activities                                                                                                | 21,717                                 | —                  |
| Return of capital from equity method investments                                                                                             | 10,081                                 | 7,447              |
| Other investing activities, net                                                                                                              | (4,987)                                | (16,945)           |
| Cash paid to stockholders of CPA:18 – Global in the CPA:18 Merger                                                                            | —                                      | (423,435)          |
| Cash and restricted cash acquired in connection with the CPA:18 Merger                                                                       | —                                      | 331,063            |
| Proceeds from redemption of WLT preferred stock (Note 9)                                                                                     | —                                      | 65,000             |
| Funding of short-term loans to affiliates                                                                                                    | —                                      | (26,000)           |
| Proceeds from repayment of short-term loans to affiliates                                                                                    | —                                      | 26,000             |
| Investment in loan receivable                                                                                                                | —                                      | (20,098)           |
| <b>Net Cash Used in Investing Activities</b>                                                                                                 | <b>(792,526)</b>                       | <b>(1,019,425)</b> |
| <b>Cash Flows — Financing Activities</b>                                                                                                     |                                        |                    |
| Proceeds from Unsecured Revolving Credit Facility                                                                                            | 2,217,896                              | 1,460,226          |
| Repayments of Unsecured Revolving Credit Facility                                                                                            | (1,977,451)                            | (1,357,254)        |
| Dividends paid                                                                                                                               | (686,163)                              | (613,302)          |
| Proceeds from term loans                                                                                                                     | 546,014                                | 283,139            |
| Scheduled payments of mortgage principal                                                                                                     | (251,028)                              | (51,548)           |
| Proceeds from shares issued under forward equity, net of selling costs                                                                       | 249,806                                | 97,456             |
| Prepayments of mortgage principal                                                                                                            | (99,388)                               | (10,381)           |
| Payment of financing costs                                                                                                                   | (14,696)                               | (2,128)            |
| Payments for withholding taxes upon delivery of equity-based awards                                                                          | (13,679)                               | (6,612)            |
| Distributions to noncontrolling interests                                                                                                    | (3,059)                                | (176)              |
| Contributions from noncontrolling interests                                                                                                  | 2,886                                  | —                  |
| Other financing activities, net                                                                                                              | (558)                                  | 11,781             |
| Proceeds from issuance of Senior Unsecured Notes                                                                                             | —                                      | 334,775            |
| Proceeds from shares issued under our prior ATM Program, net of selling costs                                                                | —                                      | 218,081            |
| <b>Net Cash (Used in) Provided by Financing Activities</b>                                                                                   | <b>(29,420)</b>                        | <b>364,057</b>     |
| <b>Change in Cash and Cash Equivalents and Restricted Cash During the Period</b>                                                             |                                        |                    |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash                                                             | (958)                                  | (15,097)           |
| Net (decrease) increase in cash and cash equivalents and restricted cash                                                                     | (10,217)                               | 32,063             |
| Cash and cash equivalents and restricted cash, beginning of period                                                                           | 224,141                                | 217,950            |
| Cash and cash equivalents and restricted cash, end of period                                                                                 | \$ 213,924                             | \$ 250,013         |

See Notes to Consolidated Financial Statements.

**W. P. CAREY INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1. Business and Organization**

W. P. Carey Inc. (“W. P. Carey”) is a REIT that, together with our consolidated subsidiaries, invests primarily in operationally-critical, single-tenant commercial real estate properties located in the United States and Northern and Western Europe on a long-term basis. We earn revenue principally by leasing the properties we own to companies on a triple-net lease basis, which generally requires each tenant to pay the costs associated with operating and maintaining the property.

Founded in 1973, our shares of common stock are listed on the New York Stock Exchange under the symbol “WPC.”

We elected to be taxed as a REIT under Section 856 through 860 of the Internal Revenue Code effective as of February 15, 2012. As a REIT, we are not subject to federal income taxes on income and gains that we distribute to our stockholders as long as we satisfy certain requirements, principally relating to the nature of our income and the level of our distributions, as well as other factors. We also own real property in jurisdictions outside the United States through foreign subsidiaries and are subject to income taxes on our pre-tax income earned from properties in such countries.

In September 2023, we announced a plan to exit the office assets within our portfolio by (i) spinning-off 59 office properties into Net Lease Office Properties (“NLOP”), so that it will become a separate publicly-traded REIT (the “Spin-Off”), and (ii) implementing an asset sale program to dispose of 87 office properties retained by us (the “Office Sale Program”), which is targeted to be substantially completed in early 2024. NLOP was a wholly-owned subsidiary of WPC as of September 30, 2023.

On November 1, 2023, we completed the Spin-Off, contributing 59 office properties to NLOP. Following the closing of the Spin-Off, NLOP operates as a separate publicly-traded REIT, which we externally manage pursuant to certain advisory agreements (the “NLOP Advisory Agreements”) ([Note 17](#)).

On August 1, 2022, a non-traded REIT that we previously advised, Corporate Property Associates 18 – Global Incorporated (“CPA:18 – Global”) merged with and into one of our indirect subsidiaries (the “CPA:18 Merger”). At September 30, 2023, we were the advisor to Carey European Student Housing Fund I, L.P. (“CESH”), a limited partnership formed for the purpose of developing, owning, and operating student housing properties in Europe ([Note 4](#)). We refer to CPA:18 – Global (prior to the CPA:18 Merger) and CESH collectively as the “Managed Programs.”

***Reportable Segments***

*Real Estate* — Lease revenues from our real estate investments generate the vast majority of our earnings. We invest primarily in commercial properties located in the United States and Northern and Western Europe, which are leased to companies on a triple-net lease basis. At September 30, 2023, our portfolio was comprised of our full or partial ownership interests in 1,472 properties, totaling approximately 179 million square feet, substantially all of which were net leased to 395 tenants, with a weighted-average lease term of 11.0 years and an occupancy rate of 98.9%. In addition, at September 30, 2023, our portfolio was comprised of full or partial ownership interests in 98 operating properties, including 86 self-storage properties, ten hotels, and two student housing properties, totaling approximately 7.5 million square feet.

*Investment Management* — We manage the real estate investment portfolio for CESH, for which we earn asset management revenue. We may also be entitled to receive certain distributions pursuant to our advisory arrangements with CESH. At September 30, 2023, CESH wholly owned one build-to-suit project.

**Note 2. Basis of Presentation*****Basis of Presentation***

Our interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not necessarily include all information and footnotes necessary for a complete statement of our consolidated financial position, results of operations, and cash flows in accordance with generally accepted accounting principles in the United States (“GAAP”). In the opinion of management, the unaudited financial information for the interim periods presented in this Report reflects all normal and recurring adjustments necessary for a fair presentation of financial position, results of operations, and cash flows. Our interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2022, which are included in the 2022 Annual Report, as certain disclosures that would substantially duplicate those contained in the audited consolidated financial statements have not been included in this Report. Operating results for interim periods are not necessarily indicative of operating results for an entire year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in our consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

***Basis of Consolidation***

Our consolidated financial statements reflect all of our accounts, including those of our controlled subsidiaries. The portions of equity in consolidated subsidiaries that are not attributable, directly or indirectly, to us are presented as noncontrolling interests. All significant intercompany accounts and transactions have been eliminated.

When we obtain an economic interest in an entity, we evaluate the entity to determine if it should be deemed a VIE and, if so, whether we are the primary beneficiary and are therefore required to consolidate the entity. There have been no significant changes in our VIE policies from what was disclosed in the 2022 Annual Report.

At September 30, 2023 and December 31, 2022, we considered 15 and 16 entities, respectively, to be VIEs, of which we consolidated 10 and 11, respectively, as we are considered the primary beneficiary. The following table presents a summary of selected financial data of the consolidated VIEs included in our consolidated balance sheets (in thousands):

|                                                         | September 30, 2023 | December 31, 2022 |
|---------------------------------------------------------|--------------------|-------------------|
| Land, buildings and improvements — net lease and other  | \$ 171,802         | \$ 590,390        |
| Land, buildings and improvements — operating properties | 12,655             | 143,390           |
| Net investments in finance leases and loans receivable  | 595,524            | 144,103           |
| In-place lease intangible assets and other              | 24,778             | 72,070            |
| Above-market rent intangible assets                     | 11,067             | 33,634            |
| Accumulated depreciation and amortization               | (24,281)           | (176,379)         |
| Total assets                                            | 822,159            | 843,500           |
| Non-recourse mortgages, net                             | \$ 57,455          | \$ 132,950        |
| Below-market rent and other intangible liabilities, net | 32                 | 18,891            |
| Total liabilities                                       | 96,957             | 199,633           |

At both September 30, 2023 and December 31, 2022, our five unconsolidated VIEs included our interests in (i) three unconsolidated real estate investments, which we account for under the equity method of accounting (we do not consolidate these entities because we are not the primary beneficiary and the nature of our involvement in the activities of these entities allows us to exercise significant influence on, but does not give us power over, decisions that significantly affect the economic performance of these entities), and (ii) two unconsolidated investments in equity securities, which we accounted for as investments in shares of the entities at fair value. As of September 30, 2023, and December 31, 2022, the net carrying amount of our investments in these entities was \$727.2 million and \$693.4 million, respectively, and our maximum exposure to loss in these entities was limited to our investments.

**Reclassifications**

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

Amounts due from affiliates are now included within Other assets, net in the consolidated balance sheets. Previously, such amounts were included within Due from affiliates in the consolidated balance sheets.

**Revenue Recognition**

There have been no significant changes in our policies for revenue from contracts under Accounting Standards Codification (“ASC”) 606 from what was disclosed in the 2022 Annual Report. ASC 606 does not apply to our lease revenues, which constitute a majority of our revenues, but primarily applies to revenues generated from our hotel operating properties and our Investment Management segment. Revenue from contracts for our Real Estate segment primarily represented hotel operating property revenues of \$23.2 million and \$3.7 million for the three months ended September 30, 2023 and 2022, respectively, and \$63.3 million and \$9.1 million for the nine months ended September 30, 2023 and 2022, respectively, generated from 13 hotels located in the United States (12 of which were reclassified from net leases to operating properties in the first quarter of 2023 ([Note 5](#)); three of these properties were sold during the third quarter of 2023 and five are classified as held for sale as of September 30, 2023). Revenue from contracts under ASC 606 from our Investment Management segment is discussed in [Note 4](#).

**Restricted Cash**

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets to the consolidated statements of cash flows (in thousands):

|                                                     | September 30, 2023 | December 31, 2022 |
|-----------------------------------------------------|--------------------|-------------------|
| Cash and cash equivalents                           | \$ 136,438         | \$ 167,996        |
| Restricted cash <sup>(a)</sup>                      | 77,486             | 56,145            |
| Total cash and cash equivalents and restricted cash | <u>\$ 213,924</u>  | <u>\$ 224,141</u> |

(a) Restricted cash is included within Other assets, net on our consolidated balance sheets.

**Reference Rate Reform**

During the first quarter of 2023, we applied the guidance in ASC 848, *Reference Rate Reform* and elected the practical expedient to transition certain contracts that reference London Interbank Offered Rate (“LIBOR”) to the Secured Overnight Financing Rate (“SOFR”), including our Senior Unsecured Credit Facility ([Note 11](#)) and certain derivative instruments. The application of this guidance did not have a material impact on our consolidated financial statements.

**Note 3. Merger with CPA:18 – Global***CPA:18 Merger*

On February 27, 2022, we and certain of our subsidiaries entered into a merger agreement with CPA:18 – Global, pursuant to which CPA:18 – Global would merge with and into one of our indirect subsidiaries in exchange for shares of our common stock and cash, subject to approval by the stockholders of CPA:18 – Global. The CPA:18 Merger and related transactions were approved by the stockholders of CPA:18 – Global on July 26, 2022 and completed on August 1, 2022.

At the effective time of the CPA:18 Merger, each share of CPA:18 – Global common stock issued and outstanding immediately prior to the effective time of the CPA:18 Merger was canceled and, in exchange for cancellation of such share, the rights attaching to such share were converted automatically into the right to receive (i) 0.0978 shares of our common stock and (ii) \$3.00 in cash, which we refer to herein as the Merger Consideration. Each share of CPA:18 – Global common stock owned by us or any of our subsidiaries immediately prior to the effective time of the CPA:18 Merger was automatically canceled and retired, and ceased to exist, for no Merger Consideration. In exchange for the 141,099,002 shares of CPA:18 – Global common stock that we and our subsidiaries did not previously own, we paid total merger consideration of approximately \$1.6 billion, consisting of (i) the issuance of 13,786,302 shares of our common stock with a fair value of \$1.2 billion, based on the closing

price of our common stock on August 1, 2022 of \$87.46 per share, (ii) cash consideration of \$423.3 million, and (iii) cash of \$0.1 million paid in lieu of issuing any fractional shares of our common stock. Pursuant to the terms of the definitive merger agreement, in connection with the closing of the CPA:18 Merger, we waived certain back-end fees that we would have otherwise been entitled to receive from CPA:18 – Global upon its liquidation pursuant to the terms of our pre-closing advisory agreement with CPA:18 – Global.

Immediately prior to the closing of the CPA:18 Merger, CPA:18 – Global’s portfolio was comprised of full or partial ownership interests in 42 leased properties (including seven properties in which we already owned a partial ownership interest), substantially all of which were net leased with a weighted-average lease term of 7.0 years, an occupancy rate of 99.3%, and an estimated contractual minimum annualized base rent (“ABR”) totaling \$81.0 million, as well as 65 self-storage operating properties and two student housing operating properties totaling 5.1 million square feet. The related property-level debt was comprised of non-recourse mortgage loans with an aggregate consolidated fair value of approximately \$900.2 million with a weighted-average annual interest rate of 5.1% as of August 1, 2022. From the closing of the CPA:18 Merger through September 30, 2022, lease revenues, operating property revenues, and net loss from properties acquired were \$16.5 million, \$15.4 million, and \$0.5 million, respectively.

Two of the net lease properties that we acquired in the CPA:18 Merger were classified as Assets held for sale, with an aggregate fair value of \$85.0 million at acquisition ([Note 5](#)). From the closing of the CPA:18 Merger through September 30, 2022, lease revenues from these properties totaled \$2.1 million. We sold one of these properties in August 2022 for total proceeds, net of selling costs, of \$44.5 million, and recognized a loss on sale of \$0.2 million ([Note 15](#)). We sold the other property in October 2023 for gross proceeds of approximately \$30.4 million ([Note 17](#)).

#### *Purchase Price Allocation*

We accounted for the CPA:18 Merger as a business combination under the acquisition method of accounting. After consideration of all applicable factors pursuant to the business combination accounting rules, we were considered the “accounting acquirer” due to various factors, including the fact that our stockholders held the largest portion of the voting rights in the combined company upon completion of the CPA:18 Merger. There have been no changes to the purchase price allocation for the CPA:18 Merger from what was disclosed in the 2022 Annual Report. Costs related to the CPA:18 Merger have been expensed as incurred and classified within Merger and other expenses in the consolidated statements of income, totaling \$17.1 million for the nine months ended September 30, 2022.

#### *Goodwill*

The \$172.3 million of goodwill recorded in the CPA:18 Merger was primarily due to the premium we paid over CPA:18 – Global’s estimated fair value. Management believes the premium is supported by several factors, including that the CPA:18 Merger (i) concludes our exit from the non-traded REIT business, (ii) adds a high-quality diversified portfolio of net lease assets that is well-aligned with our existing portfolio, (iii) enhances certain portfolio metrics, and (iv) adds an attractive portfolio of self-storage operating properties.

The fair value of the 13,786,302 shares of our common stock issued in the CPA:18 Merger as part of the consideration paid for CPA:18 – Global of \$1.6 billion was derived from the closing market price of our common stock on the acquisition date. As required by GAAP, the fair value related to the assets acquired and liabilities assumed, as well as the shares exchanged, has been computed as of the date we gained control, which was the closing date of the CPA:18 Merger, in a manner consistent with the methodology described above.

Goodwill is not deductible for income tax purposes.

#### *Equity Investments*

During the third quarter of 2022, we recognized a gain on change in control of interests of approximately \$22.5 million, which was the difference between the carrying value of approximately \$65.8 million and the fair value of approximately \$88.3 million of our previously held equity interest in 8,556,732 shares of CPA:18 – Global’s common stock.

## Notes to Consolidated Financial Statements (Unaudited)

The CPA:18 Merger also resulted in our acquisition of the remaining interests in four investments in which we already had a joint interest and accounted for under the equity method. Upon acquiring the remaining interests in these investments, we owned 100% of these investments and thus accounted for the acquisitions of these interests utilizing the purchase method of accounting. Due to the change in control of the four jointly owned investments that occurred, we recorded a gain on change in control of interests of approximately \$11.4 million during the third quarter of 2022, which was the difference between our carrying values and the fair values of our previously held equity interests on August 1, 2022 of approximately \$17.2 million and approximately \$28.6 million, respectively. Subsequent to the CPA:18 Merger, we consolidate these wholly owned investments.

### Pro Forma Financial Information

The following consolidated pro forma financial information has been presented as if the CPA:18 Merger had occurred on January 1, 2021 for the three and nine months ended September 30, 2022. The pro forma financial information is not necessarily indicative of what the actual results would have been had the CPA:18 Merger on that date, nor does it purport to represent the results of operations for future periods.

(in thousands)

|                          | Three Months Ended<br>September 30,<br>2022 | Nine Months Ended<br>September 30,<br>2022 |
|--------------------------|---------------------------------------------|--------------------------------------------|
| Pro forma total revenues | \$ 397,915                                  | \$ 1,187,887                               |

## Note 4. Agreements and Transactions with Related Parties

### Advisory Agreements and Partnership Agreements with the Managed Programs

We currently have advisory arrangements with CESH, pursuant to which we earn fees and are entitled to receive reimbursement for certain fund management expenses. Upon completion of the CPA:18 Merger on August 1, 2022 ([Note 1](#), [Note 3](#)), our advisory agreements with CPA:18 – Global were terminated, and we ceased earning revenue from CPA:18 – Global.

The following tables present a summary of revenue earned, reimbursable costs, and distributions of Available Cash received/accrued from the Managed Programs for the periods indicated, included in the consolidated financial statements (in thousands):

|                                                       | Three Months Ended September 30, |                 | Nine Months Ended September 30, |                  |
|-------------------------------------------------------|----------------------------------|-----------------|---------------------------------|------------------|
|                                                       | 2023                             | 2022            | 2023                            | 2022             |
| Asset management revenue <sup>(a) (b)</sup>           | \$ 194                           | \$ 1,197        | \$ 836                          | \$ 8,084         |
| Reimbursable costs from affiliates <sup>(a)</sup>     | 97                               | 344             | 322                             | 2,414            |
| Distributions of Available Cash <sup>(c)</sup>        | —                                | 3,345           | —                               | 8,746            |
| Interest income on loans to affiliates <sup>(d)</sup> | —                                | 4               | —                               | 112              |
|                                                       | <u>\$ 291</u>                    | <u>\$ 4,890</u> | <u>\$ 1,158</u>                 | <u>\$ 19,356</u> |

|                 | Three Months Ended September 30, |                 | Nine Months Ended September 30, |                  |
|-----------------|----------------------------------|-----------------|---------------------------------|------------------|
|                 | 2023                             | 2022            | 2023                            | 2022             |
| CESH            | \$ 291                           | \$ 424          | \$ 1,158                        | \$ 1,502         |
| CPA:18 – Global | —                                | 4,466           | —                               | 17,854           |
|                 | <u>\$ 291</u>                    | <u>\$ 4,890</u> | <u>\$ 1,158</u>                 | <u>\$ 19,356</u> |

(a) Amounts represent revenues from contracts under ASC 606.

(b) Included within Asset management revenue in the consolidated statements of income.

(c) Included within Earnings from equity method investments in the consolidated statements of income.

(d) Included within Non-operating income in the consolidated statements of income.



## Notes to Consolidated Financial Statements (Unaudited)

The following table presents a summary of amounts due from affiliates, which are included within Other assets, net in the consolidated financial statements (in thousands):

|                                  | September 30, 2023 | December 31, 2022 |
|----------------------------------|--------------------|-------------------|
| Asset management fees receivable | \$ 191             | \$ 386            |
| Reimbursable costs               | 122                | 204               |
| Accounts receivable              | 69                 | 329               |
|                                  | <u>\$ 382</u>      | <u>\$ 919</u>     |

### *Asset Management Revenue*

Under the advisory agreement with CESH, we earn asset management revenue at a rate of 1.0% based on its gross assets at fair value, paid in cash. After completion of the CPA:18 Merger on August 1, 2022, we no longer receive asset management revenue from CPA:18 – Global.

### *Reimbursable Costs from Affiliates*

CESH reimburses us in cash for certain personnel and overhead costs that we incur on its behalf, based on actual expenses incurred.

### *Distributions of Available Cash*

We were entitled to receive distributions of up to 10% of the Available Cash (as defined in CPA:18 – Global’s partnership agreement) from the operating partnership of CPA:18 – Global, payable quarterly in arrears. After completion of the CPA:18 Merger on August 1, 2022 ([Note 3](#)), we no longer receive distributions of Available Cash from CPA:18 – Global.

### *Back-End Fees and Interests in the Managed Programs*

Under our advisory arrangements with CESH, we may also receive compensation in connection with providing a liquidity event for its investors. Such back-end fees or interests include interests in disposition proceeds. There can be no assurance as to whether or when any back-end fees or interests will be realized.

### *Other Transactions with Affiliates*

#### *NLOP Advisory Agreements*

Upon closing of the Spin-Off on November 1, 2023, we externally manage NLOP pursuant to the NLOP Advisory Agreements ([Note 17](#)).

#### *Loans to Affiliates*

From time to time, our board of directors has approved the making of secured and unsecured loans or lines of credit from us to certain of the Managed Programs, at our sole discretion, generally for the purpose of facilitating acquisitions or for working capital purposes. The loan agreement with CPA:18 – Global was terminated upon completion of the CPA:18 Merger on August 1, 2022. No such line of credit with CESH existed during the reporting period.

#### *Other*

At September 30, 2023, we owned interests in eight jointly owned investments in real estate, with the remaining interests held by third parties. We consolidate four such investments and account for the remaining four investments under the equity method of accounting ([Note 8](#)). In addition, we owned limited partnership units of CESH at that date. We elected to account for our investment in CESH under the fair value option ([Note 8](#)).

**Note 5. Land, Buildings and Improvements, and Assets Held for Sale*****Land, Buildings and Improvements — Net Lease and Other***

Land and buildings leased to others, which are subject to operating leases, and real estate under construction, are summarized as follows (in thousands):

|                                | September 30, 2023   | December 31, 2022    |
|--------------------------------|----------------------|----------------------|
| Land                           | \$ 2,385,620         | \$ 2,400,002         |
| Buildings and improvements     | 10,950,878           | 10,916,630           |
| Real estate under construction | 54,194               | 22,225               |
| Less: Accumulated depreciation | (1,727,825)          | (1,672,091)          |
|                                | <u>\$ 11,662,867</u> | <u>\$ 11,666,766</u> |

During the nine months ended September 30, 2023, the U.S. dollar strengthened against the euro, as the end-of-period rate for the U.S. dollar in relation to the euro decreased by 0.7% to \$1.0594 from \$1.0666. As a result of this fluctuation in foreign currency exchange rates, the carrying value of our Land, buildings and improvements — net lease and other decreased by \$28.7 million from December 31, 2022 to September 30, 2023.

During the nine months ended September 30, 2023, we reclassified a portfolio of 78 properties classified as Land, buildings and improvements — net lease and other to Net investments in finance leases and loans receivable due to the tenant's notice of intention to exercise a purchase option. As a result, the carrying value of our Land, buildings and improvements — net lease and other decreased by \$288.2 million from December 31, 2022 to September 30, 2023 ([Note 6](#)).

On January 31, 2023, the master lease expired on certain hotel properties previously classified as net-lease properties, which converted to operating properties. As a result, in February 2023, we reclassified 12 consolidated hotel properties with an aggregate carrying value of \$164.6 million from Land, buildings and improvements — net lease and other to Land, buildings and improvements — operating properties. Effective as of that time, we began recognizing operating property revenues and expenses from these properties, whereas previously we recognized lease revenues from these properties.

In connection with changes in lease classifications due to extensions of the underlying leases, we reclassified five properties with an aggregate carrying value of \$25.4 million from Net investments in finance leases and loans receivable to Land, buildings and improvements — net lease and other during the nine months ended September 30, 2023 ([Note 6](#)).

Depreciation expense, including the effect of foreign currency translation, on our buildings and improvements subject to operating leases was \$80.9 million and \$76.0 million for the three months ended September 30, 2023 and 2022, respectively, and \$251.9 million and \$221.0 million for the nine months ended September 30, 2023 and 2022, respectively.



*Acquisitions of Real Estate*

During the nine months ended September 30, 2023, we entered into the following investments, which were deemed to be real estate asset acquisitions (dollars in thousands):

| Property Location(s)                                                                                   | Number of Properties | Date of Acquisition    | Property Type              | Total Capitalized Costs |
|--------------------------------------------------------------------------------------------------------|----------------------|------------------------|----------------------------|-------------------------|
| Various, United States                                                                                 | 6                    | 1/12/2023              | Industrial                 | \$ 64,861               |
| Various, Italy (5 properties) and Spain (3 properties) <sup>(a)</sup>                                  | 8                    | 3/23/2023              | Industrial                 | 79,218                  |
| Various, Canada                                                                                        | 11                   | 4/1/2023               | Industrial, Warehouse      | 467,811                 |
| Various, United States (4 properties), Canada (3 properties), and Mexico (2 properties) <sup>(b)</sup> | 9                    | 4/18/2023              | Industrial                 | 97,952                  |
| Various, United States <sup>(c)</sup>                                                                  | 9                    | 5/5/2023;<br>5/26/2023 | Retail (Car Wash)          | 39,713                  |
| Various, United States                                                                                 | 4                    | 6/15/2023              | Education (Medical School) | 139,092                 |
|                                                                                                        | <u>47</u>            |                        |                            | <u>\$ 888,647</u>       |

(a) Amount reflects the applicable exchange rate on the date of transaction.

(b) Amount includes \$3.1 million for an expansion at a property leased to this tenant that we already own.

(c) We also entered into a purchase agreement to acquire two additional retail (car wash) facilities leased to this tenant totaling \$8.7 million, which is expected to be completed during the fourth quarter of 2023.

The aggregate purchase price allocation for investments disclosed above is as follows (dollars in thousands):

|                                                               | Total Capitalized Costs |
|---------------------------------------------------------------|-------------------------|
| Land                                                          | \$ 135,502              |
| Buildings and improvements                                    | 604,973                 |
| Intangible assets:                                            |                         |
| In-place lease (weighted-average expected life of 21.9 years) | 142,073                 |
| Right-of-use assets:                                          |                         |
| Finance lease <sup>(a)</sup>                                  | 12,981                  |
| Prepaid rent liabilities                                      | (6,882)                 |
|                                                               | <u>\$ 888,647</u>       |

(a) Represents consideration paid to acquire a leasehold interest in land, buildings and improvements. The lease was determined to be a finance lease due to our intention to acquire the land, buildings and improvements upon lease expiration. These assets are included in In-place lease intangible assets and other in the consolidated balance sheets.

*Real Estate Under Construction — Net Lease and Operating Properties*

During the nine months ended September 30, 2023, we capitalized real estate under construction totaling \$72.6 million. The number of construction projects in progress with balances included in real estate under construction was 12 and eight as of September 30, 2023 and December 31, 2022, respectively. Aggregate unfunded commitments totaled approximately \$94.4 million and \$61.1 million as of September 30, 2023 and December 31, 2022, respectively.

## Notes to Consolidated Financial Statements (Unaudited)

During the nine months ended September 30, 2023, we completed the following construction projects (dollars in thousands):

| Property Location(s)                     | Primary Transaction Type | Number of Properties | Date of Completion | Property Type | Total Capitalized Costs |
|------------------------------------------|--------------------------|----------------------|--------------------|---------------|-------------------------|
| Evansville, Indiana and Lawrence, Kansas | Renovation               | 2                    | 3/23/2023          | Industrial    | \$ 20,637               |
| Pleasanton, California                   | Redevelopment            | 1                    | 8/21/2023          | Laboratory    | 13,905                  |
|                                          |                          | <u>3</u>             |                    |               | <u>\$ 34,542</u>        |

During the nine months ended September 30, 2023, we committed to fund three redevelopment projects, for an aggregate amount of \$80.6 million. We currently expect to complete the projects in 2024 and 2025.

Capitalized interest incurred during construction was \$0.2 million and \$0.3 million for the three months ended September 30, 2023 and 2022, respectively, and \$0.3 million and \$1.3 million for the nine months ended September 30, 2023 and 2022, respectively, which reduces Interest expense in the consolidated statements of income.

### *Dispositions of Properties*

During the nine months ended September 30, 2023, we sold nine properties, which were classified as Land, buildings and improvements — net lease and other. As a result, the carrying value of our Land, buildings and improvements — net lease and other decreased by \$93.4 million from December 31, 2022 to September 30, 2023 ([Note 15](#)).

### *Other Lease-Related Income*

2023 — For the three and nine months ended September 30, 2023, other lease-related income on our consolidated statements of income included: (i) other lease-related settlements totaling \$1.7 million and \$7.3 million, respectively and (ii) lease termination income totaling \$11.4 million for the nine months ended September 30, 2023, received from two tenants in connection with the sales of the properties they occupied.

2022 — For the three and nine months ended September 30, 2022, other lease-related income on our consolidated statements of income included: (i) lease termination income of \$4.2 million received from a tenant during the third quarter of 2022; (ii) other lease-related settlements totaling \$3.8 million and \$10.0 million, respectively; (iii) income from a parking garage attached to one of our net-leased properties totaling \$0.2 million and \$1.5 million, respectively; and (iv) lease termination income of \$8.2 million received from a tenant during the nine months ended September 30, 2022.

## **Leases**

### *Operating Lease Income*

Lease income related to operating leases recognized and included in the consolidated statements of income is as follows (in thousands):

|                                        | Three Months Ended September 30, |                   | Nine Months Ended September 30, |                   |
|----------------------------------------|----------------------------------|-------------------|---------------------------------|-------------------|
|                                        | 2023                             | 2022              | 2023                            | 2022              |
| Lease income — fixed                   | \$ 325,481                       | \$ 295,433        | \$ 958,015                      | \$ 852,843        |
| Lease income — variable <sup>(a)</sup> | 43,678                           | 36,469            | 132,604                         | 101,138           |
| Total operating lease income           | <u>\$ 369,159</u>                | <u>\$ 331,902</u> | <u>\$ 1,090,619</u>             | <u>\$ 953,981</u> |

- (a) Includes (i) rent increases based on changes in the U.S. Consumer Price Index (“CPI”) and other comparable indices and (ii) reimbursements for property taxes, insurance, and common area maintenance services.

**Land, Buildings and Improvements — Operating Properties**

At September 30, 2023, Land, buildings and improvements — operating properties consisted of our investments in 77 consolidated self-storage properties, five consolidated hotels, and two consolidated student housing properties. At December 31, 2022, Land, buildings and improvements — operating properties consisted of our investments in 75 consolidated self-storage properties, two consolidated student housing properties, and one consolidated hotel. Below is a summary of our Land, buildings and improvements — operating properties (in thousands):

|                                | September 30, 2023  | December 31, 2022   |
|--------------------------------|---------------------|---------------------|
| Land                           | \$ 141,942          | \$ 122,317          |
| Buildings and improvements     | 1,080,058           | 955,009             |
| Real estate under construction | 62                  | 18,566              |
| Less: Accumulated depreciation | (72,781)            | (28,295)            |
|                                | <u>\$ 1,149,281</u> | <u>\$ 1,067,597</u> |

As described above under *Land, Buildings and Improvements — Net Lease and Other*, on January 31, 2023, the master lease expired on certain hotel properties previously classified as net-lease properties, which converted to operating properties. As a result, in February 2023, we reclassified 12 consolidated hotel properties with an aggregate carrying value of \$164.6 million from Land, buildings and improvements — net lease and other to Land, buildings and improvements — operating properties. We sold three of these hotel properties during the third quarter of 2023. As a result, the carrying value of our Land, buildings and improvements — operating properties decreased by \$38.7 million from December 31, 2022 to September 30, 2023 (Note 15). In addition, we reclassified five of these hotel properties to Assets held for sale, net, as of September 30, 2023. As a result, the carrying value of our Land, buildings and improvements — operating properties decreased by \$50.8 million from December 31, 2022 to September 30, 2023.

During the nine months ended September 30, 2023, the U.S. dollar weakened against the British pound sterling, resulting in an increase of \$1.5 million in the carrying value of our Land, buildings and improvements — operating properties from December 31, 2022 to September 30, 2023.

During the nine months ended September 30, 2023, we completed a student housing development project and reclassified \$24.6 million from real estate under construction to buildings and improvements attributable to operating properties.

During the nine months ended September 30, 2023, we entered into the following self-storage operating property investments, which were deemed to be real estate asset acquisitions (dollars in thousands):

| Property Location(s)                 | Number of Properties | Date of Acquisition | Property Type | Total Capitalized Costs |
|--------------------------------------|----------------------|---------------------|---------------|-------------------------|
| Little Rock, Arkansas <sup>(a)</sup> | 1                    | 6/22/2023           | Self-Storage  | \$ 6,166                |
| Houston, Texas                       | 1                    | 8/25/2023           | Self-Storage  | 13,120                  |
|                                      | <u>2</u>             |                     |               | <u>\$ 19,286</u>        |

(a) We also committed to fund \$3.6 million for an expansion at this facility, which is expected to be completed in the first quarter of 2024.

The aggregate purchase price allocation for investments disclosed above is as follows (dollars in thousands):

|                                                              | Total Capitalized Costs |
|--------------------------------------------------------------|-------------------------|
| Land                                                         | \$ 5,404                |
| Buildings and improvements                                   | 13,303                  |
| Intangible assets:                                           |                         |
| In-place lease (weighted-average expected life of 0.5 years) | 579                     |
|                                                              | <u>\$ 19,286</u>        |

Depreciation expense on our buildings and improvements attributable to operating properties was \$7.8 million and \$4.1 million for the three months ended September 30, 2023 and 2022, respectively, and \$22.7 million and \$5.4 million for the nine months ended September 30, 2023 and 2022.

### Assets Held for Sale, Net

Below is a summary of our properties held for sale (in thousands):

|                                                         | September 30, 2023 | December 31, 2022 |
|---------------------------------------------------------|--------------------|-------------------|
| Land, buildings and improvements — net lease and other  | \$ 39,372          | \$ 47,134         |
| Land, buildings and improvements — operating properties | 71,719             | —                 |
| In-place lease intangible assets and other              | 12,910             | 10,854            |
| Above-market rent intangible assets                     | 5,625              | 3,210             |
| Accumulated depreciation and amortization               | (27,611)           | (3,254)           |
| Assets held for sale, net                               | <u>\$ 102,015</u>  | <u>\$ 57,944</u>  |

At September 30, 2023, we had eight properties classified as Assets held for sale, net, with a carrying value of \$102.0 million. Six of these properties were sold in the fourth quarter of 2023 ([Note 17](#)). The estimated purchase price for one of these properties was lowered during the third quarter of 2023. As a result, we recognized a loss on sale of real estate of \$11.7 million during the three and nine months ended September 30, 2023, reflecting the updated estimated purchase price, in accordance with ASC 360, *Property, Plant, and Equipment*. This property was sold in the fourth quarter of 2023 ([Note 17](#)).

At December 31, 2022 we had three properties classified as Assets held for sale, net, with an aggregate carrying value of \$57.9 million. Two of these properties were sold in the first quarter of 2023 and one was sold in the fourth quarter of 2023 ([Note 17](#)).

### Note 6. Finance Receivables

Assets representing rights to receive money on demand or at fixed or determinable dates are referred to as finance receivables. Our finance receivables portfolio consists of our Net investments in finance leases and loans receivable (net of allowance for credit losses). Operating leases are not included in finance receivables.

#### Finance Receivables

Net investments in finance leases and loans receivable are summarized as follows (in thousands):

|                                                                                  | Maturity Date | September 30, 2023  | December 31, 2022 |
|----------------------------------------------------------------------------------|---------------|---------------------|-------------------|
| Net investments in direct financing leases <sup>(a)</sup>                        | 2024 – 2036   | \$ 476,410          | \$ 498,313        |
| Net investments in sales-type leases <sup>(b)</sup>                              | 2024          | 451,421             | —                 |
| Sale-leaseback transactions accounted for as loans receivable <sup>(b) (c)</sup> | 2038 – 2052   | 233,590             | 234,198           |
| Secured loans receivable <sup>(d)</sup>                                          | 2023          | 11,250              | 39,250            |
|                                                                                  |               | <u>\$ 1,172,671</u> | <u>\$ 771,761</u> |

(a) Amounts are net of allowance for credit losses, as disclosed below under *Net Investments in Direct Financing Leases*.

- (b) These investments are assessed for credit loss allowances but no such allowances were recorded as of September 30, 2023 or December 31, 2022.
- (c) These investments are accounted for as loans receivable in accordance with ASC 310, *Receivables* and ASC 842, *Leases*. Maturity dates reflect the current lease maturity dates.
- (d) Amounts are net of allowance for credit losses of \$2.1 million as of both September 30, 2023 and December 31, 2022.

#### *Net Investments in Direct Financing Leases*

Net investments in direct financing leases is summarized as follows (in thousands):

|                                                  | September 30, 2023 | December 31, 2022 |
|--------------------------------------------------|--------------------|-------------------|
| Lease payments receivable                        | \$ 293,617         | \$ 332,618        |
| Unguaranteed residual value                      | 444,892            | 470,839           |
|                                                  | 738,509            | 803,457           |
| Less: unearned income                            | (259,479)          | (296,411)         |
| Less: allowance for credit losses <sup>(a)</sup> | (2,620)            | (8,733)           |
|                                                  | <u>\$ 476,410</u>  | <u>\$ 498,313</u> |

- (a) During the nine months ended September 30, 2023 and 2022, we recorded a net release of allowance for credit losses of \$6.1 million and \$6.7 million, respectively, on our net investments in direct financing leases due to changes in expected economic conditions and improved credit quality for certain tenants, which was included within Other gains and (losses) in our consolidated statements of income.

Income from direct financing leases, which is included in Income from finance leases and loans receivable in the consolidated financial statements, was \$12.6 million and \$13.0 million for the three months ended September 30, 2023 and 2022, respectively, and \$38.1 million and \$40.2 million for the nine months ended September 30, 2023 and 2022.

During the nine months ended September 30, 2023, we reclassified five properties with an aggregate carrying value of \$25.4 million from Net investments in finance leases and loans receivable to Land, buildings and improvements — net lease and other in connection with changes in lease classifications due to extensions of the underlying leases. During the nine months ended September 30, 2023, the U.S. dollar strengthened against the euro, resulting in a \$1.7 million decrease in the carrying value of Net investments in finance leases and loans receivable from December 31, 2022 to September 30, 2023.

#### *Net Investments in Sales-Type Leases*

On February 28, 2023, the tenant occupying our portfolio of 78 net-lease self-storage properties located in the United States provided notice of its intention to exercise its option to repurchase the properties. The purchase price will be calculated using the U.S. CPI as of the closing date.

In accordance with ASC 842, *Leases*, we reclassified these net-lease assets to net investments in sales-type leases totaling \$451.4 million on our consolidated balance sheets as of September 30, 2023 (based on the present value of remaining rents and estimated purchase price, using the CPI rates as of the exercise notice date), since the tenant provided notice of its intention to exercise its purchase option. In connection with this transaction, we reclassified the following amounts to Net investments in finance leases and loans receivable: (i) \$393.7 million from Land, buildings and improvements — net lease and other, (ii) \$36.6 million from In-place lease intangible assets and other, (iii) \$22.4 million from Above-market rent intangible assets, (iv) \$18.5 million from Below-market rent and other intangible liabilities, net, and (v) \$159.0 million from Accumulated depreciation and amortization. We recognized an aggregate Gain on sale of real estate, net, of \$176.2 million during the nine months ended September 30, 2023 related to this transaction.

Earnings from our net investments in sales-type leases are included in Income from finance leases and loans receivable in the consolidated financial statements, and totaled \$9.7 million and \$22.6 million for the three and nine months ended September 30, 2023, respectively. Prior to this reclassification to net investments in sales-type leases, earnings from this investment were recognized in Lease revenues in the consolidated financial statements.

Net investments in sales-type leases is summarized as follows (in thousands):

|                                          | September 30, 2023 | December 31, 2022 |
|------------------------------------------|--------------------|-------------------|
| Lease payments receivable <sup>(a)</sup> | \$ 470,836         | \$ —              |
|                                          | 470,836            | —                 |
| Less: unearned income                    | (19,415)           | —                 |
|                                          | <u>\$ 451,421</u>  | <u>\$ —</u>       |

(a) Includes estimated purchase price and total rents owed.

#### Loans Receivable

In August 2023, one of our secured loans receivable was repaid to us for \$28.0 million. In connection with this repayment, we received an \$0.6 million prepayment penalty from the borrower, which was included in Income from finance leases and loans receivable in the consolidated financial statements for both the three and nine months ended September 30, 2023.

Earnings from our loans receivable are included in Income from finance leases and loans receivable in the consolidated financial statements, and totaled \$5.3 million and \$7.6 million for the three months ended September 30, 2023 and 2022, respectively, and \$15.0 million and \$16.6 million for the nine months ended September 30, 2023 and 2022, respectively.

#### Credit Quality of Finance Receivables

We generally invest in facilities that we believe are critical to a tenant's business and therefore have a lower risk of tenant default. During the nine months ended September 30, 2023, we reclassified certain assets to net investments in sales-type leases (which are considered finance receivables), as described above under *Net Investments in Sales-Type Leases*. At both September 30, 2023 and December 31, 2022, no material balances of our finance receivables were past due. Other than the lease extension noted under *Net Investments in Direct Financing Leases* above, there were no material modifications of finance receivables during the nine months ended September 30, 2023.

We evaluate the credit quality of our finance receivables utilizing an internal five-point credit rating scale, with one representing the highest credit quality and five representing the lowest. A credit quality of one through three indicates a range of investment grade to stable. A credit quality of four through five indicates a range of inclusion on the watch list to risk of default. The credit quality evaluation of our finance receivables is updated quarterly.

A summary of our finance receivables by internal credit quality rating, excluding our allowance for credit losses, is as follows (dollars in thousands):

| Internal Credit Quality Indicator | Number of Tenants / Obligors at |                   | Carrying Value at   |                   |
|-----------------------------------|---------------------------------|-------------------|---------------------|-------------------|
|                                   | September 30, 2023              | December 31, 2022 | September 30, 2023  | December 31, 2022 |
| 1 – 3                             | 19                              | 19                | \$ 1,098,791        | \$ 664,761        |
| 4                                 | 6                               | 8                 | 78,600              | 117,833           |
| 5                                 | —                               | —                 | —                   | —                 |
|                                   |                                 |                   | <u>\$ 1,177,391</u> | <u>\$ 782,594</u> |

**Note 7. Goodwill and Other Intangibles**

We have recorded lease and internal-use software development intangibles that are being amortized over periods ranging from one year to 48 years. In-place lease intangibles, at cost are included in In-place lease intangible assets and other in the consolidated financial statements. Above-market rent intangibles, at cost are included in Above-market rent intangible assets in the consolidated financial statements. Accumulated amortization of in-place lease and above-market rent intangibles is included in Accumulated depreciation and amortization in the consolidated financial statements. Internal-use software development intangibles are included in Other assets, net in the consolidated financial statements. Below-market rent and below-market purchase option intangibles are included in Below-market rent and other intangible liabilities, net in the consolidated financial statements.

Net lease intangibles recorded in connection with property acquisitions during the nine months ended September 30, 2023 are described in [Note 5](#).

Goodwill decreased by \$3.2 million during the nine months ended September 30, 2023 due to foreign currency translation adjustments, and was fully reflected within our Real Estate segment as of both September 30, 2023 and December 31, 2022.

Intangible assets, intangible liabilities, and goodwill are summarized as follows (in thousands):

|                                                | September 30, 2023    |                          |                     | December 31, 2022     |                          |                     |
|------------------------------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
|                                                | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| <b>Finite-Lived Intangible Assets</b>          |                       |                          |                     |                       |                          |                     |
| Internal-use software development costs        | \$ 20,496             | \$ (19,463)              | \$ 1,033            | \$ 19,812             | \$ (19,144)              | \$ 668              |
|                                                | 20,496                | (19,463)                 | 1,033               | 19,812                | (19,144)                 | 668                 |
| Lease Intangibles:                             |                       |                          |                     |                       |                          |                     |
| In-place lease                                 | 2,549,879             | (1,131,197)              | 1,418,682           | 2,523,318             | (1,061,235)              | 1,462,083           |
| Above-market rent                              | 771,071               | (506,380)                | 264,691             | 833,751               | (507,436)                | 326,315             |
|                                                | 3,320,950             | (1,637,577)              | 1,683,373           | 3,357,069             | (1,568,671)              | 1,788,398           |
| <b>Goodwill</b>                                |                       |                          |                     |                       |                          |                     |
| Goodwill                                       | 1,034,183             | —                        | 1,034,183           | 1,037,412             | —                        | 1,037,412           |
| Total intangible assets                        | <u>\$ 4,375,629</u>   | <u>\$(1,657,040)</u>     | <u>\$ 2,718,589</u> | <u>\$ 4,414,293</u>   | <u>\$(1,587,815)</u>     | <u>\$ 2,826,478</u> |
| <b>Finite-Lived Intangible Liabilities</b>     |                       |                          |                     |                       |                          |                     |
| Below-market rent                              | \$ (233,089)          | \$ 80,040                | \$ (153,049)        | \$ (293,160)          | \$ 125,287               | \$ (167,873)        |
| <b>Indefinite-Lived Intangible Liabilities</b> |                       |                          |                     |                       |                          |                     |
| Below-market purchase option                   | —                     | —                        | —                   | (16,711)              | —                        | (16,711)            |
| Total intangible liabilities                   | <u>\$ (233,089)</u>   | <u>\$ 80,040</u>         | <u>\$ (153,049)</u> | <u>\$ (309,871)</u>   | <u>\$ 125,287</u>        | <u>\$ (184,584)</u> |

During the nine months ended September 30, 2023, the U.S. dollar strengthened against the euro, resulting in a decrease of \$1.3 million in the carrying value of our net intangible assets from December 31, 2022 to September 30, 2023. See [Note 6](#) for a description of intangible assets and liabilities reclassified to net investments in sales-type leases during the nine months ended September 30, 2023.

Net amortization of intangibles, including the effect of foreign currency translation, was \$62.6 million and \$62.1 million for the three months ended September 30, 2023 and 2022, respectively, and \$193.7 million and \$165.6 million for the nine months ended September 30, 2023 and 2022, respectively. Amortization of below-market rent and above-market rent intangibles is recorded as an adjustment to Lease revenues and amortization of internal-use software development and in-place lease intangibles is included in Depreciation and amortization.



**Note 8. Equity Method Investments**

We own interests in certain unconsolidated real estate investments with third parties and in the Managed Programs. There have been no significant changes in our equity method investment policies from what was disclosed in the 2022 Annual Report.

***Interests in Unconsolidated Real Estate Investments***

We own equity interests in properties that are generally leased to companies through noncontrolling interests in partnerships and limited liability companies that we do not control but over which we exercise significant influence. The underlying investments are jointly owned with third parties. We account for these investments under the equity method of accounting. Operating results of our unconsolidated real estate investments are included in the Real Estate segment.

The following table sets forth our ownership interests in our equity method investments in real estate, excluding the Managed Programs, and their respective carrying values (dollars in thousands):

| Lessee/Fund/Description                 | Co-owner    | Ownership Interest | Carrying Value at  |                   |
|-----------------------------------------|-------------|--------------------|--------------------|-------------------|
|                                         |             |                    | September 30, 2023 | December 31, 2022 |
| Las Vegas Retail Complex <sup>(a)</sup> | Third Party | N/A                | \$ 232,941         | \$ 196,352        |
| Johnson Self Storage                    | Third Party | 90%                | 64,286             | 65,707            |
| Kesko Senukai <sup>(b)</sup>            | Third Party | 70%                | 28,414             | 38,569            |
| Harmon Retail Corner <sup>(c)</sup>     | Third Party | 15%                | 24,118             | 24,649            |
|                                         |             |                    | <u>\$ 349,759</u>  | <u>\$ 325,277</u> |

- (a) On June 10, 2021, we entered into an agreement to fund a construction loan of approximately \$261.9 million (as of September 30, 2023) for a retail complex in Las Vegas, Nevada. Through September 30, 2023, we funded \$229.8 million, including \$36.6 million during the nine months ended September 30, 2023. Equity income from this investment was \$9.1 million and \$6.2 million for the nine months ended September 30, 2023 and 2022, respectively, which was recognized within Earnings from equity method investments in our consolidated statements of income.
- (b) The carrying value of this investment is affected by fluctuations in the exchange rate of the euro.
- (c) This investment is reported using the hypothetical liquidation at book value model, which may be different than pro rata ownership percentages, primarily due to the capital structure of the partnership agreement.

We received aggregate distributions of \$25.2 million and \$24.2 million from our unconsolidated real estate investments for the nine months ended September 30, 2023 and 2022, respectively. At September 30, 2023 and December 31, 2022, the aggregate unamortized basis differences on our unconsolidated real estate investments were \$18.3 million and \$19.1 million, respectively.

***Managed Programs***

We own interests in the Managed Programs and account for these interests under the equity method because, as their advisor, we do not exert control over, but we do have the ability to exercise significant influence over, the Managed Programs. Operating results of the Managed Programs are included in the Investment Management segment.

**CPA:18 – Global** — On August 1, 2022, we acquired all of the remaining interests in CPA:18 – Global and the CPA:18 – Global operating partnership in the CPA:18 Merger ([Note 1](#)). We received distributions from this investment during the nine months ended September 30, 2022 of \$1.6 million. We received distributions from our investment in the CPA:18 – Global operating partnership during the nine months ended September 30, 2022 of \$8.7 million ([Note 4](#)).

**CESH** — We have elected to account for our investment in 2.43% of CESH at fair value by selecting the equity method fair value option available under GAAP. We record our investment in CESH on a one quarter lag; therefore, the balance of our equity method investment in CESH recorded as of September 30, 2023 is based on the estimated fair value of our investment as of June 30, 2023. The carrying amount of our investment in CESH was \$1.8 million and \$2.2 million as of September 30, 2023 and December 31, 2022, respectively. We received distributions from this investment during both the nine months ended September 30, 2023 and 2022 of \$1.2 million.



**Note 9. Fair Value Measurements**

The fair value of an asset is defined as the exit price, which is the amount that would either be received when an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance establishes a three-tier fair value hierarchy based on the inputs used in measuring fair value. These tiers are: Level 1, for which quoted market prices for identical instruments are available in active markets, such as money market funds, equity securities, and U.S. Treasury securities; Level 2, for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument, such as certain derivative instruments including interest rate caps, interest rate swaps, and foreign currency collars; and Level 3, for securities that do not fall into Level 1 or Level 2 and for which little or no market data exists, therefore requiring us to develop our own assumptions.

***Items Measured at Fair Value on a Recurring Basis***

The methods and assumptions described below were used to estimate the fair value of each class of financial instrument. For significant Level 3 items, we have also provided the unobservable inputs.

*Derivative Assets and Liabilities* — Our derivative assets and liabilities, which are included in Other assets, net and Accounts payable, accrued expenses and other liabilities, respectively, in the consolidated financial statements, are comprised of foreign currency collars, interest rate swaps, interest rate caps, and stock warrants ([Note 10](#)).

The valuation of our derivative instruments (excluding stock warrants) is determined using a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, as well as observable market-based inputs, including interest rate curves, spot and forward rates, and implied volatilities. We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative instruments for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. These derivative instruments were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market.

The stock warrants were measured at fair value using valuation models that incorporate market inputs and our own assumptions about future cash flows. We classified these assets as Level 3 because these assets are not traded in an active market.

*Equity Method Investment in CESH* — We have elected to account for our investment in CESH, which is included in Equity method investments in the consolidated financial statements, at fair value by selecting the equity method fair value option available under GAAP ([Note 8](#)). We classified this investment as Level 3 because we primarily used valuation models that incorporate unobservable inputs to determine its fair value.

*Investment in Shares of Lineage Logistics* — We have elected to apply the measurement alternative under *Accounting Standards Update 2016-01, Financial Instruments — Overall (Subtopic 825-10)* to account for our investment in shares of Lineage Logistics (a cold storage REIT), which is included in Other assets, net in the consolidated financial statements. Under this alternative, the carrying value is adjusted for any impairments or changes in fair value resulting from observable transactions for similar or identical investments in the issuer. We classified this investment as Level 3 because it is not traded in an active market. During the nine months ended September 30, 2022, we received cash dividends of \$4.3 million from our investment in shares of Lineage Logistics, which was recorded within Non-operating income in the consolidated financial statements. The fair value of this investment was \$404.9 million at both September 30, 2023 and December 31, 2022.

*Investment in Shares of GCIF* — We account for our investment in shares of Guggenheim Credit Income Fund ("GCIF"), which is included in Other assets, net in the consolidated financial statements, at fair value. We classified this investment as Level 2 because we used a quoted price from an inactive market to determine its fair value. During the nine months ended September 30, 2023, we received liquidating distributions from our investment in shares of GCIF totaling \$0.8 million, which reduced the cost basis of our investment (in March 2021, GCIF announced its intention to liquidate and to distribute substantially all of its assets). The fair value of our investment in shares of GCIF was \$0.9 million and \$1.7 million at September 30, 2023 and December 31, 2022, respectively.

*Investment in Preferred Shares of WLT* — In January 2022, Watermark Lodging Trust, Inc. (“WLT”) redeemed in full our 1,300,000 shares of its preferred stock for gross proceeds of \$65.0 million (based on the liquidation preference of \$50.00 per share). In connection with this redemption, we reclassified an unrealized gain on this investment of \$18.7 million from Accumulated other comprehensive loss to Other gains and (losses) in the consolidated financial statements (Note 13). Prior to this redemption, we accounted for this investment, which was included in Other assets, net in the consolidated financial statements, as available-for-sale debt securities at fair value (Level 3). During the nine months ended September 30, 2022, we received cash dividends of \$0.9 million from our investment in preferred shares of WLT, which was recorded within Non-operating income in the consolidated financial statements.

*Investment in Common Shares of WLT* — In January 2022, we reclassified our investment in 12,208,243 shares of common stock of WLT from equity method investments to equity securities, since we no longer had significant influence over WLT, following the redemption of our investment in preferred shares of WLT, as described above. As a result, we accounted for this investment, which was included in Other assets, net in the consolidated financial statements, at fair value. We classified this investment as Level 3 because it was not traded in an active market. We recognized non-cash unrealized gains of \$43.4 million on our investment in shares of common stock of WLT during the nine months ended September 30, 2022, reflecting the most recently published net asset value of WLT, which was recorded within Other gains and (losses) in the consolidated financial statements. WLT completed its previously announced sale to private real estate funds in October 2022 and we received \$82.6 million in cash proceeds.

We did not have any transfers into or out of Level 1, Level 2, and Level 3 category of measurements during either the nine months ended September 30, 2023 or 2022. Gains and losses (realized and unrealized) recognized on items measured at fair value on a recurring basis included in earnings are reported within Other gains and (losses) on our consolidated financial statements.

Our other material financial instruments had the following carrying values and fair values as of the dates shown (dollars in thousands):

|                                                    | Level   | September 30, 2023 |              | December 31, 2022 |              |
|----------------------------------------------------|---------|--------------------|--------------|-------------------|--------------|
|                                                    |         | Carrying Value     | Fair Value   | Carrying Value    | Fair Value   |
| Senior Unsecured Notes, net <sup>(a) (b) (c)</sup> | 2 and 3 | \$ 5,902,854       | \$ 5,224,131 | \$ 5,916,400      | \$ 5,238,588 |
| Non-recourse mortgages, net <sup>(a) (b) (d)</sup> | 3       | 784,750            | 767,999      | 1,132,417         | 1,109,449    |

- (a) The carrying value of Senior Unsecured Notes, net (Note 11) includes unamortized deferred financing costs of \$22.1 million and \$25.9 million at September 30, 2023 and December 31, 2022, respectively. The carrying value of Non-recourse mortgages, net includes unamortized deferred financing costs of less than \$0.1 million at both September 30, 2023 and December 31, 2022.
- (b) The carrying value of Senior Unsecured Notes, net includes unamortized discount of \$20.8 million and \$24.1 million at September 30, 2023 and December 31, 2022, respectively. The carrying value of Non-recourse mortgages, net includes unamortized discount of \$6.2 million and \$10.3 million at September 30, 2023 and December 31, 2022, respectively.
- (c) For those Senior Unsecured Notes for which there are no observable market prices (specifically, our private placement Senior Unsecured Notes (Note 11)), we used a discounted cash flow model that estimates the present value of future loan payments by discounting such payments at current estimated market interest rates. We consider these notes to be within the Level 3 category. For all other Senior Unsecured Notes, we determined the estimated fair value using observed market prices in an open market, which may experience limited trading volume. We consider these notes to be within the Level 2 category.
- (d) We determined the estimated fair value of our non-recourse mortgage loans using a discounted cash flow model that estimates the present value of the future loan payments by discounting such payments at current estimated market interest rates. The estimated market interest rates consider interest rate risk and the value of the underlying collateral, which includes quality of the collateral, the credit quality of the tenant/obligor, and the time until maturity.

We estimated that our other financial assets and liabilities, including amounts outstanding under our Senior Unsecured Credit Facility and Unsecured Term Loan due 2026 (Note 11), but excluding finance receivables (Note 6), had fair values that approximated their carrying values at both September 30, 2023 and December 31, 2022.

**Items Measured at Fair Value on a Non-Recurring Basis (Including Impairment Charges)**

We periodically assess whether there are any indicators that the value of our real estate investments may be impaired or that their carrying value may not be recoverable, including investments impacted by the Spin-Off and Office Sale Program ([Note 1](#)). There have been no significant changes in our impairment policies from what was disclosed in the 2022 Annual Report.

The following tables present information about assets for which we recorded an impairment charge and that were measured at fair value on a non-recurring basis (in thousands):

|                                | Three Months Ended September 30, |                    |                         |                    |
|--------------------------------|----------------------------------|--------------------|-------------------------|--------------------|
|                                | 2023                             |                    | 2022                    |                    |
|                                | Fair Value Measurements          | Impairment Charges | Fair Value Measurements | Impairment Charges |
| <b>Impairment Charges</b>      |                                  |                    |                         |                    |
| Real estate and intangibles    | \$ 3,213                         | \$ 15,173          | \$ —                    | \$ —               |
| Investment Management goodwill | —                                | —                  | —                       | 29,334             |
|                                |                                  | <u>\$ 15,173</u>   |                         | <u>\$ 29,334</u>   |
|                                | Nine Months Ended September 30,  |                    |                         |                    |
|                                | 2023                             |                    | 2022                    |                    |
|                                | Fair Value Measurements          | Impairment Charges | Fair Value Measurements | Impairment Charges |
| <b>Impairment Charges</b>      |                                  |                    |                         |                    |
| Real estate and intangibles    | \$ 3,213                         | \$ 15,173          | \$ 24,497               | \$ 26,385          |
| Investment Management goodwill | —                                | —                  | —                       | 29,334             |
|                                |                                  | <u>\$ 15,173</u>   |                         | <u>\$ 55,719</u>   |

Impairment charges, and their related triggering events and fair value measurements, recognized during the three and nine months ended September 30, 2023 and 2022 were as follows:

**Real Estate and Intangibles**

The impairment charges described below are reflected within Impairment charges — real estate in our consolidated statements of income.

During the three and nine months ended September 30, 2023, we recognized an impairment charge of \$15.2 million on one property in order to reduce its carrying value to its estimated fair value, which approximated its estimated selling price. This property is included in Assets held for sale, net, in our consolidated balance sheets as of September 30, 2023, and was sold in October 2023 ([Note 5](#), [Note 17](#)).

During the nine months ended September 30, 2022, we recognized an impairment charge of \$10.9 million on a property in order to reduce its carrying value to its estimated fair value, which declined due to changes in expected cash flows related to the existing tenant's lease expiration in 2023. The fair value measurement was determined by estimating discounted cash flows using two significant unobservable inputs, which were the cash flow discount rate (14.0%) and terminal capitalization rate (11.0%).

In March 2022, we entered into a transaction to restructure certain leases with Pendragon PLC (a tenant at certain automotive dealerships in the United Kingdom). Under this restructuring, we extended the leases on 30 properties by 11 years (no change to rent) and entered into an agreement to dispose of 12 properties, with the tenant continuing to pay rent until the earlier of sale date or certain specified dates over the following 12 months. As a result, during the nine months ended September 30, 2022, we recognized impairment charges totaling \$9.3 million on six of these properties in order to reduce the carrying values of the properties to their estimated fair values. The fair value measurements for the properties were determined using a direct capitalization rate analysis; the capitalization rate for the various scenarios ranged from 4.75% to 10.00%. Four of these impaired properties were sold in 2022.

During the nine months ended September 30, 2022, we recognized impairment charges totaling \$6.2 million on two properties in order to reduce their carrying values to their estimated fair values, which approximated their estimated selling prices. We sold one property in August 2022 and one property in March 2023.

### *Investment Management Goodwill*

The impairment charges described below are reflected within Impairment charges — Investment Management goodwill in our consolidated statements of income.

During the three and nine months ended September 30, 2022, we recognized an impairment charge of \$29.3 million on goodwill within our Investment Management segment in order to reduce its carrying value to its estimated fair value of \$0, since future Investment Management cash flows are expected to be minimal following the CPA:18 Merger ([Note 3](#)).

## **Note 10. Risk Management and Use of Derivative Financial Instruments**

### *Risk Management*

In the normal course of our ongoing business operations, we encounter economic risk. There are four main components of economic risk that impact us: interest rate risk, credit risk, market risk, and foreign currency risk. We are primarily subject to interest rate risk on our interest-bearing liabilities, including our Senior Unsecured Credit Facility ([Note 11](#)) and unhedged variable-rate non-recourse mortgage loans. Credit risk is the risk of default on our operations and our tenants' inability or unwillingness to make contractually required payments. Market risk includes changes in the value of our properties and related loans, Senior Unsecured Notes, other securities, and the limited partnership units we hold in CESH, due to changes in interest rates or other market factors. We own investments in North America, Europe, and Japan and are subject to risks associated with fluctuating foreign currency exchange rates.

### *Derivative Financial Instruments*

There have been no significant changes in our derivative financial instrument policies from what was disclosed in the 2022 Annual Report. At both September 30, 2023 and December 31, 2022, no cash collateral had been posted nor received for any of our derivative positions.

The following table sets forth certain information regarding our derivative instruments (in thousands):

| Derivatives Designated as Hedging Instruments            | Balance Sheet Location                                   | Derivative Assets Fair Value at |                   | Derivative Liabilities Fair Value at |                   |
|----------------------------------------------------------|----------------------------------------------------------|---------------------------------|-------------------|--------------------------------------|-------------------|
|                                                          |                                                          | September 30, 2023              | December 31, 2022 | September 30, 2023                   | December 31, 2022 |
| Foreign currency collars                                 | Other assets, net                                        | \$ 27,088                       | \$ 32,631         | \$ —                                 | \$ —              |
| Interest rate swaps                                      | Other assets, net                                        | 3,288                           | 2,679             | —                                    | —                 |
| Interest rate cap                                        | Other assets, net                                        | —                               | 14                | —                                    | —                 |
|                                                          | Accounts payable, accrued expenses and other liabilities | —                               | —                 | (612)                                | (1,445)           |
|                                                          |                                                          | 30,376                          | 35,324            | (612)                                | (1,445)           |
| <b>Derivatives Not Designated as Hedging Instruments</b> |                                                          |                                 |                   |                                      |                   |
| Stock warrants                                           | Other assets, net                                        | 3,950                           | 3,950             | —                                    | —                 |
| Foreign currency collars                                 | Other assets, net                                        | 160                             | —                 | —                                    | —                 |
|                                                          | Accounts payable, accrued expenses and other liabilities | —                               | —                 | —                                    | (248)             |
|                                                          |                                                          | 4,110                           | 3,950             | —                                    | (248)             |
| Total derivatives                                        |                                                          | \$ 34,486                       | \$ 39,274         | \$ (612)                             | \$ (1,693)        |

## Notes to Consolidated Financial Statements (Unaudited)

The following tables present the impact of our derivative instruments in the consolidated financial statements (in thousands):

| Derivatives in Cash Flow Hedging Relationships |  | Amount of Gain (Loss) Recognized on Derivatives in Other Comprehensive Income (Loss) <sup>(a)</sup> |           |                                 |           |
|------------------------------------------------|--|-----------------------------------------------------------------------------------------------------|-----------|---------------------------------|-----------|
|                                                |  | Three Months Ended September 30,                                                                    |           | Nine Months Ended September 30, |           |
|                                                |  | 2023                                                                                                | 2022      | 2023                            | 2022      |
| Foreign currency collars                       |  | \$ 7,928                                                                                            | \$ 20,756 | \$ (4,710)                      | \$ 44,410 |
| Interest rate swaps                            |  | (514)                                                                                               | 1,663     | 683                             | 3,019     |
| Interest rate cap                              |  | (3)                                                                                                 | 11        | (9)                             | 16        |
| Total                                          |  | \$ 7,411                                                                                            | \$ 22,430 | \$ (4,036)                      | \$ 47,445 |

| Derivatives in Cash Flow Hedging Relationships |                      | Location of Gain (Loss) Recognized in Income |          | Amount of Gain (Loss) on Derivatives Reclassified from Other Comprehensive Income (Loss) |           |                                 |      |
|------------------------------------------------|----------------------|----------------------------------------------|----------|------------------------------------------------------------------------------------------|-----------|---------------------------------|------|
|                                                |                      |                                              |          | Three Months Ended September 30,                                                         |           | Nine Months Ended September 30, |      |
|                                                |                      |                                              |          | 2023                                                                                     | 2022      | 2023                            | 2022 |
| Foreign currency collars                       | Non-operating income | \$ 2,787                                     | \$ 4,987 | \$ 10,656                                                                                | \$ 10,450 |                                 |      |
| Interest rate swaps and cap                    | Interest expense     | 659                                          | (66)     | 1,132                                                                                    | (352)     |                                 |      |
| Total                                          |                      | \$ 3,446                                     | \$ 4,921 | \$ 11,788                                                                                | \$ 10,098 |                                 |      |

(a) Excludes net losses of \$0.6 million and net gains of \$1.2 million recognized on unconsolidated jointly owned investments for the three months ended September 30, 2023 and 2022, respectively, and net losses of \$1.3 million and net gains of \$3.5 million for the nine months ended September 30, 2023 and 2022, respectively.

Amounts reported in Other comprehensive (loss) income related to interest rate derivative contracts will be reclassified to Interest expense as interest is incurred on our variable-rate debt. Amounts reported in Other comprehensive (loss) income related to foreign currency derivative contracts will be reclassified to Non-operating income when the hedged foreign currency contracts are settled. As of September 30, 2023, we estimate that an additional \$2.9 million and \$13.9 million will be reclassified as Interest expense and Non-operating income, respectively, during the next 12 months.

The following table presents the impact of our derivative instruments in the consolidated financial statements (in thousands):

| Derivatives in Cash Flow Hedging Relationships     |                          | Amount of Gain (Loss) on Derivatives Recognized in Income |          |                                 |          |
|----------------------------------------------------|--------------------------|-----------------------------------------------------------|----------|---------------------------------|----------|
|                                                    |                          | Three Months Ended September 30,                          |          | Nine Months Ended September 30, |          |
|                                                    |                          | 2023                                                      | 2022     | 2023                            | 2022     |
| Foreign currency collars                           | Non-operating income     | \$ 951                                                    | \$ 3,737 | \$ 935                          | \$ 7,520 |
| Interest rate swaps                                | Interest expense         | (683)                                                     | 56       | (1,220)                         | 387      |
| Derivatives Not in Cash Flow Hedging Relationships |                          |                                                           |          |                                 |          |
| Foreign currency collars                           | Other gains and (losses) | 450                                                       | 447      | 409                             | 1,573    |
| Total                                              |                          | \$ 718                                                    | \$ 4,240 | \$ 124                          | \$ 9,480 |

See below for information on our purposes for entering into derivative instruments.

### Interest Rate Swaps and Caps

We are exposed to the impact of interest rate changes primarily through our borrowing activities. To limit this exposure, we generally seek long-term debt financing on a fixed-rate basis. However, from time to time, we have obtained, and may in the future obtain, variable-rate (i) non-recourse mortgage loans and (ii) unsecured term loans ([Note 11](#)) and, as a result, we have entered into, and may continue to enter into, interest rate swap agreements or interest rate cap agreements with counterparties. Interest rate swaps, which effectively convert the variable-rate debt service obligations of a loan to a fixed rate, are agreements in which one party exchanges a stream of interest payments for a counterparty's stream of cash flow over a specific period. The notional, or face, amount on which the swaps are based is not exchanged. Interest rate caps limit the effective borrowing rate of variable-rate debt obligations while allowing participants to share in downward shifts in interest rates. Our objective in using these derivatives is to limit our exposure to interest rate movements.

The interest rate swaps and caps that our consolidated subsidiaries had outstanding at September 30, 2023 are summarized as follows (currency in thousands):

| Interest Rate Derivatives                          | Number of Instruments | Notional Amount | Fair Value at September 30, 2023 <sup>(a)</sup> |
|----------------------------------------------------|-----------------------|-----------------|-------------------------------------------------|
| <b>Designated as Cash Flow Hedging Instruments</b> |                       |                 |                                                 |
| Interest rate swaps                                | 4                     | 513,214 EUR     | \$ 2,147                                        |
| Interest rate swaps                                | 4                     | 31,249 USD      | 1,141                                           |
|                                                    |                       |                 | <u>\$ 3,288</u>                                 |

(a) Fair value amounts are based on the exchange rate of the euro at September 30, 2023, as applicable.

### Foreign Currency Collars

We are exposed to foreign currency exchange rate movements, primarily in the euro and, to a lesser extent, the British pound sterling and certain other currencies. In order to hedge certain of our foreign currency cash flow exposures, we enter into foreign currency collars. A foreign currency collar consists of a written call option and a purchased put option to sell the foreign currency at a range of predetermined exchange rates. A foreign currency collar guarantees that the exchange rate of the currency will not fluctuate beyond the range of the options' strike prices. Our foreign currency collars have maturities of 59 months or less.

The following table presents the foreign currency collars that we had outstanding at September 30, 2023 (currency in thousands):

| Foreign Currency Derivatives                           | Number of Instruments | Notional Amount | Fair Value at September 30, 2023 |
|--------------------------------------------------------|-----------------------|-----------------|----------------------------------|
| <b>Designated as Cash Flow Hedging Instruments</b>     |                       |                 |                                  |
| Foreign currency collars                               | 63                    | 280,000 EUR     | \$ 22,936                        |
| Foreign currency collars                               | 48                    | 30,740 GBP      | 3,540                            |
| <b>Not Designated as Cash Flow Hedging Instruments</b> |                       |                 |                                  |
| Foreign currency collar                                | 1                     | 8,000 EUR       | 160                              |
|                                                        |                       |                 | <u>\$ 26,636</u>                 |

### Credit Risk-Related Contingent Features

We measure our credit exposure on a counterparty basis as the net positive aggregate estimated fair value of our derivatives, net of any collateral received. No collateral was received as of September 30, 2023. At September 30, 2023, our total credit exposure and the maximum exposure to any single counterparty was \$30.1 million and \$4.9 million, respectively.

Some of the agreements we have with our derivative counterparties contain cross-default provisions that could trigger a declaration of default on our derivative obligations if we default, or are capable of being declared in default, on certain of our indebtedness. At September 30, 2023, we had not been declared in default on any of our derivative obligations. The estimated fair value of our derivatives in a net liability position was \$0.6 million and \$1.7 million at September 30, 2023 and December 31, 2022, respectively, which included accrued interest and any nonperformance risk adjustments. If we had breached any of these provisions at September 30, 2023 or December 31, 2022, we could have been required to settle our obligations under these agreements at their aggregate termination value of \$0.6 million and \$1.7 million, respectively.



*Net Investment Hedges*

Certain borrowings under our Senior Unsecured Notes, Unsecured Revolving Credit Facility, and Unsecured Term Loans (all as defined in [Note 11](#)) denominated in euro, British pounds sterling, or Japanese yen are designated as, and are effective as, economic hedges of our net investments in foreign entities.

Exchange rate variations impact our financial results because the financial results of our foreign subsidiaries are translated to U.S. dollars each period, with the effect of exchange rate variations being recorded in Other comprehensive (loss) income as part of the cumulative foreign currency translation adjustment. As a result, changes in the value of our borrowings under our euro-denominated senior notes and changes in the value of our euro, Japanese yen, and British pound sterling borrowings under our Senior Unsecured Credit Facility, related to changes in the spot rates, will be reported in the same manner as foreign currency translation adjustments, which are recorded in Other comprehensive (loss) income as part of the cumulative foreign currency translation adjustment. Such gains (losses) related to non-derivative net investment hedges were \$108.0 million and \$215.0 million for the three months ended September 30, 2023 and 2022, respectively, and \$38.6 million and \$528.4 million for the nine months ended September 30, 2023 and 2022, respectively.

**Note 11. Debt***Senior Unsecured Credit Facility*

As of December 31, 2022, we had a senior credit facility, which had capacity of approximately \$2.4 billion, comprised of (i) a \$1.8 billion unsecured revolving credit facility for our working capital needs, acquisitions, and other general corporate purposes (our “Unsecured Revolving Credit Facility”), (ii) a £270.0 million term loan (our “Term Loan due 2025”), and (iii) a €215.0 million delayed draw term loan (our “Delayed Draw Term Loan due 2025”). We refer to the entire facility collectively as our “Senior Unsecured Credit Facility.” As of December 31, 2022, the aggregate principal amount (of revolving and term loans) available under the Senior Unsecured Credit Facility was able to be increased up to an amount not to exceed the U.S. dollar equivalent of \$2.75 billion, subject to the conditions to increase set forth in our credit agreement.

In January 2023, we entered into a Third Amendment to the Credit Agreement to transition from LIBOR to SOFR. In connection with this amendment, we also increased the aggregate principal amount (of revolving and term loans) available under the Senior Unsecured Credit Facility to an amount not to exceed the U.S. dollar equivalent of \$3.05 billion, subject to the conditions to increase set forth in the credit agreement ([Note 2](#)).

The Senior Unsecured Credit Facility includes the ability to borrow in certain currencies other than U.S. dollars and has a maturity date of February 20, 2025. At September 30, 2023, our Unsecured Revolving Credit Facility had available capacity of approximately \$1.3 billion (net of amounts reserved for standby letters of credit totaling \$1.9 million). We incur an annual facility fee of 0.15% of the total commitment on our Unsecured Revolving Credit Facility, which is included within Interest expense in our consolidated statements of income.

*Term Loan Agreement*

On April 24, 2023, we entered into a €500.0 million unsecured term loan maturing on April 24, 2026 (our “Unsecured Term Loan due 2026”), comprised of (i) a €300.0 million term loan (our “Term Loan due 2026”) and (ii) a €200.0 million delayed draw term loan (our “Delayed Draw Term Loan due 2026”), which was drawn in full at closing. The amount available under the Unsecured Term Loan due 2026 may be increased up to an amount not to exceed €750.0 million, subject to the conditions to increase set forth in the related credit agreement.

The Unsecured Term Loan due 2026 borrowing rate pursuant to the credit agreement is 85 basis points over EURIBOR, based on our credit ratings of BBB+ and Baa1. In conjunction with the closing of the Unsecured Term Loan due 2026, we executed variable-to-fixed interest rate swaps that fix the total per annum interest rate at 4.34% through the end of 2024 ([Note 10](#)).

We refer to our Term Loan due 2025, Delayed Draw Term Loan due 2025, and Unsecured Term Loan due 2026 collectively as our “Unsecured Term Loans.”

## Notes to Consolidated Financial Statements (Unaudited)

The following table presents a summary of our Unsecured Term Loans and Unsecured Revolving Credit Facility (dollars in thousands):

| Unsecured Term Loans and Unsecured Revolving Credit Facility                 | Interest Rate at September 30, 2023 <sup>(a)</sup> | Maturity Date at September 30, 2023 | Principal Outstanding Balance at |                   |
|------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------|----------------------------------|-------------------|
|                                                                              |                                                    |                                     | September 30, 2023               | December 31, 2022 |
| Unsecured Term Loans:                                                        |                                                    |                                     |                                  |                   |
| Unsecured Term Loan due 2026 — borrowing in euros <sup>(b)</sup>             | 4.34%                                              | 4/24/2026                           | \$ 529,700                       | \$ —              |
| Term Loan due 2025 — borrowing in British pounds sterling <sup>(c) (d)</sup> | SONIA + 0.85%                                      | 2/20/2025                           | 330,840                          | 324,695           |
| Delayed Draw Term Loan due 2025 — borrowing in euros <sup>(e)</sup>          | EURIBOR + 0.85%                                    | 2/20/2025                           | 227,771                          | 229,319           |
|                                                                              |                                                    |                                     | 1,088,311                        | 554,014           |
| Unsecured Revolving Credit Facility:                                         |                                                    |                                     |                                  |                   |
| Borrowing in euros <sup>(e)</sup>                                            | EURIBOR + 0.775%                                   | 2/20/2025                           | 345,364                          | 258,117           |
| Borrowing in U.S. dollars <sup>(f)</sup>                                     | SOFR + 0.775%                                      | 2/20/2025                           | 155,000                          | —                 |
| Borrowing in Japanese yen <sup>(g)</sup>                                     | TIBOR + 0.775%                                     | 2/20/2025                           | 16,149                           | 18,275            |
|                                                                              |                                                    |                                     | 516,513                          | 276,392           |
|                                                                              |                                                    |                                     | \$ 1,604,824                     | \$ 830,406        |

- (a) The applicable interest rate at September 30, 2023 was based on the credit rating for our Senior Unsecured Notes of BBB+/Baa1.
- (b) Balance excludes unamortized discount of \$3.5 million and unamortized deferred financing costs of \$0.3 million at September 30, 2023.
- (c) SONIA means Sterling Overnight Index Average and includes a spread adjustment of 0.0326%.
- (d) Balance excludes unamortized discount of \$1.0 million and \$1.5 million at September 30, 2023 and December 31, 2022, respectively.
- (e) EURIBOR means Euro Interbank Offered Rate.
- (f) SOFR includes a spread adjustment of 0.10%.
- (g) TIBOR means Tokyo Interbank Offered Rate.

### **Debt Facility — Net Lease Office Properties**

On September 20, 2023, in connection with the proposed Spin-Off ([Note 1](#)), NLOP and certain of its wholly-owned direct and indirect subsidiaries entered into financing arrangements for which funding was subject to certain conditions (including the closing of the Spin-Off), including (i) a \$335.0 million senior secured mortgage loan maturing on November 9, 2025 (the “NLOP Mortgage Loan”) and (ii) a \$120.0 million mezzanine loan facility maturing on November 9, 2028 (the “NLOP Mezzanine Loan”) and, together with the NLOP Mortgage Loan, the “NLOP Financing Arrangements”). At that time, NLOP was a wholly-owned subsidiary of WPC.

Upon funding of the borrowing pursuant to the NLOP Mortgage Loan, the NLOP Mortgage Loan will bear interest at an annual rate of one-month Term SOFR rate (subject to a floor of 3.85%) plus 5.0%. In addition, NLOP entered into an interest rate cap agreement at a strike rate of 5.35% under the terms set forth under the NLOP Mortgage Loan. Upon funding of the borrowing pursuant to the NLOP Mezzanine Loan, the NLOP Mezzanine Loan will bear interest at an annual rate of 14.5% (10.0% of which is required to be paid current on a monthly basis, and 4.5% of which will be a payment-in-kind accrual, on a quarterly basis).

Upon the closing of the Spin-Off and funding of the loans on November 1, 2023 ([Note 17](#)), the principal balance of the NLOP Financing Arrangements was spun off to NLOP, and approximately \$350 million of the balance (net of transaction expenses) was retained by us in connection with the Spin-Off.

In connection with the closing of the NLOP Financing Arrangements, we incurred financing costs totaling \$14.4 million as of September 30, 2023, which is included in Other assets, net, on our consolidated financial statements and was reimbursed to us by NLOP in connection with the Spin-Off ([Note 17](#)).



**Senior Unsecured Notes**

As set forth in the table below, we have euro and U.S. dollar-denominated senior unsecured notes outstanding with an aggregate principal balance outstanding of \$5.9 billion at September 30, 2023 (the “Senior Unsecured Notes”).

Interest on the Senior Unsecured Notes is payable annually or semi-annually in arrears. The Senior Unsecured Notes can be redeemed at par within three months of their respective maturities, or we can call the notes at any time for the principal, accrued interest, and a make-whole amount based upon the applicable government bond yield plus 20 to 35 basis points. The following table presents a summary of our Senior Unsecured Notes outstanding at September 30, 2023 (currency in thousands):

| Senior Unsecured Notes, net <sup>(a)</sup> | Issue Date | Principal Amount | Coupon Rate | Maturity Date | Principal Outstanding Balance at |                     |
|--------------------------------------------|------------|------------------|-------------|---------------|----------------------------------|---------------------|
|                                            |            |                  |             |               | September 30, 2023               | December 31, 2022   |
| 4.6% Senior Notes due 2024                 | 3/14/2014  | \$ 500,000       | 4.6 %       | 4/1/2024      | \$ 500,000                       | \$ 500,000          |
| 2.25% Senior Notes due 2024                | 1/19/2017  | € 500,000        | 2.25 %      | 7/19/2024     | 529,700                          | 533,300             |
| 4.0% Senior Notes due 2025                 | 1/26/2015  | \$ 450,000       | 4.0 %       | 2/1/2025      | 450,000                          | 450,000             |
| 2.25% Senior Notes due 2026                | 10/9/2018  | € 500,000        | 2.25 %      | 4/9/2026      | 529,700                          | 533,300             |
| 4.25% Senior Notes due 2026                | 9/12/2016  | \$ 350,000       | 4.25 %      | 10/1/2026     | 350,000                          | 350,000             |
| 2.125% Senior Notes due 2027               | 3/6/2018   | € 500,000        | 2.125 %     | 4/15/2027     | 529,700                          | 533,300             |
| 1.35% Senior Notes due 2028                | 9/19/2019  | € 500,000        | 1.35 %      | 4/15/2028     | 529,700                          | 533,300             |
| 3.85% Senior Notes due 2029                | 6/14/2019  | \$ 325,000       | 3.85 %      | 7/15/2029     | 325,000                          | 325,000             |
| 3.41% Senior Notes due 2029                | 9/28/2022  | € 150,000        | 3.41 %      | 9/28/2029     | 158,910                          | 159,990             |
| 0.95% Senior Notes due 2030                | 3/8/2021   | € 525,000        | 0.95 %      | 6/1/2030      | 556,185                          | 559,965             |
| 2.4% Senior Notes due 2031                 | 10/14/2020 | \$ 500,000       | 2.4 %       | 2/1/2031      | 500,000                          | 500,000             |
| 2.45% Senior Notes due 2032                | 10/15/2021 | \$ 350,000       | 2.45 %      | 2/1/2032      | 350,000                          | 350,000             |
| 3.7% Senior Notes due 2032                 | 9/28/2022  | € 200,000        | 3.7 %       | 9/28/2032     | 211,880                          | 213,320             |
| 2.25% Senior Notes due 2033                | 2/25/2021  | \$ 425,000       | 2.25 %      | 4/1/2033      | 425,000                          | 425,000             |
|                                            |            |                  |             |               | <u>\$ 5,945,775</u>              | <u>\$ 5,966,475</u> |

(a) Aggregate balance excludes unamortized deferred financing costs totaling \$22.1 million and \$25.9 million, and unamortized discount totaling \$20.8 million and \$24.1 million, at September 30, 2023 and December 31, 2022, respectively.

**Covenants**

The credit agreements for our Senior Unsecured Credit Facility and Unsecured Term Loan due 2026, each of the Senior Unsecured Notes, and certain of our non-recourse mortgage loan agreements include customary financial maintenance covenants that require us to maintain certain ratios and benchmarks at the end of each quarter. There have been no significant changes in our debt covenants from what was disclosed in the 2022 Annual Report. We were in compliance with all of these covenants at September 30, 2023.

**Non-Recourse Mortgages**

At September 30, 2023, the weighted-average interest rate for our total non-recourse mortgage notes payable was 4.7% (fixed-rate and variable-rate non-recourse mortgage notes payable were 4.6% and 5.2%, respectively), with maturity dates ranging from October 2023 to April 2039.

**Repayments**

During the nine months ended September 30, 2023, we (i) repaid non-recourse mortgage loans at or close to maturity with an aggregate principal balance of approximately \$226.9 million and (ii) prepaid non-recourse mortgage loans totaling \$99.4 million. We recognized a net gain on extinguishment of debt of \$2.4 million on these repayments, which is included within Other gains and (losses) on our consolidated statements of income. The weighted-average interest rate for these non-recourse mortgage loans on their respective dates of repayment was 4.8%.

**Foreign Currency Exchange Rate Impact**

During the nine months ended September 30, 2023, the U.S. dollar strengthened against the euro, resulting in a decrease of \$40.6 million in the aggregate carrying values of our Non-recourse mortgages, net, Senior Unsecured Credit Facility, Unsecured Term Loan due 2026, and Senior Unsecured Notes, net from December 31, 2022 to September 30, 2023.

**Scheduled Debt Principal Payments**

Scheduled debt principal payments as of September 30, 2023 are as follows (in thousands):

| <b>Years Ending December 31,</b>     | <b>Total</b>        |
|--------------------------------------|---------------------|
| 2023 (remainder)                     | \$ 111,174          |
| 2024                                 | 1,223,399           |
| 2025                                 | 1,903,802           |
| 2026                                 | 1,509,747           |
| 2027                                 | 530,368             |
| Thereafter through 2039              | 3,063,067           |
| Total principal payments             | 8,341,557           |
| Unamortized discount, net            | (31,472)            |
| Unamortized deferred financing costs | (22,371)            |
| Total                                | <u>\$ 8,287,714</u> |

Certain amounts in the table above are based on the applicable foreign currency exchange rate at September 30, 2023.

**Note 12. Commitments and Contingencies**

At September 30, 2023, we were not involved in any material litigation. 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.

**Note 13. Stock-Based Compensation and Equity****Stock-Based Compensation**

We maintain several stock-based compensation plans, which are more fully described in the 2022 Annual Report. There have been no significant changes to the terms and conditions of any of our stock-based compensation plans or arrangements during the nine months ended September 30, 2023. We recorded stock-based compensation expense of \$9.1 million and \$5.5 million during the three months ended September 30, 2023 and 2022, respectively, and \$25.8 million and \$23.1 million during the nine months ended September 30, 2023 and 2022, respectively, which was included in Stock-based compensation expense in the consolidated financial statements.

*Restricted and Conditional Awards*

Nonvested restricted share awards (“RSAs”), restricted share units (“RSUs”), and performance share units (“PSUs”) at September 30, 2023 and changes during the nine months ended September 30, 2023 were as follows:

|                                                       | RSA and RSU Awards |                                        | PSU Awards     |                                        |
|-------------------------------------------------------|--------------------|----------------------------------------|----------------|----------------------------------------|
|                                                       | Shares             | Weighted-Average Grant Date Fair Value | Shares         | Weighted-Average Grant Date Fair Value |
| <b>Nonvested at January 1, 2023</b>                   | 376,298            | \$ 74.78                               | 531,781        | \$ 89.14                               |
| Granted <sup>(a)</sup>                                | 256,993            | 82.78                                  | 150,989        | 144.54                                 |
| Vested <sup>(b)</sup>                                 | (171,330)          | 76.62                                  | (218,147)      | 104.65                                 |
| Forfeited                                             | (101)              | 74.81                                  | —              | —                                      |
| Adjustment <sup>(c)</sup>                             | —                  | —                                      | 71,443         | 107.02                                 |
| <b>Nonvested at September 30, 2023 <sup>(d)</sup></b> | <b>461,860</b>     | <b>\$ 78.53</b>                        | <b>536,066</b> | <b>\$ 103.15</b>                       |

- (a) The grant date fair value of RSAs and RSUs reflect our stock price on the date of grant on a one-for-one basis. The grant date fair value of PSUs was determined utilizing a Monte Carlo simulation model to generate an estimate of our future stock price over the three-year performance period. To estimate the fair value of PSUs granted during the nine months ended September 30, 2023, we used a risk-free interest rate of 3.8%, an expected volatility rate of 38.2%, and assumed a dividend yield of zero.
- (b) The grant date fair value of shares vested during the nine months ended September 30, 2023 was \$36.0 million. Employees have the option to take immediate delivery of the shares upon vesting or defer receipt to a future date pursuant to previously made deferral elections. At September 30, 2023 and December 31, 2022, we had an obligation to issue 1,196,955 and 1,181,947 shares, respectively, of our common stock underlying such deferred awards, which is recorded within Total stockholders’ equity as a Deferred compensation obligation of \$62.0 million and \$57.0 million, respectively.
- (c) Vesting and payment of the PSUs is conditioned upon certain company and/or market performance goals being met during the relevant three-year performance period. The ultimate number of PSUs to be vested will depend on the extent to which the performance goals are met and can range from zero to three times the original awards. As a result, we recorded adjustments at September 30, 2023 to reflect the number of shares expected to be issued when the PSUs vest.
- (d) At September 30, 2023, total unrecognized compensation expense related to these awards was approximately \$50.2 million, with an aggregate weighted-average remaining term of 2.0 years.

*Earnings Per Share*

The following table summarizes basic and diluted earnings (dollars in thousands):

|                                               | Three Months Ended September 30, |             | Nine Months Ended September 30, |             |
|-----------------------------------------------|----------------------------------|-------------|---------------------------------|-------------|
|                                               | 2023                             | 2022        | 2023                            | 2022        |
| Net income — basic and diluted                | \$ 125,040                       | \$ 104,928  | \$ 564,040                      | \$ 389,601  |
| Weighted-average shares outstanding — basic   | 215,097,114                      | 203,093,553 | 214,052,907                     | 196,382,433 |
| Effect of dilutive securities                 | 155,855                          | 1,004,563   | 374,518                         | 882,076     |
| Weighted-average shares outstanding — diluted | 215,252,969                      | 204,098,116 | 214,427,425                     | 197,264,509 |

For the three and nine months ended September 30, 2023 and 2022, potentially dilutive securities excluded from the computation of diluted earnings per share were insignificant.

**Acquisitions of Noncontrolling Interests**

On May 30, 2023, we acquired the remaining 3% interest in an international jointly owned investment (which we already consolidated) from the noncontrolling interest holders for nominal consideration, bringing our ownership interest to 100%. No gain or loss was recognized on the transaction. We recorded an adjustment of approximately \$1.2 million to Additional paid-in capital in our consolidated statements of equity for the nine months ended September 30, 2023 related to the difference between the consideration transferred and the carrying value of the noncontrolling interest related to this investment.

On July 18, 2023, we acquired the remaining 10% interest in a domestic jointly owned investment (which we already consolidated) from the noncontrolling interest holders for \$2.4 million, bringing our ownership interest to 100%. No gain or loss was recognized on the transaction. We recorded an adjustment of approximately \$2.5 million to Additional paid-in capital in our consolidated statements of equity for the three and nine months ended September 30, 2023 related to the difference between the consideration transferred and the carrying value of the noncontrolling interest related to this investment.

**ATM Program**

On May 2, 2022, we established a continuous “at-the-market” offering program (“ATM Program”) with a syndicate of banks, pursuant to which shares of our common stock having an aggregate gross sales price of up to \$1.0 billion may be sold (i) directly through or to the banks acting as sales agents or as principal for their own accounts or (ii) through or to participating banks or their affiliates acting as forward sellers on behalf of any forward purchasers pursuant to a forward sale agreement (our “ATM Forwards”). Effective as of that date, we terminated a prior ATM Program that was established on August 9, 2019.

Our prior ATM Program is discussed in the 2022 Annual Report. The following table sets forth certain information regarding the issuance of shares of our common stock under our prior ATM Program during the periods presented (net proceeds in thousands):

|                                  | Three Months Ended September 30, |      | Nine Months Ended September 30, |            |
|----------------------------------|----------------------------------|------|---------------------------------|------------|
|                                  | 2023                             | 2022 | 2023                            | 2022       |
| Shares of common stock issued    | —                                | —    | —                               | 2,740,295  |
| Weighted-average price per share | \$ —                             | \$ — | \$ —                            | \$ 80.79   |
| Net proceeds                     | \$ —                             | \$ — | \$ —                            | \$ 218,081 |

**Forward Equity**

We expect to settle the ATM Forwards in full on or prior to the maturity date of each ATM Forward via physical delivery of the outstanding shares of common stock in exchange for cash proceeds. However, subject to certain exceptions, we may also elect to cash settle or net share settle all or any portion of our obligations under any ATM Forwards. The forward sale price that we will receive upon physical settlement of the ATM Forwards will be (i) subject to adjustment on a daily basis based on a floating interest rate factor equal to a specified daily rate less a spread (i.e., if the specified daily rate is less than the spread on any day, the interest rate factor will result in a daily reduction of the applicable forward sale price) and (ii) decreased based on amounts related to expected dividends on shares of our common stock during the term of the ATM Forwards.

We determined that our ATM Forwards meet the criteria for equity classification and are therefore exempt from derivative accounting. We recorded the ATM Forwards at fair value at inception, which we determined to be zero. Subsequent changes to fair value are not required under equity classification.

In addition, we refer to our forward equity offering presented below as the August 2021 Equity Forwards (the “Equity Forwards”), which are discussed in the 2022 Annual Report. Our ATM Forwards are also presented below (gross offering proceeds at closing in thousands):

|                                            | Agreement Date | Shares Offered <sup>(a)</sup> | Average Gross Offering Price | Average Gross Offering Proceeds at Closing | Outstanding Shares as of September 30, 2023 |
|--------------------------------------------|----------------|-------------------------------|------------------------------|--------------------------------------------|---------------------------------------------|
| August 2021 Equity Forwards <sup>(b)</sup> | 8/9/2021       | 5,175,000                     | \$ 78.00                     | \$ 403,650                                 | —                                           |
| ATM Forwards <sup>(c)</sup>                | 5/2/2022       | 7,826,840                     | 83.57                        | 654,086                                    | 4,744,973                                   |
|                                            |                |                               |                              |                                            | <u>4,744,973</u>                            |

## Notes to Consolidated Financial Statements (Unaudited)

- (a) Includes 675,000 shares of common stock purchased by certain underwriters in connection with the August 2021 Equity Forwards, upon the exercise of 30-day options to purchase additional shares.
- (b) All remaining outstanding shares were settled during the three months ended December 31, 2022.
- (c) All remaining outstanding shares were settled in October 2023 ([Note 17](#)).

The following table sets forth certain information regarding the settlement of our forward equity during the periods presented (dollars in thousands):

|                                  | Three Months Ended September 30, |           | Nine Months Ended September 30, |           |
|----------------------------------|----------------------------------|-----------|---------------------------------|-----------|
|                                  | 2023                             | 2022      | 2023                            | 2022      |
| Shares of common stock delivered | —                                | 1,337,500 | 3,081,867                       | 1,337,500 |
| Net proceeds                     | \$ —                             | \$ 97,456 | \$ 249,806                      | \$ 97,456 |

### *Reclassifications Out of Accumulated Other Comprehensive Loss*

The following tables present a reconciliation of changes in Accumulated other comprehensive loss by component for the periods presented (in thousands):

|                                                                                      | Three Months Ended September 30, 2023        |                                          |                                   |              |
|--------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------|-----------------------------------|--------------|
|                                                                                      | Gains and (Losses) on Derivative Instruments | Foreign Currency Translation Adjustments | Gains and (Losses) on Investments | Total        |
| Beginning balance                                                                    | \$ 23,879                                    | \$ (303,810)                             | \$ —                              | \$ (279,931) |
| Other comprehensive income before reclassifications                                  | 10,262                                       | (8,844)                                  | —                                 | 1,418        |
| Amounts reclassified from accumulated other comprehensive loss to:                   |                                              |                                          |                                   |              |
| Non-operating income                                                                 | (2,787)                                      | —                                        | —                                 | (2,787)      |
| Interest expense                                                                     | (659)                                        | —                                        | —                                 | (659)        |
| Total                                                                                | (3,446)                                      | —                                        | —                                 | (3,446)      |
| Net current period other comprehensive loss                                          | 6,816                                        | (8,844)                                  | —                                 | (2,028)      |
| Net current period other comprehensive loss attributable to noncontrolling interests | —                                            | 139                                      | —                                 | 139          |
| Ending balance                                                                       | \$ 30,695                                    | \$ (312,515)                             | \$ —                              | \$ (281,820) |

|                                                                                      | Three Months Ended September 30, 2022        |                                          |                                   |              |
|--------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------|-----------------------------------|--------------|
|                                                                                      | Gains and (Losses) on Derivative Instruments | Foreign Currency Translation Adjustments | Gains and (Losses) on Investments | Total        |
| Beginning balance                                                                    | \$ 43,693                                    | \$ (309,850)                             | \$ —                              | \$ (266,157) |
| Other comprehensive loss before reclassifications                                    | 28,531                                       | (56,053)                                 | —                                 | (27,522)     |
| Amounts reclassified from accumulated other comprehensive loss to:                   |                                              |                                          |                                   |              |
| Non-operating income                                                                 | (4,987)                                      | —                                        | —                                 | (4,987)      |
| Interest expense                                                                     | 66                                           | —                                        | —                                 | 66           |
| Total                                                                                | (4,921)                                      | —                                        | —                                 | (4,921)      |
| Net current period other comprehensive loss                                          | 23,610                                       | (56,053)                                 | —                                 | (32,443)     |
| Net current period other comprehensive loss attributable to noncontrolling interests | —                                            | 543                                      | —                                 | 543          |
| Ending balance                                                                       | \$ 67,303                                    | \$ (365,360)                             | \$ —                              | \$ (298,057) |

## Notes to Consolidated Financial Statements (Unaudited)

| Nine Months Ended September 30, 2023                                                 |                                                       |                                                   |                                         |              |
|--------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|-----------------------------------------|--------------|
|                                                                                      | Gains and<br>(Losses) on<br>Derivative<br>Instruments | Foreign<br>Currency<br>Translation<br>Adjustments | Gains and<br>(Losses) on<br>Investments | Total        |
| Beginning balance                                                                    | \$ 36,079                                             | \$ (319,859)                                      | \$ —                                    | \$ (283,780) |
| Other comprehensive income before reclassifications                                  | 6,404                                                 | 7,092                                             | —                                       | 13,496       |
| Amounts reclassified from accumulated other comprehensive loss to:                   |                                                       |                                                   |                                         |              |
| Non-operating income                                                                 | (10,656)                                              | —                                                 | —                                       | (10,656)     |
| Interest expense                                                                     | (1,132)                                               | —                                                 | —                                       | (1,132)      |
| Total                                                                                | (11,788)                                              | —                                                 | —                                       | (11,788)     |
| Net current period other comprehensive income                                        | (5,384)                                               | 7,092                                             | —                                       | 1,708        |
| Net current period other comprehensive loss attributable to noncontrolling interests | —                                                     | 252                                               | —                                       | 252          |
| Ending balance                                                                       | \$ 30,695                                             | \$ (312,515)                                      | \$ —                                    | \$ (281,820) |

| Nine Months Ended September 30, 2022                                                 |                                                       |                                                   |                                         |              |
|--------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|-----------------------------------------|--------------|
|                                                                                      | Gains and<br>(Losses) on<br>Derivative<br>Instruments | Foreign<br>Currency<br>Translation<br>Adjustments | Gains and<br>(Losses) on<br>Investments | Total        |
| Beginning balance                                                                    | \$ 16,347                                             | \$ (256,705)                                      | \$ 18,688                               | \$ (221,670) |
| Other comprehensive loss before reclassifications                                    | 61,054                                                | (109,198)                                         | —                                       | (48,144)     |
| Amounts reclassified from accumulated other comprehensive loss to:                   |                                                       |                                                   |                                         |              |
| Non-operating income                                                                 | (10,450)                                              | —                                                 | —                                       | (10,450)     |
| Interest expense                                                                     | 352                                                   | —                                                 | —                                       | 352          |
| Other gains and (losses) (Note 9)                                                    | —                                                     | —                                                 | (18,688)                                | (18,688)     |
| Total                                                                                | (10,098)                                              | —                                                 | (18,688)                                | (28,786)     |
| Net current period other comprehensive loss                                          | 50,956                                                | (109,198)                                         | (18,688)                                | (76,930)     |
| Net current period other comprehensive loss attributable to noncontrolling interests | —                                                     | 543                                               | —                                       | 543          |
| Ending balance                                                                       | \$ 67,303                                             | \$ (365,360)                                      | \$ —                                    | \$ (298,057) |

See [Note 10](#) for additional information on our derivatives activity recognized within Other comprehensive (loss) income for the periods presented.

### Dividends Declared

During the third quarter of 2023, our Board declared a quarterly dividend of \$1.071 per share, which was paid on October 16, 2023 to stockholders of record as of September 29, 2023.

During the nine months ended September 30, 2023, we declared dividends totaling \$3.207 per share.

### Note 14. Income Taxes

We elected to be treated as a REIT and believe that we have been organized and have operated in such a manner to maintain our qualification as a REIT for federal and state income tax purposes. As a REIT, we are generally not subject to corporate level federal income taxes on earnings distributed to our stockholders. Since inception, we have distributed at least 100% of our taxable income annually. Accordingly, we have not included any provisions for federal income taxes related to the REIT in the accompanying consolidated financial statements for the three and nine months ended September 30, 2023 and 2022.

Certain of our subsidiaries have elected taxable REIT subsidiary (“TRS”) status. A TRS may provide certain services considered impermissible for REITs and may hold assets that REITs may not hold directly. We also own real property in jurisdictions outside the United States through foreign subsidiaries and are subject to income taxes on our pre-tax income earned from properties in such countries. The accompanying consolidated financial statements include an interim tax provision for our TRSs and foreign subsidiaries, as necessary, for the three and nine months ended September 30, 2023 and 2022.

Current income tax expense was \$9.4 million and \$8.2 million for the three months ended September 30, 2023 and 2022, respectively, and \$33.0 million and \$23.2 million for the nine months ended September 30, 2023 and 2022, respectively. Deferred income tax benefit (expense) was \$4.3 million and less than \$(0.1) million for the three months ended September 30, 2023 and 2022, respectively, and \$2.7 million and \$1.6 million for the nine months ended September 30, 2023 and 2022, respectively.

#### **Note 15. Property Dispositions**

We have an active capital recycling program, with a goal of extending the average lease term through reinvestment, improving portfolio credit quality through dispositions and acquisitions of assets, increasing the asset criticality factor in our portfolio, and/or executing strategic dispositions of assets. We may decide to dispose of a property when it is vacant as a result of tenants vacating space, tenants electing not to renew their leases, tenant insolvency, or lease rejection in the bankruptcy process. In such cases, we assess whether we can obtain the highest value from the property by selling it, as opposed to re-leasing it. We may also sell a property when we receive an unsolicited offer or negotiate a price for an investment that is consistent with our strategy for that investment. When it is appropriate to do so, we classify the property as an asset held for sale on our consolidated balance sheet. All property dispositions are recorded within our Real Estate segment and are also discussed in [Note 5](#).

2023 — During the three and nine months ended September 30, 2023, we sold six and 14 properties, respectively, for total proceeds, net of selling costs, of \$143.6 million and \$187.7 million, respectively, and recognized a net gain on these sales totaling \$14.1 million and \$17.5 million, respectively (inclusive of income taxes totaling \$0.7 million for both the three and nine months ended September 30, 2023, recognized upon sale). Three of the properties sold during the third quarter of 2023 were hotel operating properties.

2022 — During the three and nine months ended September 30, 2022, we sold three and 17 properties, respectively, for total proceeds, net of selling costs, of \$55.2 million and \$170.3 million, respectively, and recognized a net (loss) gain on these sales totaling \$(4.7) million and \$37.6 million, respectively (inclusive of income taxes totaling less than \$2.8 million and \$2.9 million, respectively, for the three and nine months ended September 30, 2022, recognized upon sale). This disposition activity included one property acquired in the CPA:18 Merger classified as assets held for sale ([Note 3](#)), which was sold in August 2022.



**Note 16. Segment Reporting**

We evaluate our results from operations through our two major business segments: Real Estate and Investment Management. The following tables present a summary of comparative results and assets for these business segments (in thousands):

*Real Estate*

|                                                                | <b>Three Months Ended September 30,</b> |                   | <b>Nine Months Ended September 30,</b> |                   |
|----------------------------------------------------------------|-----------------------------------------|-------------------|----------------------------------------|-------------------|
|                                                                | <b>2023</b>                             | <b>2022</b>       | <b>2023</b>                            | <b>2022</b>       |
| <b>Revenues</b>                                                |                                         |                   |                                        |                   |
| Lease revenues                                                 | \$ 369,159                              | \$ 331,902        | \$ 1,090,619                           | \$ 953,981        |
| Income from finance leases and loans receivable                | 27,575                                  | 20,637            | 75,641                                 | 56,794            |
| Operating property revenues                                    | 49,218                                  | 21,350            | 140,780                                | 30,279            |
| Other lease-related income                                     | 2,310                                   | 8,192             | 20,723                                 | 24,905            |
|                                                                | <u>448,262</u>                          | <u>382,081</u>    | <u>1,327,763</u>                       | <u>1,065,959</u>  |
| <b>Operating Expenses</b>                                      |                                         |                   |                                        |                   |
| Depreciation and amortization                                  | 144,771                                 | 132,181           | 444,728                                | 362,654           |
| Operating property expenses                                    | 26,570                                  | 9,357             | 74,738                                 | 15,335            |
| General and administrative                                     | 23,258                                  | 22,299            | 74,494                                 | 66,224            |
| Reimbursable tenant costs                                      | 20,498                                  | 18,874            | 62,997                                 | 52,538            |
| Impairment charges — real estate                               | 15,173                                  | —                 | 15,173                                 | 26,385            |
| Property expenses, excluding reimbursable tenant costs         | 13,021                                  | 11,244            | 31,164                                 | 36,874            |
| Stock-based compensation expense                               | 9,050                                   | 5,511             | 25,811                                 | 23,102            |
| Merger and other expenses                                      | 4,152                                   | 17,667            | 5,595                                  | 17,326            |
|                                                                | <u>256,493</u>                          | <u>217,133</u>    | <u>734,700</u>                         | <u>600,438</u>    |
| <b>Other Income and Expenses</b>                               |                                         |                   |                                        |                   |
| Interest expense                                               | (76,974)                                | (59,022)          | (219,658)                              | (151,492)         |
| Earnings from equity method investments in real estate         | 4,978                                   | 6,447             | 14,569                                 | 10,189            |
| Non-operating income                                           | 4,862                                   | 9,264             | 13,984                                 | 23,781            |
| Gain (loss) on sale of real estate, net                        | 2,401                                   | (4,736)           | 181,958                                | 37,631            |
| Other gains and (losses)                                       | 2,180                                   | (13,960)          | 8,876                                  | 303               |
| Gain on change in control of interests                         | —                                       | 11,405            | —                                      | 11,405            |
|                                                                | <u>(62,553)</u>                         | <u>(50,602)</u>   | <u>(271)</u>                           | <u>(68,183)</u>   |
| Income before income taxes                                     | 129,216                                 | 114,346           | 592,792                                | 397,338           |
| Provision for income taxes                                     | (5,090)                                 | (3,631)           | (30,728)                               | (16,499)          |
| <b>Net Income from Real Estate</b>                             | <u>124,126</u>                          | <u>110,715</u>    | <u>562,064</u>                         | <u>380,839</u>    |
| Net loss attributable to noncontrolling interests              | 41                                      | 660               | 20                                     | 622               |
| <b>Net Income from Real Estate Attributable to W. P. Carey</b> | <u>\$ 124,167</u>                       | <u>\$ 111,375</u> | <u>\$ 562,084</u>                      | <u>\$ 381,461</u> |

**Notes to Consolidated Financial Statements (Unaudited)**

*Investment Management*

|                                                                                 | Three Months Ended September 30, |                   | Nine Months Ended September 30, |                 |
|---------------------------------------------------------------------------------|----------------------------------|-------------------|---------------------------------|-----------------|
|                                                                                 | 2023                             | 2022              | 2023                            | 2022            |
| <b>Revenues</b>                                                                 |                                  |                   |                                 |                 |
| Asset management revenue                                                        | \$ 194                           | \$ 1,197          | \$ 836                          | \$ 8,084        |
| Reimbursable costs from affiliates                                              | 97                               | 344               | 322                             | 2,414           |
|                                                                                 | 291                              | 1,541             | 1,158                           | 10,498          |
| <b>Operating Expenses</b>                                                       |                                  |                   |                                 |                 |
| Reimbursable costs from affiliates                                              | 97                               | 344               | 322                             | 2,414           |
| Impairment charges — Investment Management goodwill                             | —                                | 29,334            | —                               | 29,334          |
| Merger and other expenses                                                       | —                                | —                 | —                               | 3               |
|                                                                                 | 97                               | 29,678            | 322                             | 31,751          |
| <b>Other Income and Expenses</b>                                                |                                  |                   |                                 |                 |
| Other gains and (losses)                                                        | 679                              | (1,060)           | 717                             | (1,324)         |
| Gain on change in control of interests                                          | —                                | 22,526            | —                               | 22,526          |
| Earnings from equity method investments in the Managed Programs                 | —                                | 4,857             | —                               | 13,288          |
| Non-operating (loss) income                                                     | —                                | (1)               | 13                              | 2               |
|                                                                                 | 679                              | 26,322            | 730                             | 34,492          |
| Income (loss) before income taxes                                               | 873                              | (1,815)           | 1,566                           | 13,239          |
| (Provision for) benefit from income taxes                                       | —                                | (4,632)           | 390                             | (5,099)         |
| <b>Net Income (Loss) from Investment Management Attributable to W. P. Carey</b> | <u>\$ 873</u>                    | <u>\$ (6,447)</u> | <u>\$ 1,956</u>                 | <u>\$ 8,140</u> |

*Total Company*

|                                                   | Three Months Ended September 30, |                   | Nine Months Ended September 30, |                   |
|---------------------------------------------------|----------------------------------|-------------------|---------------------------------|-------------------|
|                                                   | 2023                             | 2022              | 2023                            | 2022              |
| Revenues                                          | \$ 448,553                       | \$ 383,622        | \$ 1,328,921                    | \$ 1,076,457      |
| Operating expenses                                | 256,590                          | 246,811           | 735,022                         | 632,189           |
| Other income and (expenses)                       | (61,874)                         | (24,280)          | 459                             | (33,691)          |
| Provision for income taxes                        | (5,090)                          | (8,263)           | (30,338)                        | (21,598)          |
| Net loss attributable to noncontrolling interests | 41                               | 660               | 20                              | 622               |
| Net income attributable to W. P. Carey            | <u>\$ 125,040</u>                | <u>\$ 104,928</u> | <u>\$ 564,040</u>               | <u>\$ 389,601</u> |

|                       | Total Assets at      |                      |
|-----------------------|----------------------|----------------------|
|                       | September 30, 2023   | December 31, 2022    |
| Real Estate           | \$ 18,620,013        | \$ 18,077,155        |
| Investment Management | 10,226               | 24,880               |
| Total Company         | <u>\$ 18,630,239</u> | <u>\$ 18,102,035</u> |

**Note 17. Subsequent Events*****NLOP Spin-Off***

On November 1, 2023, we completed the Spin-Off of 59 office properties into NLOP, as described in further detail in [Note 1](#). The Spin-Off was accomplished via a pro rata dividend of one NLOP common share for every 15 shares of WPC common stock outstanding. Following the closing of the Spin-Off, NLOP operates as a separate publicly-traded REIT, for which we serve as advisor pursuant to the NLOP Advisory Agreements executed in connection with the Spin-Off, as described below in further detail.

Pursuant to the NLOP Advisory Agreements, which we entered into on November 1, 2023, we provide NLOP with strategic management services, including asset management, property disposition support, and various related services. NLOP will pay us an asset management fee of approximately \$7.5 million annually, which will be proportionately reduced following the disposition of a portfolio property. In addition, NLOP will reimburse us a base administrative amount of approximately \$4.0 million annually, for certain administrative services, including day-to-day management services, investor relations, accounting, tax, legal, and other administrative matters.

On October 31, 2023, we entered into a Separation and Distribution Agreement, which set forth the various individual transactions to be consummated that comprised the Separation and the Distribution, including the assets transferred to and liabilities assumed by NLOP.

On October 31, 2023, we also entered into a Tax Matters Agreement, which governs the respective rights, responsibilities, and obligations of us and NLOP after the Distribution, with respect to tax liabilities and benefits, the preparation and filing of tax returns, the control of audits and other tax proceedings, tax covenants, tax indemnification, cooperation, and information sharing.

In September 2023, NLOP entered into a new \$455 million debt facility ([Note 11](#)), which was executed by NLOP and funded upon the closing of the Spin-Off on November 1, 2023. Approximately \$350 million of this amount (net of transaction expenses) was retained by us in connection with the Spin-Off.

In connection with the Spin-Off, we have incurred approximately \$61.6 million in total costs, comprised of (i) \$10.0 million of advisory fees, which is included in Merger and other expenses on our consolidated statements of income (\$4.9 million of such fees were recognized during 2022 and \$5.1 million were recognized during the nine months ended September 30, 2023); and (ii) \$51.6 million of additional Spin-Off related costs, which were reimbursed to us by NLOP in connection with the Spin-Off.

As of the date of this Report, we have not completed our accounting for the Spin-Off. The impact of the Spin-Off will be reflected in our consolidated financial statements as of and for the year ended December 31, 2023.

***Forward Equity Settlements***

In October 2023, we settled our remaining ATM Forwards by delivering 4,744,973 shares of common stock at a weighted-average price of \$80.95 per share for net proceeds of approximately \$384 million. No forward equity remains outstanding as of the date of this Report ([Note 13](#)).

***Dispositions***

In October 2023, we completed seven dispositions for gross proceeds totaling approximately \$101.9 million. Six of these properties were held for sale as of September 30, 2023 ([Note 5](#)). In addition, three of these properties were hotel operating properties and three were sold pursuant to the Office Sale Program ([Note 1](#)).

***Mortgage Loan Repayments***

In October 2023, we repaid at maturity two non-recourse mortgage loan for approximately \$41.3 million.

## **Item 2. 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. Our Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the 2022 Annual Report and subsequent reports filed under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Refer to Item 1 of the 2022 Annual Report for a description of our business.

### **Significant Developments**

#### ***Strategic Plan to Exit Office Portfolio***

In September 2023, we announced a plan to exit the office assets within our portfolio by (i) spinning-off 59 office properties into Net Lease Office Properties (“NLOP”), so that it will become a separate publicly-traded REIT (the “Spin-Off”), and (ii) implementing an asset sale program to dispose of 87 office properties retained by us (the “Office Sale Program”), which is targeted to be substantially completed in early 2024.

#### ***NLOP Spin-Off***

On November 1, 2023, we completed the Spin-Off of 59 office properties into NLOP, as described in further detail in [Note 17](#). Following the closing of the Spin-Off, NLOP operates as a separate publicly-traded REIT, for which we will serve as advisor pursuant to the NLOP Advisory Agreements executed in connection with the Spin-Off.

NLOP’s portfolio of 59 office properties totals approximately 9.3 million leasable square feet (including 0.6 million of operating square footage for a parking garage at a domestic property) primarily leased to corporate tenants on a single-tenant net lease basis. The vast majority of the office properties owned by NLOP are located in the United States, with the balance in Europe. NLOP’s portfolio consists of 62 corporate tenants operating in a variety of industries, generating ABR totaling approximately \$145 million as of September 30, 2023.

In September 2023, NLOP entered into a new \$455 million debt facility, which was executed by NLOP and funded upon the closing of the Spin-Off on November 1, 2023. Approximately \$350 million of this amount (net of transaction expenses) was retained by us in connection with the Spin-Off ([Note 11](#), [Note 17](#)).

#### ***Office Sale Program***

In addition to the Spin-Off, 87 of our office properties will be sold under the Office Sale Program, which is targeted to be substantially completed in early 2024. These properties generated ABR totaling approximately \$76 million as of September 30, 2023 or June 30, 2023, as applicable (one property was sold in July 2023). Four of the 87 properties have been sold as of the date of this Report, for gross proceeds of approximately \$143 million.

## Financial Highlights

During the nine months ended September 30, 2023, we completed the following (as further described in the consolidated financial statements):

### *Real Estate*

#### *Investments*

- We acquired eight investments totaling \$907.9 million ([Note 5](#)).
- We completed two construction projects at a cost totaling \$34.5 million ([Note 5](#)).
- We funded approximately \$36.6 million for a construction loan to build a retail complex in Las Vegas, Nevada, during the nine months ended September 30, 2023. Through September 30, 2023, we have funded \$229.8 million ([Note 8](#)).
- We committed to fund four redevelopment or expansion projects totaling \$84.1 million. We currently expect to complete the projects in 2024 and 2025 ([Note 5](#)).
- We committed to purchase two retail (car wash) facilities in the United States for approximately \$8.7 million, which is expected to take place during the fourth quarter of 2023.

#### *Dispositions*

- We disposed of 14 properties for total proceeds, net of selling costs, of \$187.7 million ([Note 15](#)). Three of the properties sold were hotel operating properties.

### *Financing and Capital Markets Transactions*

- In January 2023, we entered into a Third Amendment to the Credit Agreement to transition from LIBOR to SOFR. In connection with this amendment, we also increased the aggregate principal amount (of revolving and term loans) available under the Senior Unsecured Credit Facility to an amount not to exceed the U.S. dollar equivalent of \$3.05 billion, subject to the conditions to increase set forth in the credit agreement ([Note 11](#)).
- In April 2023, we entered into a new €500.0 million unsecured term loan maturing on April 2026, which was drawn in full at closing. The amount available under the term loan may be increased up to an amount not to exceed €750.0 million, subject to the conditions to increase set forth in the related credit agreement. In conjunction with the closing of this new term loan, we executed variable-to-fixed interest rate swaps that fix the total per annum interest rate at 4.34% through the end of 2024 ([Note 11](#)).
- We settled portions of our ATM Forwards by delivering 3,081,867 shares of common stock for net proceeds of \$249.8 million ([Note 13](#)). In October 2023, we settled our remaining ATM Forwards ([Note 17](#)).
- We reduced our mortgage debt outstanding by prepaying or repaying at maturity a total of \$326.3 million of non-recourse mortgage loans with a weighted-average interest rate of 4.8% ([Note 11](#)).

### *Dividends to Stockholders*

We declared cash dividends totaling \$3.207 per share during the nine months ended September 30, 2023, comprised of three quarterly dividends per share of \$1.067, \$1.069, and \$1.071 ([Note 13](#)).

## Consolidated Results

(in thousands, except shares)

|                                                                                           | Three Months Ended September 30, |             | Nine Months Ended September 30, |              |
|-------------------------------------------------------------------------------------------|----------------------------------|-------------|---------------------------------|--------------|
|                                                                                           | 2023                             | 2022        | 2023                            | 2022         |
| Revenues from Real Estate                                                                 | \$ 448,262                       | \$ 382,081  | \$ 1,327,763                    | \$ 1,065,959 |
| Revenues from Investment Management                                                       | 291                              | 1,541       | 1,158                           | 10,498       |
| Total revenues                                                                            | 448,553                          | 383,622     | 1,328,921                       | 1,076,457    |
| Net income from Real Estate attributable to W. P. Carey                                   | 124,167                          | 111,375     | 562,084                         | 381,461      |
| Net income (loss) from Investment Management attributable to W. P. Carey                  | 873                              | (6,447)     | 1,956                           | 8,140        |
| Net income attributable to W. P. Carey                                                    | 125,040                          | 104,928     | 564,040                         | 389,601      |
| Dividends declared                                                                        | 230,862                          | 222,350     | 691,237                         | 633,745      |
| Net cash provided by operating activities                                                 |                                  |             | 812,687                         | 702,528      |
| Net cash used in investing activities                                                     |                                  |             | (792,526)                       | (1,019,425)  |
| Net cash (used in) provided by financing activities                                       |                                  |             | (29,420)                        | 364,057      |
| Supplemental financial measures <sup>(a)</sup> :                                          |                                  |             |                                 |              |
| Adjusted funds from operations attributable to W. P. Carey (AFFO) — Real Estate           | 284,198                          | 273,567     | 855,678                         | 772,827      |
| Adjusted funds from operations attributable to W. P. Carey (AFFO) — Investment Management | 194                              | 4,155       | 1,239                           | 18,095       |
| Adjusted funds from operations attributable to W. P. Carey (AFFO)                         | 284,392                          | 277,722     | 856,917                         | 790,922      |
| Diluted weighted-average shares outstanding                                               | 215,252,969                      | 204,098,116 | 214,427,425                     | 197,264,509  |

(a) 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.

### Revenues

Total revenues increased for the three and nine months ended September 30, 2023 as compared to the same periods in 2022. Real Estate revenue increased primarily due to higher lease revenues (substantially as a result of property acquisition activity and rent escalations, as well as the net-leased properties we acquired in the CPA:18 Merger on August 1, 2022) and higher operating property revenues (primarily from the operating properties we acquired in the CPA:18 Merger on August 1, 2022 and the 12 hotel properties that converted from net-lease to operating properties during the first quarter of 2023).

### Net Income Attributable to W. P. Carey

Net income attributable to W. P. Carey increased for the three and nine months ended September 30, 2023 as compared to the same periods in 2022. Net income from Real Estate attributable to W. P. Carey increased primarily due to the impact of real estate acquisitions (including from properties acquired in the CPA:18 Merger on August 1, 2022), partially offset by higher interest expense. In addition, we recognized a higher gain on sale of real estate for the three and nine months ended September 30, 2023 as compared to the same periods in 2022 ([Note 6](#), [Note 15](#)). We recognized a gain on change in control of interests during the prior year periods in connection with the CPA:18 Merger ([Note 3](#)). We also recognized an impairment charge on goodwill within our Investment Management segment during the prior year periods ([Note 9](#)).

*AFFO*

AFFO increased for the three and nine months ended September 30, 2023 as compared to the same periods in 2022, primarily due to investment activity and rent escalations, as well as the accretive impact of the CPA:18 Merger, partially offset by higher interest expense. AFFO for the nine months ended September 30, 2023 also included certain non-recurring items that resulted in lower non-reimbursed property expenses (due to the reversal of certain property tax accruals) and a higher provision for income taxes (due to the settlement a tax audit on a portfolio of properties in Europe). In addition, AFFO from Investment Management attributable to W. P. Carey decreased primarily due to the cessation of fees and distributions previously earned from CPA:18 – Global prior to the CPA:18 Merger.

## 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, retail, and self-storage properties subject to long-term net 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

| <i><b>Net-leased Properties</b></i>    | <b>September 30, 2023</b> | <b>December 31, 2022</b> |
|----------------------------------------|---------------------------|--------------------------|
| ABR (in thousands)                     | \$ 1,459,174              | \$ 1,381,899             |
| Number of net-leased properties        | 1,472                     | 1,449                    |
| Number of tenants                      | 395                       | 392                      |
| Total square footage (in thousands)    | 179,232                   | 175,957                  |
| Occupancy                              | 98.9 %                    | 98.8 %                   |
| Weighted-average lease term (in years) | 11.0                      | 10.8                     |

### Operating Properties

|                                                     |               |               |
|-----------------------------------------------------|---------------|---------------|
| Number of operating properties:                     | 98            | 87            |
| Number of self-storage operating properties         | 86            | 84            |
| Number of hotel operating properties <sup>(a)</sup> | 10            | 1             |
| Number of student housing operating properties      | 2             | 2             |
| Occupancy (self-storage operating properties)       | 90.5 %        | 91.0 %        |
| Number of countries                                 | 26            | 26            |
| Total assets (in thousands)                         | \$ 18,630,239 | \$ 18,102,035 |
| Net investments in real estate (in thousands)       | 15,916,731    | 15,488,898    |

|                                                          | Nine Months Ended September 30, |            |
|----------------------------------------------------------|---------------------------------|------------|
|                                                          | 2023                            | 2022       |
| Acquisition volume (in millions) <sup>(b)</sup>          | \$ 944.5                        | \$ 1,107.8 |
| Construction projects completed (in millions)            | 34.5                            | 147.3      |
| Average U.S. dollar/euro exchange rate                   | 1.0830                          | 1.0652     |
| Average U.S. dollar/British pound sterling exchange rate | 1.2439                          | 1.2589     |

- (a) During the first quarter of 2023, the master lease expired on certain hotel properties previously classified as net-leased properties, which converted to operating properties. As a result, during the nine months ended September 30, 2023, we reclassified 12 consolidated hotel properties from net leases to operating properties (Note 5). We sold three of these hotel properties during the third quarter of 2023 (Note 15).
- (b) Amounts for the nine months ended September 30, 2023 and 2022 include \$36.6 million and \$65.2 million, respectively, of funding for a construction loan (Note 8). Amount for the nine months ended September 30, 2022 excludes properties acquired in the CPA:18 Merger (Note 3).



## Net-Leased Portfolio

The tables below represent information about our net-leased portfolio at September 30, 2023 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 <sup>(a)</sup> | Net lease self-storage properties in the U.S.                      | 78                   | \$ 38,751         | 2.6 %         | 0.5                                 |
| Apotex Pharmaceutical Holdings Inc. <sup>(b)</sup>                  | Pharmaceutical R&D and advanced manufacturing properties in Canada | 11                   | 31,528            | 2.2 %         | 19.5                                |
| State of Andalucía <sup>(c)</sup>                                   | Government office properties in Spain                              | 70                   | 31,196            | 2.1 %         | 11.2                                |
| Metro Cash & Carry Italia S.p.A. <sup>(c)</sup>                     | Business-to-business wholesale stores in Italy and Germany         | 20                   | 29,099            | 2.0 %         | 5.0                                 |
| Hellweg Die Profi-Baumärkte GmbH & Co. KG <sup>(c)</sup>            | Do-it-yourself retail properties in Germany                        | 35                   | 28,937            | 2.0 %         | 13.4                                |
| Extra Space Storage, Inc.                                           | Net lease self-storage properties in the U.S.                      | 27                   | 25,036            | 1.7 %         | 20.6                                |
| ABC Technologies Holdings Inc. <sup>(b)(d)</sup>                    | Automotive component manufacturing properties in North America     | 23                   | 24,251            | 1.7 %         | 19.6                                |
| OBI Group <sup>(c)</sup>                                            | Do-it-yourself retail properties in Poland                         | 26                   | 23,738            | 1.6 %         | 7.7                                 |
| Nord Anglia Education, Inc.                                         | K-12 private schools in the U.S.                                   | 3                    | 22,245            | 1.5 %         | 20.0                                |
| Fortenova Grupa d.d. <sup>(c)</sup>                                 | Grocery stores and warehouses in Croatia                           | 19                   | 21,444            | 1.5 %         | 10.6                                |
| <b>Total</b>                                                        |                                                                    | <b>312</b>           | <b>\$ 276,225</b> | <b>18.9 %</b> | <b>12.2</b>                         |

- (a) As of September 30, 2023, Mercury Partners, LP (a related party of U-Haul Moving Partners Inc.) provided notice that it intends to exercise its option to repurchase the 78 properties it is leasing ([Note 6](#)).
- (b) ABR from these properties is denominated in U.S. dollars.
- (c) ABR amounts are subject to fluctuations in foreign currency exchange rates.
- (d) Of the 23 properties leased to ABC Technologies Holdings Inc., nine are located in Canada, eight are located in the United States, and six are located in Mexico.

*Portfolio Diversification by Geography*  
*(in thousands, except percentages)*

| Region                     | ABR                 | ABR Percent    | Square Footage <sup>(a)</sup> | Square Footage Percent |
|----------------------------|---------------------|----------------|-------------------------------|------------------------|
| <b>United States</b>       |                     |                |                               |                        |
| <b>South</b>               |                     |                |                               |                        |
| Texas                      | \$ 120,554          | 8.3 %          | 12,613                        | 7.0 %                  |
| Florida                    | 53,283              | 3.7 %          | 4,380                         | 2.4 %                  |
| Georgia                    | 28,088              | 1.9 %          | 4,385                         | 2.4 %                  |
| Tennessee                  | 26,912              | 1.8 %          | 4,296                         | 2.4 %                  |
| Alabama                    | 21,515              | 1.5 %          | 3,346                         | 1.9 %                  |
| Other <sup>(b)</sup>       | 16,223              | 1.1 %          | 2,402                         | 1.3 %                  |
| <b>Total South</b>         | <b>266,575</b>      | <b>18.3 %</b>  | <b>31,422</b>                 | <b>17.4 %</b>          |
| <b>Midwest</b>             |                     |                |                               |                        |
| Illinois                   | 74,046              | 5.1 %          | 10,582                        | 5.9 %                  |
| Minnesota                  | 34,922              | 2.4 %          | 3,405                         | 1.9 %                  |
| Ohio                       | 33,681              | 2.3 %          | 7,008                         | 3.9 %                  |
| Indiana                    | 29,814              | 2.0 %          | 5,137                         | 2.9 %                  |
| Michigan                   | 28,991              | 2.0 %          | 4,595                         | 2.6 %                  |
| Wisconsin                  | 18,942              | 1.3 %          | 3,276                         | 1.8 %                  |
| Other <sup>(b)</sup>       | 43,924              | 3.0 %          | 6,204                         | 3.5 %                  |
| <b>Total Midwest</b>       | <b>264,320</b>      | <b>18.1 %</b>  | <b>40,207</b>                 | <b>22.5 %</b>          |
| <b>East</b>                |                     |                |                               |                        |
| North Carolina             | 39,651              | 2.7 %          | 8,404                         | 4.7 %                  |
| Pennsylvania               | 33,531              | 2.3 %          | 3,569                         | 2.0 %                  |
| New York                   | 20,200              | 1.4 %          | 2,257                         | 1.2 %                  |
| South Carolina             | 18,739              | 1.3 %          | 4,949                         | 2.8 %                  |
| Massachusetts              | 18,607              | 1.3 %          | 1,387                         | 0.8 %                  |
| Kentucky                   | 17,740              | 1.2 %          | 2,980                         | 1.7 %                  |
| Virginia                   | 15,347              | 1.1 %          | 1,854                         | 1.0 %                  |
| Other <sup>(b)</sup>       | 38,602              | 2.6 %          | 4,662                         | 2.6 %                  |
| <b>Total East</b>          | <b>202,417</b>      | <b>13.9 %</b>  | <b>30,062</b>                 | <b>16.8 %</b>          |
| <b>West</b>                |                     |                |                               |                        |
| California                 | 66,042              | 4.5 %          | 6,100                         | 3.4 %                  |
| Arizona                    | 30,884              | 2.1 %          | 3,437                         | 1.9 %                  |
| Utah                       | 15,155              | 1.0 %          | 2,085                         | 1.2 %                  |
| Colorado                   | 14,793              | 1.0 %          | 1,106                         | 0.6 %                  |
| Other <sup>(b)</sup>       | 44,893              | 3.1 %          | 4,040                         | 2.3 %                  |
| <b>Total West</b>          | <b>171,767</b>      | <b>11.7 %</b>  | <b>16,768</b>                 | <b>9.4 %</b>           |
| <b>United States Total</b> | <b>905,079</b>      | <b>62.0 %</b>  | <b>118,459</b>                | <b>66.1 %</b>          |
| <b>International</b>       |                     |                |                               |                        |
| Germany                    | 72,778              | 5.0 %          | 6,839                         | 3.8 %                  |
| Spain                      | 61,825              | 4.2 %          | 5,179                         | 2.9 %                  |
| The Netherlands            | 59,680              | 4.1 %          | 7,054                         | 3.9 %                  |
| Poland                     | 58,416              | 4.0 %          | 8,635                         | 4.8 %                  |
| United Kingdom             | 51,602              | 3.5 %          | 4,742                         | 2.7 %                  |
| Canada <sup>(c)</sup>      | 50,807              | 3.5 %          | 5,087                         | 2.8 %                  |
| Italy                      | 32,056              | 2.2 %          | 3,354                         | 1.9 %                  |
| Denmark                    | 24,364              | 1.7 %          | 3,039                         | 1.7 %                  |
| Croatia                    | 22,239              | 1.5 %          | 2,063                         | 1.2 %                  |
| France                     | 21,111              | 1.4 %          | 1,679                         | 0.9 %                  |
| Norway                     | 15,330              | 1.1 %          | 742                           | 0.4 %                  |
| Other <sup>(d)</sup>       | 83,887              | 5.8 %          | 12,360                        | 6.9 %                  |
| <b>International Total</b> | <b>554,095</b>      | <b>38.0 %</b>  | <b>60,773</b>                 | <b>33.9 %</b>          |
| <b>Total</b>               | <b>\$ 1,459,174</b> | <b>100.0 %</b> | <b>179,232</b>                | <b>100.0 %</b>         |

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

| Property Type            | ABR                 | ABR Percent   | Square Footage <sup>(a)</sup> | Square Footage Percent |
|--------------------------|---------------------|---------------|-------------------------------|------------------------|
| Industrial               | \$ 426,720          | 29.2%         | 67,519                        | 37.7%                  |
| Warehouse                | 342,735             | 23.5%         | 62,942                        | 35.1%                  |
| Retail <sup>(e)</sup>    | 244,935             | 16.8%         | 20,256                        | 11.3%                  |
| Office                   | 226,567             | 15.5%         | 15,244                        | 8.5%                   |
| Self Storage (net lease) | 63,786              | 4.4%          | 5,810                         | 3.2%                   |
| Other <sup>(f)</sup>     | 154,431             | 10.6%         | 7,461                         | 4.2%                   |
| <b>Total</b>             | <b>\$ 1,459,174</b> | <b>100.0%</b> | <b>179,232</b>                | <b>100.0%</b>          |

(a) Includes square footage for any vacant properties.

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

(c) \$46.8 million (92%) of ABR from properties in Canada is denominated in U.S. dollars, with the balance denominated in Canadian dollars.

(d) Includes assets in Mexico, Lithuania, Finland, Belgium, Hungary, Mauritius, Slovakia, Portugal, the Czech Republic, Austria, Sweden, Latvia, Japan, and Estonia.

(e) Includes automotive dealerships.

(f) Includes ABR from tenants within the following property types: education facility, laboratory, hotel (net lease), research and development, specialty, fitness facility, student housing (net lease), theater, funeral home, restaurant, land, parking, and outdoor advertising.

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

| Industry Type                    | ABR                 | ABR Percent    | Square Footage | Square Footage Percent |
|----------------------------------|---------------------|----------------|----------------|------------------------|
| Retail Stores <sup>(a)</sup>     | \$ 290,733          | 19.9 %         | 36,172         | 20.2 %                 |
| Consumer Services                | 126,851             | 8.7 %          | 8,507          | 4.8 %                  |
| Beverage and Food                | 109,282             | 7.5 %          | 15,759         | 8.8 %                  |
| Automotive                       | 95,253              | 6.5 %          | 14,648         | 8.2 %                  |
| Healthcare and Pharmaceuticals   | 91,104              | 6.2 %          | 7,740          | 4.3 %                  |
| Grocery                          | 86,876              | 6.0 %          | 8,404          | 4.7 %                  |
| Cargo Transportation             | 65,070              | 4.5 %          | 9,550          | 5.3 %                  |
| Capital Equipment                | 56,457              | 3.9 %          | 8,238          | 4.6 %                  |
| Business Services                | 51,729              | 3.5 %          | 4,115          | 2.3 %                  |
| Containers, Packaging, and Glass | 49,920              | 3.4 %          | 8,266          | 4.6 %                  |
| Construction and Building        | 48,434              | 3.3 %          | 9,158          | 5.1 %                  |
| Durable Consumer Goods           | 47,583              | 3.3 %          | 10,299         | 5.7 %                  |
| Sovereign and Public Finance     | 44,927              | 3.1 %          | 3,560          | 2.0 %                  |
| Hotel and Leisure                | 41,443              | 2.8 %          | 2,024          | 1.1 %                  |
| High Tech Industries             | 35,839              | 2.5 %          | 3,486          | 1.9 %                  |
| Chemicals, Plastics, and Rubber  | 35,383              | 2.4 %          | 6,186          | 3.5 %                  |
| Insurance                        | 30,917              | 2.1 %          | 1,961          | 1.1 %                  |
| Non-Durable Consumer Goods       | 26,258              | 1.8 %          | 5,971          | 3.3 %                  |
| Metals                           | 25,863              | 1.8 %          | 4,515          | 2.5 %                  |
| Telecommunications               | 17,615              | 1.2 %          | 1,686          | 0.9 %                  |
| Banking                          | 15,618              | 1.1 %          | 1,008          | 0.6 %                  |
| Other <sup>(b)</sup>             | 66,019              | 4.5 %          | 7,979          | 4.5 %                  |
| <b>Total</b>                     | <b>\$ 1,459,174</b> | <b>100.0 %</b> | <b>179,232</b> | <b>100.0 %</b>         |

(a) Includes automotive dealerships.

(b) Includes ABR from tenants in the following industries: aerospace and defense, wholesale, media: advertising, printing, and publishing, oil and gas, media: broadcasting and subscription, utilities: electric, environmental industries, consumer transportation, forest products and paper, electricity, finance, and real estate. Also includes square footage for vacant properties.

## Lease Expirations

(in thousands, except percentages, number of leases, and number of tenants)

| Year of Lease Expiration <sup>(a)</sup> | Number of<br>Leases Expiring | Number of<br>Tenants with<br>Leases Expiring | ABR                 | ABR Percent    | Square<br>Footage | Square Footage<br>Percent |
|-----------------------------------------|------------------------------|----------------------------------------------|---------------------|----------------|-------------------|---------------------------|
| Remaining 2023                          | 14                           | 12                                           | \$ 14,883           | 1.0 %          | 2,588             | 1.5 %                     |
| 2024 <sup>(b)</sup>                     | 40                           | 34                                           | 89,193              | 6.1 %          | 10,927            | 6.1 %                     |
| 2025                                    | 53                           | 33                                           | 64,663              | 4.4 %          | 7,101             | 4.0 %                     |
| 2026                                    | 46                           | 37                                           | 67,566              | 4.6 %          | 9,089             | 5.1 %                     |
| 2027                                    | 56                           | 33                                           | 83,173              | 5.7 %          | 8,639             | 4.8 %                     |
| 2028                                    | 50                           | 32                                           | 71,890              | 4.9 %          | 5,425             | 3.0 %                     |
| 2029                                    | 57                           | 29                                           | 70,023              | 4.8 %          | 8,470             | 4.7 %                     |
| 2030                                    | 34                           | 30                                           | 69,601              | 4.8 %          | 5,719             | 3.2 %                     |
| 2031                                    | 37                           | 21                                           | 72,202              | 5.0 %          | 8,749             | 4.9 %                     |
| 2032                                    | 41                           | 22                                           | 46,043              | 3.2 %          | 6,200             | 3.5 %                     |
| 2033                                    | 29                           | 22                                           | 79,474              | 5.5 %          | 11,115            | 6.2 %                     |
| 2034                                    | 50                           | 19                                           | 91,985              | 6.3 %          | 9,023             | 5.0 %                     |
| 2035                                    | 16                           | 15                                           | 31,218              | 2.1 %          | 5,059             | 2.8 %                     |
| 2036                                    | 46                           | 19                                           | 70,654              | 4.8 %          | 10,995            | 6.1 %                     |
| Thereafter (>2036)                      | 281                          | 120                                          | 536,606             | 36.8 %         | 68,173            | 38.0 %                    |
| Vacant                                  | —                            | —                                            | —                   | — %            | 1,960             | 1.1 %                     |
| <b>Total</b>                            | <b>850</b>                   |                                              | <b>\$ 1,459,174</b> | <b>100.0 %</b> | <b>179,232</b>    | <b>100.0 %</b>            |

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

(b) Includes ABR of \$38.8 million from Mercury Partners, LP (a related party of U-Haul Moving Partners Inc.) that as of September 30, 2023 provided notice of its intention to exercise its option to repurchase the 78 properties it is leasing ([Note 6](#)).

## Terms and Definitions

**Pro Rata Metrics** — The portfolio information above contains certain metrics prepared on a pro rata basis. We refer to these metrics as pro rata metrics. We have certain investments in which our economic ownership is less than 100%. On a full consolidation basis, 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. On a pro rata basis, we generally 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 and reflects exchange rates as of September 30, 2023. 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 expect to continue to earn fees and other income from the management of the portfolio of CESH until it reaches the end of its life cycle. Refer to [Note 16](#) for tables presenting the comparative results of our Real Estate and Investment Management segments.

### Real Estate

#### Revenues

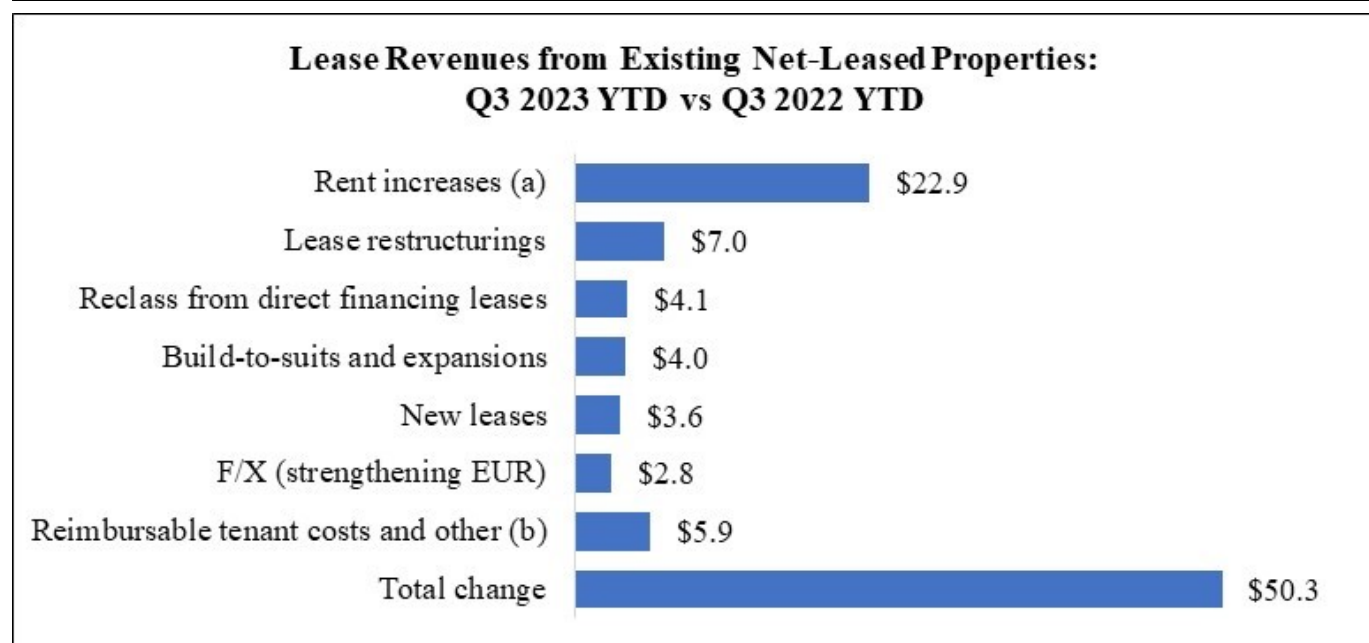
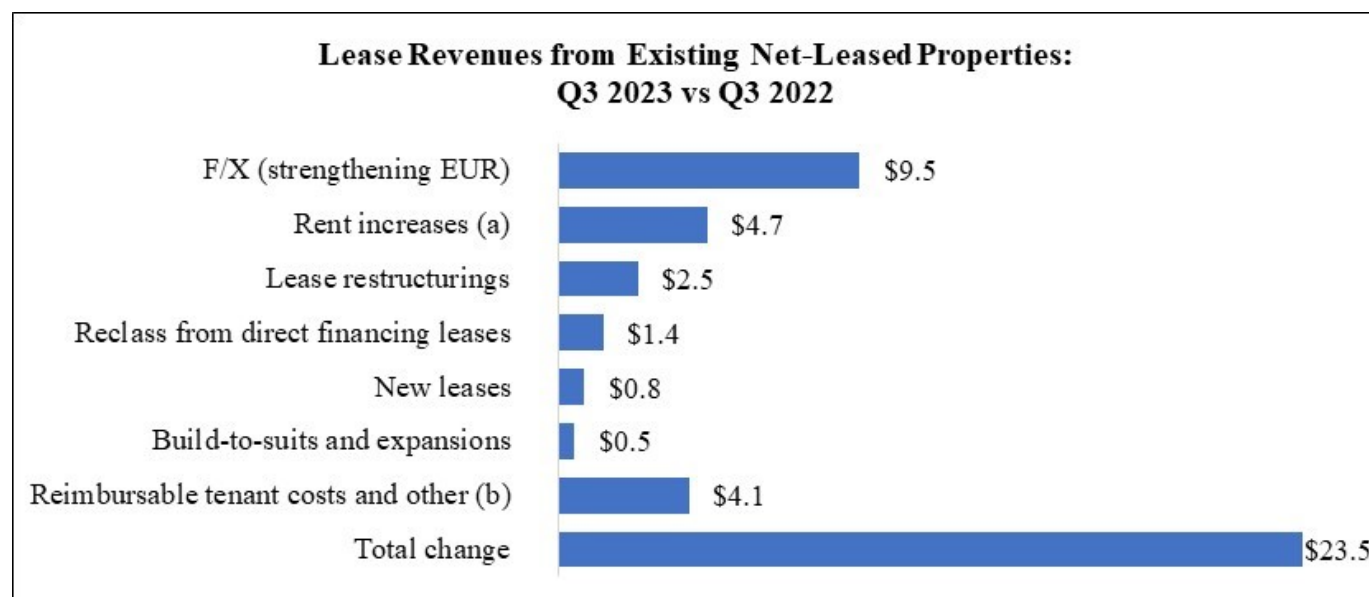
The following table presents revenues within our Real Estate segment (in thousands):

|                                                                                                         | Three Months Ended September 30, |                   |                  | Nine Months Ended September 30, |                    |                   |
|---------------------------------------------------------------------------------------------------------|----------------------------------|-------------------|------------------|---------------------------------|--------------------|-------------------|
|                                                                                                         | 2023                             | 2022              | Change           | 2023                            | 2022               | Change            |
| <b>Real Estate Revenues</b>                                                                             |                                  |                   |                  |                                 |                    |                   |
| Lease revenues from:                                                                                    |                                  |                   |                  |                                 |                    |                   |
| Existing net-leased properties                                                                          | \$ 303,483                       | \$ 279,982        | \$ 23,501        | \$ 902,162                      | \$ 851,847         | \$ 50,315         |
| Recently acquired net-leased properties                                                                 | 43,690                           | 15,964            | 27,726           | 106,667                         | 24,237             | 82,430            |
| Net-leased properties acquired in the CPA:18 Merger                                                     | 20,296                           | 13,297            | 6,999            | 62,029                          | 13,297             | 48,732            |
| Net-leased properties sold, held for sale, or reclassified to operating properties or sales-type leases | 1,690                            | 22,659            | (20,969)         | 19,761                          | 64,600             | (44,839)          |
| Total lease revenues (includes reimbursable tenant costs)                                               | 369,159                          | 331,902           | 37,257           | 1,090,619                       | 953,981            | 136,638           |
| Income from finance leases and loans receivable                                                         | 27,575                           | 20,637            | 6,938            | 75,641                          | 56,794             | 18,847            |
| Operating property revenues from:                                                                       |                                  |                   |                  |                                 |                    |                   |
| Operating properties acquired in the CPA:18 Merger                                                      | 23,559                           | 15,415            | 8,144            | 70,428                          | 15,415             | 55,013            |
| Operating properties sold or held for sale                                                              | 9,750                            | —                 | 9,750            | 29,648                          | —                  | 29,648            |
| Operating properties recently reclassified from net-leased properties or recently acquired              | 9,291                            | —                 | 9,291            | 22,888                          | —                  | 22,888            |
| Existing operating properties                                                                           | 6,618                            | 5,935             | 683              | 17,816                          | 14,864             | 2,952             |
| Total operating property revenues                                                                       | 49,218                           | 21,350            | 27,868           | 140,780                         | 30,279             | 110,501           |
| Other lease-related income                                                                              | 2,310                            | 8,192             | (5,882)          | 20,723                          | 24,905             | (4,182)           |
|                                                                                                         | <u>\$ 448,262</u>                | <u>\$ 382,081</u> | <u>\$ 66,181</u> | <u>\$1,327,763</u>              | <u>\$1,065,959</u> | <u>\$ 261,804</u> |

## Lease Revenues

“Existing net-leased properties” are those that we acquired or placed into service prior to January 1, 2022 and that were not sold or held for sale during the periods presented. For the periods presented, there were 1,079 existing net-leased properties.

For the three and nine months ended September 30, 2023 as compared to the same periods in 2022, lease revenues from existing net-leased properties increased due to the following items (in millions):



- (a) Excludes fixed minimum rent increases, which are reflected as straight-line rent adjustments within lease revenues.  
(b) Primarily comprised of higher reimbursable maintenance costs at certain properties.

“Recently acquired net-leased properties” are those that we acquired or placed into service subsequent to December 31, 2021 and that were not sold or held for sale during the periods presented. Since January 1, 2022, we acquired 28 investments (comprised of 172 properties) and placed two properties into service.



“Net-leased properties acquired in the CPA:18 Merger” on August 1, 2022 ([Note 3](#)) consisted of 37 net-leased properties that were not sold or held for sale during the periods presented.

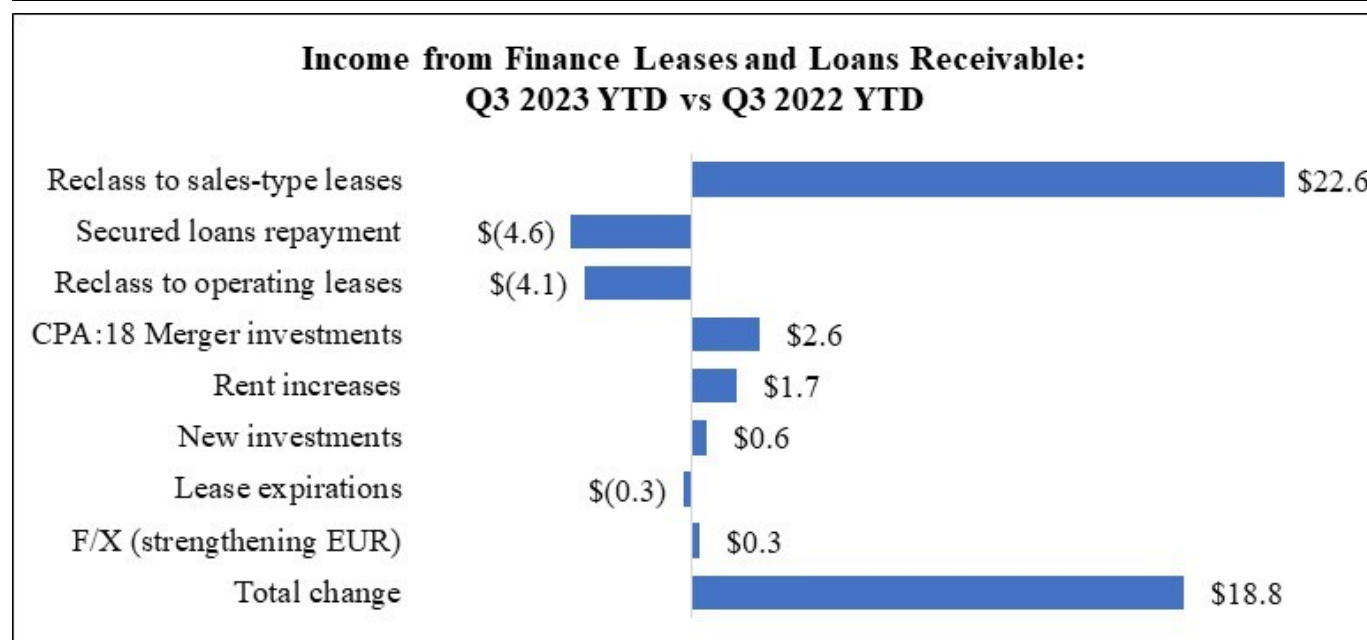
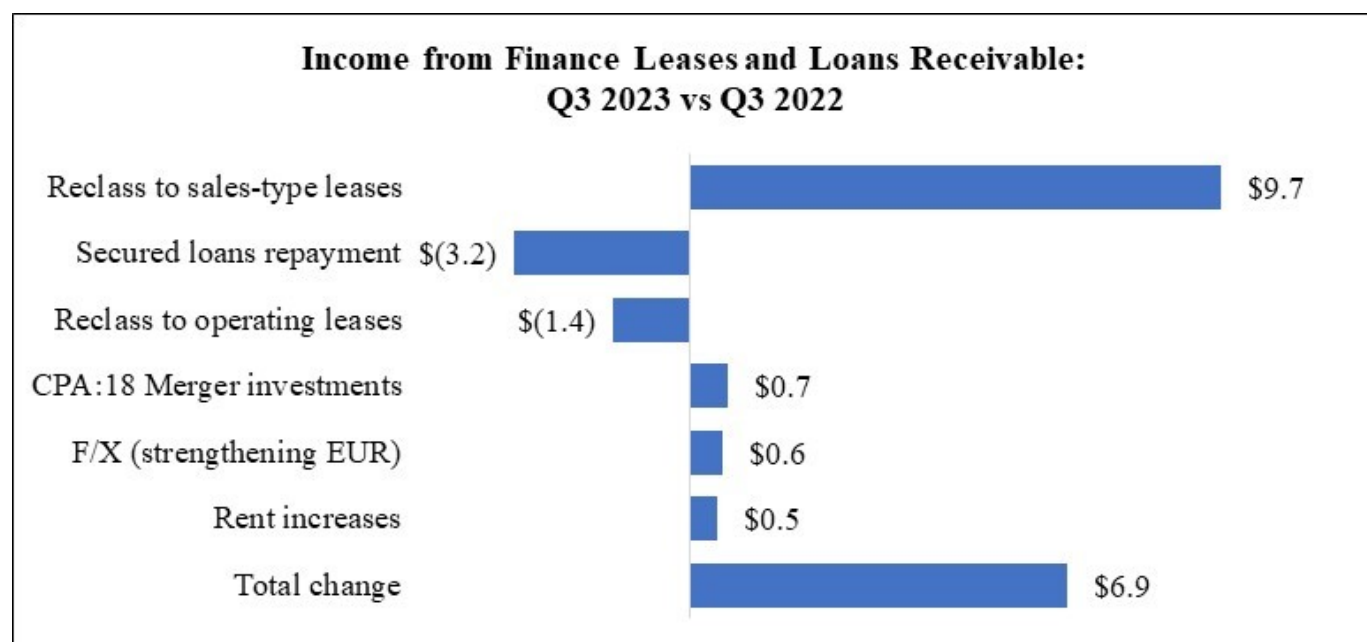
“Net-leased properties sold, held for sale, or reclassified to operating properties or sales-type leases” include:

- 14 net-leased properties disposed of during the nine months ended September 30, 2023;
- three net-leased properties classified as held for sale at September 30, 2023, all of which were sold in October 2023 ([Note 17](#));
- 23 net-leased properties disposed of during the year ended December 31, 2022;
- a portfolio of 12 net-leased hotel properties that converted to operating properties in the first quarter of 2023 upon expiration of the master lease with the Marriott Corporation, after which we began recognizing operating property revenues and expenses from these properties ([Note 5](#)) (three of these properties were sold during the third quarter of 2023 and five were held for sale as of September 30, 2023); and
- a portfolio of 78 net-leased self-storage properties that were reclassified to net investments in sales-type leases in the first quarter of 2023, since the tenant provided notice of its intention to exercise its option to repurchase the properties; following this transaction, we began recognizing earnings from these properties within Income from finance leases and loans receivable in the consolidated financial statements ([Note 6](#)).

Our dispositions are more fully described in [Note 15](#).

### Income from Finance Leases and Loans Receivable

For the three and nine months ended September 30, 2023 as compared to the same periods in 2022, income from finance leases and loans receivable increased due to the following items (in millions):



### *Operating Property Revenues and Expenses*

“Operating properties acquired in the CPA:18 Merger” consisted of 65 self-storage properties and two student housing properties, which contributed operating property revenues, depreciation and amortization, and operating property expenses since August 1, 2022, the date of the CPA:18 Merger ([Note 3](#)).

“Operating properties sold or held for sale” are comprised of the three hotel operating properties sold during the three months ended September 30, 2023 and five hotel operating properties classified as held for sale as of September 30, 2023, three of which were sold in October 2023 ([Note 17](#)).

“Operating properties recently reclassified from net-leased properties or recently acquired” include (i) four net-leased hotel properties that converted to operating properties in the first quarter of 2023 (after which we began recognizing operating property revenues and expenses from these properties ([Note 5](#))) and (ii) two self-storage operating properties acquired during the nine months ended September 30, 2023 ([Note 5](#)).

“Existing operating properties” are those that we acquired or placed into service prior to January 1, 2022 and that were not sold or held for sale during the periods presented. For the periods presented, we recorded operating property revenues from 11 existing operating properties, comprised of ten self-storage operating properties (which excludes nine self-storage properties accounted for under the equity method) and one hotel operating property, as well as a parking garage attached to one of our existing net-leased properties. For our existing hotel operating property, revenues and expenses increased by (i) \$0.6 million and \$0.4 million, respectively, for the three months ended September 30, 2023 as compared to the same period in 2022, and (ii) \$1.9 million and \$1.2 million, respectively, for the nine months ended September 30, 2023 as compared to the same period in 2022, reflecting higher occupancy.

### *Other Lease-Related Income*

Other lease-related income is described in [Note 5](#).

### **Operating Expenses**

#### *Depreciation and Amortization*

For the three and nine months ended September 30, 2023 as compared to the same periods in 2022, depreciation and amortization expense increased primarily due to the impact of net acquisition activity (including properties acquired in the CPA:18 Merger).

#### *General and Administrative*

All general and administrative expenses are attributed to our Real Estate segment.

For the three and nine months ended September 30, 2023 as compared to the same periods in 2022, general and administrative expenses increased by \$1.0 million and \$8.3 million, respectively, primarily due to higher compensation expense, increased employee benefits expense, increased professional fees and expenses resulting from the assets acquired in the CPA:18 Merger ([Note 1](#)), and no longer receiving reimbursements from CPA:18 – Global.

#### *Impairment Charges — Real Estate*

Our impairment charges on real estate are more fully described in [Note 9](#).

#### *Property Expenses, Excluding Reimbursable Tenant Costs*

For the three months ended September 30, 2023 as compared to the same periods in 2022, property expenses, excluding reimbursable tenant costs, increased by \$1.8 million, primarily due to the recovery of property taxes in the prior year period due to a successful court ruling and higher property expenses related to certain properties acquired in the CPA:18 Merger.

For the nine months ended September 30, 2023 as compared to the same periods in 2022, property expenses, excluding reimbursable tenant costs, decreased by \$5.7 million primarily due to the reimbursement for previously incurred legal fees and the release of real estate taxes accrued for a cash basis tenant during the current year period. The tenant was previously not current on real estate taxes due, and repaid the outstanding amount in the second quarter of 2023. These decreases were partially offset by the recovery of property taxes in the prior year period due to a successful court ruling and higher property expenses related to certain properties acquired in the CPA:18 Merger.

#### *Stock-based Compensation Expense*

Stock-based compensation expense is fully recognized within our Real Estate segment.

For the three and nine months ended September 30, 2023 as compared to the same periods in 2022, stock-based compensation expense increased by \$3.5 million and \$2.7 million, respectively, primarily due to changes in the projected payout for performance share units.

#### *Merger and Other Expenses*

For the three and nine months ended September 30, 2023, merger and other expenses are primarily comprised of costs incurred in connection with the Spin-Off transaction that was announced in September 2023 and completed in November 2023 ([Note 17](#)).

For the three and nine months ended September 30, 2022, merger and other expenses are primarily comprised of costs incurred in connection with the CPA:18 Merger ([Note 3](#)) that was completed in August 2022.

#### **Other Income and (Expenses), and Provision for Income Taxes**

#### *Interest Expense*

For the three and nine months ended September 30, 2023 as compared to the same periods in 2022, interest expense increased by \$18.0 million and \$68.2 million, respectively, primarily due to (i) \$8.3 million and \$29.1 million of interest expense incurred during the three and nine months ended September 30, 2023, respectively, related to non-recourse mortgage loans assumed in the CPA:18 Merger, (ii) higher outstanding balances and interest rates on our Senior Unsecured Credit Facility, (iii) our Unsecured Term Loan due 2026 that we entered into in April 2023 ([Note 11](#)), and (iv) two senior unsecured notes issuances totaling \$334.8 million (based on the exchange rate of the euro on the dates of issuance) with a weighted-average interest rate of 3.6% completed in September 2022, partially offset by the reduction of our mortgage debt outstanding by prepaying or repaying at or close to maturity a total of \$441.4 million of non-recourse mortgage loans with a weighted-average interest rate of 4.7% since January 1, 2022 ([Note 11](#)).

The following table presents certain information about our outstanding debt (dollars in thousands):

|                                  | <b>Three Months Ended September 30,</b> |              | <b>Nine Months Ended September 30,</b> |              |
|----------------------------------|-----------------------------------------|--------------|----------------------------------------|--------------|
|                                  | <b>2023</b>                             | <b>2022</b>  | <b>2023</b>                            | <b>2022</b>  |
| Average outstanding debt balance | \$ 8,595,115                            | \$ 7,827,346 | \$ 8,473,580                           | \$ 7,193,779 |
| Weighted-average interest rate   | 3.3 %                                   | 2.6 %        | 3.2 %                                  | 2.5 %        |

### Earnings from Equity Method Investments in Real Estate

Our equity method investments in real estate are more fully described in [Note 8](#). The following table presents earnings from equity method investments in real estate (in thousands):

|                                                                   | Three Months Ended September 30, |                 |                   | Nine Months Ended September 30, |                  |                 |
|-------------------------------------------------------------------|----------------------------------|-----------------|-------------------|---------------------------------|------------------|-----------------|
|                                                                   | 2023                             | 2022            | Change            | 2023                            | 2022             | Change          |
| <b>Earnings from Equity Method Investments in Real Estate</b>     |                                  |                 |                   |                                 |                  |                 |
| Existing Equity Method Investments:                               |                                  |                 |                   |                                 |                  |                 |
| Earnings from Las Vegas Retail Complex <sup>(a)</sup>             | \$ 3,201                         | \$ 2,860        | \$ 341            | \$ 9,069                        | \$ 6,228         | \$ 2,841        |
| Earnings from Johnson Self Storage                                | 1,204                            | 1,163           | 41                | 3,428                           | 3,190            | 238             |
| Earnings from Kesko Senukai                                       | 360                              | 1,902           | (1,542)           | 1,433                           | 3,132            | (1,699)         |
| Earnings from Harmon Retail Center                                | 213                              | 258             | (45)              | 639                             | 789              | (150)           |
|                                                                   | <u>4,978</u>                     | <u>6,183</u>    | <u>(1,205)</u>    | <u>14,569</u>                   | <u>13,339</u>    | <u>1,230</u>    |
| Equity Method Investments Consolidated after the CPA:18 Merger:   |                                  |                 |                   |                                 |                  |                 |
| Proportionate share of impairment charge recognized on Bank Pekao | —                                | —               | —                 | —                               | (4,610)          | 4,610           |
| Other                                                             | —                                | 264             | (264)             | —                               | 1,460            | (1,460)         |
|                                                                   | <u>—</u>                         | <u>264</u>      | <u>(264)</u>      | <u>—</u>                        | <u>(3,150)</u>   | <u>3,150</u>    |
|                                                                   | <u>\$ 4,978</u>                  | <u>\$ 6,447</u> | <u>\$ (1,469)</u> | <u>\$ 14,569</u>                | <u>\$ 10,189</u> | <u>\$ 4,380</u> |

- (a) Increases for the three and nine months ended September 30, 2023 as compared to the same periods in 2022 are primarily due to funding of this construction loan since January 1, 2022, which has an interest rate of 6.0%.
- (b) Decreases for the three and nine months ended September 30, 2023 as compared to the same periods in 2022 are primarily due to higher rent collections at these retail properties during the prior year periods, where certain rents were previously disputed and subsequently collected.

### Non-Operating Income

Non-operating income primarily consists of realized gains and losses on derivative instruments, dividends from securities, and interest income on our loans to affiliates and cash deposits.

The following table presents non-operating income within our Real Estate segment (in thousands):

|                                                                                        | Three Months Ended September 30, |                 |                   | Nine Months Ended September 30, |                  |                   |
|----------------------------------------------------------------------------------------|----------------------------------|-----------------|-------------------|---------------------------------|------------------|-------------------|
|                                                                                        | 2023                             | 2022            | Change            | 2023                            | 2022             | Change            |
| <b>Non-Operating Income</b>                                                            |                                  |                 |                   |                                 |                  |                   |
| Realized gains on foreign currency collars <a href="#">(Note 10)</a>                   | \$ 3,739                         | \$ 8,724        | \$ (4,985)        | \$ 11,591                       | \$ 17,970        | \$ (6,379)        |
| Interest income related to our loans to affiliates and cash deposits                   | 1,123                            | 540             | 583               | 2,393                           | 591              | 1,802             |
| Cash dividends from our investment in Lineage Logistics <a href="#">(Note 9)</a>       | —                                | —               | —                 | —                               | 4,308            | (4,308)           |
| Cash dividends from our investment in preferred shares of WLT <a href="#">(Note 9)</a> | —                                | —               | —                 | —                               | 912              | (912)             |
|                                                                                        | <u>\$ 4,862</u>                  | <u>\$ 9,264</u> | <u>\$ (4,402)</u> | <u>\$ 13,984</u>                | <u>\$ 23,781</u> | <u>\$ (9,797)</u> |

### Gain on Sale of Real Estate, Net

Gain on sale of real estate, net, consists of gains and losses on the sale of properties that were (i) disposed of, (ii) subject to a purchase option, or (iii) included in assets held for sale and subject to a revised estimated purchase price, during the reporting period, as more fully described in [Note 5](#), [Note 6](#) and [Note 15](#).

## Other Gains and (Losses)

Other gains and (losses) primarily consists of gains and losses on (i) the mark-to-market fair value of equity securities, (ii) extinguishment of debt, and (iii) foreign currency exchange rate movements, as well as changes in the allowance for credit losses on finance receivables. The timing and amount of such gains or losses cannot always be estimated and are subject to fluctuation. Certain of our foreign currency-denominated unsecured debt instruments were designated as net investment hedges during the three and nine months ended September 30, 2023 and 2022. Therefore, no gains and losses on foreign currency exchange rate movements were recognized on the remeasurement of such instruments during those periods ([Note 10](#)).

The following table presents other gains and (losses) within our Real Estate segment (in thousands):

|                                                                                                                                         | Three Months Ended September 30, |                    |                  | Nine Months Ended September 30, |               |                 |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|--------------------|------------------|---------------------------------|---------------|-----------------|
|                                                                                                                                         | 2023                             | 2022               | Change           | 2023                            | 2022          | Change          |
| <b>Other Gains and (Losses)</b>                                                                                                         |                                  |                    |                  |                                 |               |                 |
| Change in allowance for credit losses on finance receivables ( <a href="#">Note 6</a> )                                                 | \$ 2,484                         | \$ 16,184          | \$ (13,700)      | \$ 6,113                        | \$ 17,164     | \$ (11,051)     |
| Net realized and unrealized (losses) gains on foreign currency exchange rate movements <sup>(a)</sup>                                   | (364)                            | (36,288)           | 35,924           | 1,010                           | (84,392)      | 85,402          |
| (Loss) gain on extinguishment of debt                                                                                                   | (275)                            | 2,342              | (2,617)          | 2,387                           | 1,301         | 1,086           |
| Gain on repayment of secured loan receivable <sup>(b)</sup>                                                                             | —                                | 10,613             | (10,613)         | —                               | 10,613        | (10,613)        |
| Write-off of an insurance receivable acquired as part of a prior merger <sup>(c)</sup>                                                  | —                                | (9,358)            | 9,358            | —                               | (9,358)       | 9,358           |
| Non-cash unrealized gains related to an increase in the fair value of our investment in common shares of WLT ( <a href="#">Note 9</a> ) | —                                | —                  | —                | —                               | 43,397        | (43,397)        |
| Realized gains in connection with the redemption of our investment in preferred shares of WLT ( <a href="#">Note 9</a> )                | —                                | —                  | —                | —                               | 18,688        | (18,688)        |
| Other                                                                                                                                   | 335                              | 2,547              | (2,212)          | (634)                           | 2,890         | (3,524)         |
|                                                                                                                                         | <u>\$ 2,180</u>                  | <u>\$ (13,960)</u> | <u>\$ 16,140</u> | <u>\$ 8,876</u>                 | <u>\$ 303</u> | <u>\$ 8,573</u> |

- (a) Remeasurement of certain monetary assets and liabilities that are held by our subsidiaries in currencies other than their functional currency are included in other gains and (losses). This includes foreign currency-denominated intercompany loans to our foreign subsidiaries that are scheduled for settlement. Beginning in the first quarter of 2023, our intercompany loans subject to remeasurement were hedged by certain of our foreign currency-denominated unsecured debt that we designated as net investment hedges.
- (b) We acquired a secured loan receivable with a fair value of \$23.4 million in our merger with a former affiliate, Corporate Property Associates 17 – Global Incorporated, in October 2018 (“CPA:17 Merger”), for which the outstanding principal of \$34.0 million was fully repaid to us in September 2022. Therefore, we recorded a \$10.6 million gain on repayment of this secured loan receivable.
- (c) This insurance receivable was acquired in the CPA:17 Merger.

## Gain on Change in Control of Interests

In connection with the CPA:18 Merger, during the three and nine months ended September 30, 2022, we acquired the remaining interests in four investments in which we already had a joint interest and accounted for under the equity method. Due to the change in control of these four jointly owned investments, we recorded a gain on change in control of interests of \$11.4 million reflecting the difference between our carrying values and the preliminary estimated fair values of our previously held equity interests on August 1, 2022. Subsequent to the CPA:18 Merger, we consolidated these wholly owned investments ([Note 3](#)).

### *Provision for Income Taxes*

For the three and nine months ended September 30, 2023 as compared to the same periods in 2022, provision for income taxes within our Real Estate segment increased by \$1.5 million and \$14.2 million, respectively, primarily due to (i) deferred tax benefits recognized during the prior year periods related to the release of valuation allowances on certain foreign properties, (ii) higher current taxes as a result of rent increases driven by CPI adjustments at existing international properties, (iii) the impact of international property acquisitions, and (iv) the release of deferred tax assets in connection with the tax restructuring of certain international properties during the nine months ended September 30, 2023.

### *Investment Management*

We earn revenue as the advisor to the Managed Programs. For the periods presented, we acted as advisor to the following Managed Programs: CPA:18 – Global (through August 1, 2022) and CESH. Upon completion of the CPA:18 Merger on August 1, 2022, the advisory agreement with CPA:18 – Global was terminated, and we ceased earning revenue from CPA:18 – Global.

Upon closing of the Spin-Off on November 1, 2023, we externally manage NLOP and earn revenue for certain asset management, property disposition support, and various related services ([Note 17](#)).

### *Revenues*

The following table presents revenues within our Investment Management segment (in thousands):

|                                       | Three Months Ended September 30, |                 |                   | Nine Months Ended September 30, |                  |                   |
|---------------------------------------|----------------------------------|-----------------|-------------------|---------------------------------|------------------|-------------------|
|                                       | 2023                             | 2022            | Change            | 2023                            | 2022             | Change            |
| <b>Investment Management Revenues</b> |                                  |                 |                   |                                 |                  |                   |
| Asset management revenue              |                                  |                 |                   |                                 |                  |                   |
| CESH                                  | \$ 194                           | \$ 346          | \$ (152)          | \$ 836                          | \$ 1,128         | \$ (292)          |
| CPA:18 – Global                       | —                                | 851             | (851)             | —                               | 6,956            | (6,956)           |
|                                       | <u>194</u>                       | <u>1,197</u>    | <u>(1,003)</u>    | <u>836</u>                      | <u>8,084</u>     | <u>(7,248)</u>    |
| Reimbursable costs from affiliates    |                                  |                 |                   |                                 |                  |                   |
| CESH                                  | 97                               | 78              | 19                | 322                             | 374              | (52)              |
| CPA:18 – Global                       | —                                | 266             | (266)             | —                               | 2,040            | (2,040)           |
|                                       | <u>97</u>                        | <u>344</u>      | <u>(247)</u>      | <u>322</u>                      | <u>2,414</u>     | <u>(2,092)</u>    |
|                                       | <u>\$ 291</u>                    | <u>\$ 1,541</u> | <u>\$ (1,250)</u> | <u>\$ 1,158</u>                 | <u>\$ 10,498</u> | <u>\$ (9,340)</u> |

### *Asset Management Revenue*

During the periods presented, we earned asset management revenue from (i) CPA:18 – Global (prior to the CPA:18 Merger) based on the value of its real estate-related assets under management and (ii) CESH based on its gross assets under management at fair value. For 2023, we earned asset management revenue from CESH in cash. Asset management revenues from CESH are expected to decline as assets are sold.

### *Other Income and (Expenses) and (Provision for) Benefit from Income Taxes*

#### *Gain on Change in Control of Interests*

In connection with the CPA:18 Merger, during the three and nine months ended September 30, 2022, we recognized a gain on change in control of interests of \$22.5 million within our Investment Management segment related to the difference between the carrying value and the preliminary estimated fair value of our previously held equity interest in shares of CPA:18 – Global's common stock ([Note 3](#)).



## Earnings from Equity Method Investments in the Managed Programs

The following table presents the details of our earnings from equity method investments in the Managed Programs ([Note 8](#)) (in thousands):

|                                                                                | Three Months Ended September 30, |                 | Nine Months Ended September 30, |                  |
|--------------------------------------------------------------------------------|----------------------------------|-----------------|---------------------------------|------------------|
|                                                                                | 2023                             | 2022            | 2023                            | 2022             |
| Earnings from equity method investments in the Managed Programs:               |                                  |                 |                                 |                  |
| Distributions of Available Cash from CPA:18 – Global <sup>(a)</sup>            | \$ —                             | \$ 3,345        | \$ —                            | \$ 8,746         |
| Earnings from equity method investments in the Managed Programs <sup>(a)</sup> | —                                | 1,512           | —                               | 4,542            |
| Earnings from equity method investments in the Managed Programs                | <u>\$ —</u>                      | <u>\$ 4,857</u> | <u>\$ —</u>                     | <u>\$ 13,288</u> |

- (a) As a result of the completion of the CPA:18 Merger on August 1, 2022, we no longer recognize equity income from our investment in shares of common stock of CPA:18 – Global or receive distributions of Available Cash from CPA:18 – Global.

## Provision for (Benefit from) Income Taxes

For the three and nine months ended September 30, 2023 as compared to the same periods in 2022, provision for (benefit from) income taxes within our Investment Management segment decreased by \$4.6 million and \$5.5 million, respectively, primarily due to one-time current taxes incurred during the prior year periods upon the recognition of taxable income associated with the accelerated vesting of shares previously issued by CPA:18 – Global to us for asset management services performed, in connection with the CPA:18 Merger.

## Liquidity and Capital Resources

### Sources and Uses of Cash During the Period

We use the cash flow generated from our investments primarily to meet our operating expenses, service debt, and fund dividends to stockholders. Our cash flows fluctuate periodically due to a number of factors, which may include, among other things: the timing of our equity and debt offerings; the timing of purchases and sales of real estate; the timing of the repayment of mortgage loans and receipt of lease revenues; the timing and amount of other lease-related payments; the timing of settlement of foreign currency transactions; changes in foreign currency exchange rates; and the timing of distributions from equity method investments. We no longer receive certain fees and distributions from CPA:18 – Global following the completion of the CPA:18 Merger on August 1, 2022 ([Note 1](#)). Despite these fluctuations, we believe that we will generate sufficient cash from operations to meet our normal recurring short-term and long-term liquidity needs. We may also use existing cash resources, available capacity under our Senior Unsecured Credit Facility, proceeds from term loans or other bank debt, proceeds from dispositions of properties (including expected proceeds from the exercise of purchase options and the Office Sale Program ([Note 1](#))), and the issuance of additional debt or equity securities, such as issuances of common stock through our ATM Forwards ([Note 13](#)), in order to meet these needs. We assess our ability to access capital on an ongoing basis. Our sources and uses of cash during the period are described below.

**Operating Activities** — Net cash provided by operating activities increased by \$110.2 million during the nine months ended September 30, 2023 as compared to the same period in 2022, primarily due to an increase in cash flow generated from net investment activity (including properties acquired in the CPA:18 Merger ([Note 1](#))) and scheduled rent increases at existing properties, partially offset by higher interest expense.

**Investing Activities** — Our investing activities are generally comprised of real estate-related transactions (purchases and sales) and funding for build-to-suit activities and other capital expenditures on real estate.

*Financing Activities* — Our financing activities are generally comprised of borrowings and repayments under our Unsecured Revolving Credit Facility and Unsecured Term Loans, issuances of the Senior Unsecured Notes, payments and prepayments of non-recourse mortgage loans, and payments of dividends to stockholders. In addition to these types of transactions, during the nine months ended September 30, 2023, we received \$249.8 million in net proceeds from the issuance of common stock under our ATM Forwards ([Note 13](#)).

### **Summary of Financing**

The table below summarizes our Senior Unsecured Notes, our non-recourse mortgages, our Unsecured Revolving Credit Facility, and our Unsecured Term Loans (dollars in thousands):

|                                                                    | September 30, 2023         | December 31, 2022          |
|--------------------------------------------------------------------|----------------------------|----------------------------|
| <b>Carrying Value</b>                                              |                            |                            |
| Fixed rate:                                                        |                            |                            |
| Senior Unsecured Notes <sup>(a)</sup>                              | \$ 5,902,854               | \$ 5,916,400               |
| Non-recourse mortgages <sup>(a) (b)</sup>                          | 645,767                    | 907,303                    |
| Unsecured Term Loans subject to interest rate swaps <sup>(a)</sup> | 525,943                    | —                          |
|                                                                    | <u>7,074,564</u>           | <u>6,823,703</u>           |
| Variable rate:                                                     |                            |                            |
| Unsecured Term Loans <sup>(a)</sup>                                | 557,654                    | 552,539                    |
| Unsecured Revolving Credit Facility                                | 516,513                    | 276,392                    |
| Non-recourse mortgages <sup>(a)</sup> :                            |                            |                            |
| Floating interest rate mortgage loans                              | 138,983                    | 213,958                    |
| Amount subject to interest rate caps                               | —                          | 11,156                     |
|                                                                    | <u>1,213,150</u>           | <u>1,054,045</u>           |
|                                                                    | <u><u>\$ 8,287,714</u></u> | <u><u>\$ 7,877,748</u></u> |
| <b>Percent of Total Debt</b>                                       |                            |                            |
| Fixed rate                                                         | 85 %                       | 87 %                       |
| Variable rate                                                      | 15 %                       | 13 %                       |
|                                                                    | <u>100 %</u>               | <u>100 %</u>               |
| <b>Weighted-Average Interest Rate at End of Period</b>             |                            |                            |
| Fixed rate                                                         | 3.0 %                      | 2.9 %                      |
| Variable rate <sup>(c)</sup>                                       | 5.3 %                      | 3.5 %                      |
| Total debt                                                         | 3.3 %                      | 3.0 %                      |

- (a) Aggregate debt balance includes unamortized discount, net, totaling \$31.5 million and \$35.9 million as of September 30, 2023 and December 31, 2022, respectively, and unamortized deferred financing costs totaling \$22.5 million and \$26.0 million as of September 30, 2023 and December 31, 2022, respectively.
- (b) Includes non-recourse mortgages subject to variable-to-fixed interest rate swaps totaling \$44.6 million and \$83.0 million as of September 30, 2023 and December 31, 2022, respectively.
- (c) The impact of our interest rate caps is reflected in the weighted-average interest rates.

## ***Cash Resources***

At September 30, 2023, our cash resources consisted of the following:

- cash and cash equivalents totaling \$136.4 million. Of this amount, \$112.7 million, at then-current exchange rates, was held in foreign subsidiaries, and we could be subject to restrictions or significant costs should we decide to repatriate these amounts;
- our Unsecured Revolving Credit Facility, with available capacity of approximately \$1.3 billion (net of amounts reserved for standby letters of credit totaling \$1.9 million);
- available proceeds under our ATM Forwards of approximately \$383.6 million, which were fully settled in October 2023 ([Note 17](#)); and
- unleveraged properties that had an aggregate asset carrying value of approximately \$14.3 billion at September 30, 2023, although there can be no assurance that we would be able to obtain financing for these properties.

We may also access the capital markets through additional debt (denominated in both U.S. dollars and euros) and equity offerings, as well as term loans and other bank debt.

Our cash resources can be used for working capital needs and other commitments and may be used for future investments.

## ***Cash Requirements and Liquidity***

As of September 30, 2023, we had (i) \$136.4 million of cash and cash equivalents, (ii) approximately \$1.3 billion of available capacity under our Unsecured Revolving Credit Facility (net of amounts reserved for standby letters of credit totaling \$1.9 million), and (iii) available proceeds under our ATM Forwards of approximately \$383.6 million, which were fully settled in October 2023 ([Note 17](#)). In addition, in September 2023, NLOP entered into a new \$455 million debt facility, which was executed by NLOP and funded upon the closing of the Spin-Off on November 1, 2023. Approximately \$350 million of this amount (net of transaction expenses) was retained by us in connection with the Spin-Off ([Note 11](#), [Note 17](#)). Our Senior Unsecured Credit Facility includes a \$1.8 billion Unsecured Revolving Credit Facility and Unsecured Term Loans outstanding totaling \$557.7 million as of September 30, 2023 ([Note 11](#)), and is scheduled to mature on February 20, 2025 ([Note 11](#)). Our Unsecured Term Loan due 2026 had \$525.9 million outstanding as of September 30, 2023, and is scheduled to mature on April 24, 2026. As of September 30, 2023, scheduled debt principal payments total \$111.2 million through December 31, 2023 and \$1.3 billion through December 31, 2024 ([Note 11](#)).

During the next 12 months following September 30, 2023 and thereafter, we expect that our significant cash requirements will include:

- funding acquisitions of new investments ([Note 5](#));
- funding future capital commitments and tenant improvement allowances ([Note 5](#));
- making scheduled principal and balloon payments on our debt obligations, including (i) \$500 million of senior notes due in April 2024 and (ii) €500 million of senior notes due in July 2024 ([Note 11](#));
- making scheduled interest payments on our debt obligations (future interest payments total \$841.2 million, with \$245.8 million due during the next 12 months; interest on unhedged variable-rate debt obligations was calculated using the applicable annual variable interest rates and balances outstanding at September 30, 2023); and
- other normal recurring operating expenses.

We expect to fund these cash requirements through cash generated from operations, cash received from dispositions of properties, the use of our cash reserves or unused amounts on our Unsecured Revolving Credit Facility (as described above), proceeds from term loans or other bank debt, issuances of common stock through our ATM Program ([Note 13](#)), and potential issuances of additional debt or equity securities. We may also choose to prepay certain of our non-recourse mortgage loan obligations, depending on our capital needs and market conditions at that time.

Our liquidity could be adversely affected by unanticipated costs and greater-than-anticipated operating expenses. To the extent that our working capital reserve is insufficient to satisfy our cash requirements, additional funds may be provided from cash from operations to meet our normal recurring short-term and long-term liquidity needs. We may also use existing cash resources, available capacity under our Unsecured Revolving Credit Facility, mortgage loan proceeds, and the issuance of additional debt or equity securities to meet these needs.

Certain amounts disclosed above are based on the applicable foreign currency exchange rate at September 30, 2023.

## **Supplemental Financial Measures**

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

### *Funds from Operations and Adjusted Funds from Operations*

Due to certain unique operating characteristics of real estate companies, as discussed below, the National Association of Real Estate Investment Trusts (“NAREIT”), an industry trade group, has promulgated a non-GAAP measure known as FFO, which we believe to be an appropriate supplemental measure, when used in addition to and in conjunction with results presented in accordance with GAAP, to reflect the operating performance of a REIT. The use of FFO is recommended by the REIT industry as a supplemental non-GAAP measure. FFO is not equivalent to, nor a substitute for, net income or loss as determined under GAAP.

We define FFO, a non-GAAP measure, consistent with the standards established by the White Paper on FFO approved by the Board of Governors of NAREIT, as restated in December 2018. The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding gains or losses from sales of property, impairment charges on real estate or other assets incidental to the company’s main business, gains or losses on changes in control of interests in real estate, and depreciation and amortization from real estate assets; and after adjustments for unconsolidated partnerships and jointly owned investments. Adjustments for unconsolidated partnerships and jointly owned investments are calculated to reflect FFO.

We also modify the NAREIT computation of FFO to adjust GAAP net income for certain non-cash charges, such as amortization of real estate-related intangibles, deferred income tax benefits and expenses, straight-line rent and related reserves, other non-cash rent adjustments, non-cash allowance for credit losses on loans receivable and finance leases, stock-based compensation, non-cash environmental accretion expense, amortization of discounts and premiums on debt, and amortization of deferred financing costs. Our assessment of our operations is focused on long-term sustainability and not on such non-cash items, which may cause short-term fluctuations in net income but have no impact on cash flows. Additionally, we exclude non-core income and expenses, such as gains or losses from extinguishment of debt and merger and acquisition expenses. We also exclude realized and unrealized gains/losses on foreign currency exchange rate movements (other than those realized on the settlement of foreign currency derivatives), which are not considered fundamental attributes of our business plan and do not affect our overall long-term operating performance. We refer to our modified definition of FFO as AFFO. We exclude these items from GAAP net income to arrive at AFFO as they are not the primary drivers in our decision-making process and excluding these items provides investors a view of our portfolio performance over time and makes it more comparable to other REITs that are currently not engaged in acquisitions, mergers, and restructuring, which are not part of our normal business operations. AFFO also reflects adjustments for unconsolidated partnerships and jointly owned investments. We use AFFO as one measure of our operating performance when we formulate corporate goals, evaluate the effectiveness of our strategies, and determine executive compensation.

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

Consolidated FFO and AFFO were as follows (in thousands):

|                                                                                                  | Three Months Ended September 30, |            | Nine Months Ended September 30, |            |
|--------------------------------------------------------------------------------------------------|----------------------------------|------------|---------------------------------|------------|
|                                                                                                  | 2023                             | 2022       | 2023                            | 2022       |
| Net income attributable to W. P. Carey                                                           | \$ 125,040                       | \$ 104,928 | \$ 564,040                      | \$ 389,601 |
| Adjustments:                                                                                     |                                  |            |                                 |            |
| Depreciation and amortization of real property                                                   | 144,111                          | 131,628    | 442,911                         | 360,607    |
| Impairment charges — real estate                                                                 | 15,173                           | —          | 15,173                          | 26,385     |
| (Gain) loss on sale of real estate, net <sup>(a)</sup>                                           | (2,401)                          | 4,736      | (181,958)                       | (37,631)   |
| Gain on change in control of interests <sup>(b) (c)</sup>                                        | —                                | (33,931)   | —                               | (33,931)   |
| Impairment charges — Investment Management goodwill <sup>(d)</sup>                               | —                                | 29,334     | —                               | 29,334     |
| Proportionate share of adjustments to earnings from equity method investments <sup>(e) (f)</sup> | 2,950                            | 2,242      | 8,439                           | 12,859     |
| Proportionate share of adjustments for noncontrolling interests <sup>(g)</sup>                   | 34                               | (189)      | (533)                           | (197)      |
| Total adjustments                                                                                | 159,867                          | 133,820    | 284,032                         | 357,426    |
| FFO (as defined by NAREIT) attributable to W. P. Carey                                           | 284,907                          | 238,748    | 848,072                         | 747,027    |
| Adjustments:                                                                                     |                                  |            |                                 |            |
| Straight-line and other leasing and financing adjustments                                        | (18,662)                         | (14,326)   | (52,798)                        | (39,665)   |
| Stock-based compensation                                                                         | 9,050                            | 5,511      | 25,811                          | 23,102     |
| Above- and below-market rent intangible lease amortization, net                                  | 7,835                            | 11,186     | 27,520                          | 32,738     |
| Amortization of deferred financing costs                                                         | 4,805                            | 5,223      | 15,649                          | 11,498     |
| Tax (benefit) expense — deferred and other                                                       | (4,349)                          | 1,163      | (2,706)                         | (434)      |
| Merger and other expenses <sup>(h)</sup>                                                         | 4,152                            | 17,667     | 5,595                           | 17,329     |
| Other (gains) and losses <sup>(i)</sup>                                                          | (2,859)                          | 15,020     | (9,593)                         | 1,021      |
| Other amortization and non-cash items                                                            | 584                              | 359        | 1,583                           | 1,441      |
| Proportionate share of adjustments to earnings from equity method investments <sup>(f)</sup>     | (691)                            | (2,156)    | (1,872)                         | (2,451)    |
| Proportionate share of adjustments for noncontrolling interests <sup>(g)</sup>                   | (380)                            | (673)      | (344)                           | (684)      |
| Total adjustments                                                                                | (515)                            | 38,974     | 8,845                           | 43,895     |
| AFFO attributable to W. P. Carey                                                                 | \$ 284,392                       | \$ 277,722 | \$ 856,917                      | \$ 790,922 |
| <b>Summary</b>                                                                                   |                                  |            |                                 |            |
| FFO (as defined by NAREIT) attributable to W. P. Carey                                           | \$ 284,907                       | \$ 238,748 | \$ 848,072                      | \$ 747,027 |
| AFFO attributable to W. P. Carey                                                                 | \$ 284,392                       | \$ 277,722 | \$ 856,917                      | \$ 790,922 |

FFO and AFFO from Real Estate were as follows (in thousands):

|                                                                                                  | Three Months Ended September 30, |            | Nine Months Ended September 30, |            |
|--------------------------------------------------------------------------------------------------|----------------------------------|------------|---------------------------------|------------|
|                                                                                                  | 2023                             | 2022       | 2023                            | 2022       |
| Net income from Real Estate attributable to W. P. Carey                                          | \$ 124,167                       | \$ 111,375 | \$ 562,084                      | \$ 381,461 |
| Adjustments:                                                                                     |                                  |            |                                 |            |
| Depreciation and amortization of real property                                                   | 144,111                          | 131,628    | 442,911                         | 360,607    |
| Impairment charges — real estate                                                                 | 15,173                           | —          | 15,173                          | 26,385     |
| (Gain) loss on sale of real estate, net <sup>(a)</sup>                                           | (2,401)                          | 4,736      | (181,958)                       | (37,631)   |
| Gain on change in control of interests <sup>(b)</sup>                                            | —                                | (11,405)   | —                               | (11,405)   |
| Proportionate share of adjustments to earnings from equity method investments <sup>(e) (f)</sup> | 2,950                            | 2,242      | 8,439                           | 12,859     |
| Proportionate share of adjustments for noncontrolling interests <sup>(g)</sup>                   | 34                               | (189)      | (533)                           | (197)      |
| Total adjustments                                                                                | 159,867                          | 127,012    | 284,032                         | 350,618    |
| FFO (as defined by NAREIT) attributable to W. P. Carey — Real Estate                             | 284,034                          | 238,387    | 846,116                         | 732,079    |
| Adjustments:                                                                                     |                                  |            |                                 |            |
| Straight-line and other leasing and financing adjustments                                        | (18,662)                         | (14,326)   | (52,798)                        | (39,665)   |
| Stock-based compensation                                                                         | 9,050                            | 5,511      | 25,811                          | 23,102     |
| Above- and below-market rent intangible lease amortization, net                                  | 7,835                            | 11,186     | 27,520                          | 32,738     |
| Amortization of deferred financing costs                                                         | 4,805                            | 5,223      | 15,649                          | 11,498     |
| Tax benefit — deferred and other                                                                 | (4,349)                          | (2,789)    | (2,706)                         | (4,302)    |
| Merger and other expenses <sup>(h)</sup>                                                         | 4,152                            | 17,667     | 5,595                           | 17,326     |
| Other (gains) and losses <sup>(i)</sup>                                                          | (2,180)                          | 13,960     | (8,876)                         | (303)      |
| Other amortization and non-cash items                                                            | 584                              | 359        | 1,583                           | 1,441      |
| Proportionate share of adjustments to earnings from equity method investments <sup>(f)</sup>     | (691)                            | (938)      | (1,872)                         | (403)      |
| Proportionate share of adjustments for noncontrolling interests <sup>(g)</sup>                   | (380)                            | (673)      | (344)                           | (684)      |
| Total adjustments                                                                                | 164                              | 35,180     | 9,562                           | 40,748     |
| AFFO attributable to W. P. Carey — Real Estate                                                   | \$ 284,198                       | \$ 273,567 | \$ 855,678                      | \$ 772,827 |
| <b>Summary</b>                                                                                   |                                  |            |                                 |            |
| FFO (as defined by NAREIT) attributable to W. P. Carey — Real Estate                             | \$ 284,034                       | \$ 238,387 | \$ 846,116                      | \$ 732,079 |
| AFFO attributable to W. P. Carey — Real Estate                                                   | \$ 284,198                       | \$ 273,567 | \$ 855,678                      | \$ 772,827 |

FFO and AFFO from Investment Management were as follows (in thousands):

|                                                                                              | Three Months Ended September 30, |            | Nine Months Ended September 30, |           |
|----------------------------------------------------------------------------------------------|----------------------------------|------------|---------------------------------|-----------|
|                                                                                              | 2023                             | 2022       | 2023                            | 2022      |
| Net income (loss) from Investment Management attributable to W. P. Carey                     | \$ 873                           | \$ (6,447) | \$ 1,956                        | \$ 8,140  |
| Adjustments:                                                                                 |                                  |            |                                 |           |
| Impairment charges — Investment Management goodwill <sup>(d)</sup>                           | —                                | 29,334     | —                               | 29,334    |
| Gain on change in control of interests <sup>(c)</sup>                                        | —                                | (22,526)   | —                               | (22,526)  |
| Total adjustments                                                                            | —                                | 6,808      | —                               | 6,808     |
| FFO (as defined by NAREIT) attributable to W. P. Carey — Investment Management               | 873                              | 361        | 1,956                           | 14,948    |
| Adjustments:                                                                                 |                                  |            |                                 |           |
| Other (gains) and losses                                                                     | (679)                            | 1,060      | (717)                           | 1,324     |
| Tax benefit — deferred and other                                                             | —                                | 3,952      | —                               | 3,868     |
| Merger and other expenses                                                                    | —                                | —          | —                               | 3         |
| Proportionate share of adjustments to earnings from equity method investments <sup>(f)</sup> | —                                | (1,218)    | —                               | (2,048)   |
| Total adjustments                                                                            | (679)                            | 3,794      | (717)                           | 3,147     |
| AFFO attributable to W. P. Carey — Investment Management                                     | \$ 194                           | \$ 4,155   | \$ 1,239                        | \$ 18,095 |
| <b>Summary</b>                                                                               |                                  |            |                                 |           |
| FFO (as defined by NAREIT) attributable to W. P. Carey — Investment Management               | \$ 873                           | \$ 361     | \$ 1,956                        | \$ 14,948 |
| AFFO attributable to W. P. Carey — Investment Management                                     | \$ 194                           | \$ 4,155   | \$ 1,239                        | \$ 18,095 |

- (a) Amount for the nine months ended September 30, 2023 includes a gain on sale of real estate of \$176.2 million recognized upon receiving notice of the exercise of a purchase option for a portfolio of 78 net-lease self-storage properties and the reclassification of the investment to net investments in sales-type leases ([Note 6](#)).
- (b) Amounts for the three and nine months ended September 30, 2022 represent a gain recognized on the remaining interests in four investments acquired in the CPA:18 Merger, which we had previously accounted for under the equity method ([Note 3](#)).
- (c) Amounts for the three and nine months ended September 30, 2022 represent a gain recognized on our previously held interest in shares of CPA:18 – Global common stock in connection with the CPA:18 Merger ([Note 3](#)).
- (d) Amounts for the three and nine months ended September 30, 2022 represent an impairment charge recognized on goodwill within our Investment Management segment, since future Investment Management cash flows are expected to be minimal ([Note 9](#)).
- (e) Amount for the nine months ended September 30, 2022 includes our \$4.6 million proportionate share of an impairment charge recognized on an equity method investment in real estate.
- (f) Equity income, including amounts that are not typically recognized for FFO and AFFO, is recognized within Earnings (losses) from equity method investments on the consolidated statements of income. This represents adjustments to equity income to reflect FFO and AFFO on a pro rata basis.
- (g) Adjustments disclosed elsewhere in this reconciliation are on a consolidated basis. This adjustment reflects our FFO or AFFO on a pro rata basis.
- (h) Amounts for the three and nine months ended September 30, 2023 are primarily comprised of costs incurred in connection with the Spin-Off ([Note 1](#), [Note 17](#)). Amounts for the three and nine months ended September 30, 2022 are primarily comprised of costs incurred in connection with the CPA:18 Merger ([Note 3](#)).
- (i) Primarily comprised of gains and losses on extinguishment of debt, the mark-to-market fair value of equity securities, and foreign currency exchange rate movements, as well as non-cash allowance for credit losses on loans receivable and finance leases.



While we believe that FFO and AFFO are important supplemental measures, they should not be considered as alternatives to net income as an indication of a company's operating performance. These non-GAAP measures should be used in conjunction with net income as defined by GAAP. FFO and AFFO, or similarly titled measures disclosed by other REITs, may not be comparable to our FFO and AFFO measures.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

#### *Market Risk*

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, and equity prices. The primary market risks that we are exposed to are interest rate risk and foreign currency exchange risk; however, we do not use derivative instruments to hedge credit/market risks or for speculative purposes. From time to time, we may enter into foreign currency collars to hedge our foreign currency cash flow exposures.

We are also exposed to further market risk as a result of tenant concentrations in certain industries and/or geographic regions, since adverse market factors can affect the ability of tenants in a particular industry/region to meet their respective lease obligations. In order to manage this risk, we view our collective tenant roster as a portfolio and we attempt to diversify such portfolio so that we are not overexposed to a particular industry or geographic region.

#### *Interest Rate Risk*

The values of our real estate and related fixed-rate debt obligations, as well as the values of our unsecured debt obligations, are subject to fluctuations based on changes in interest rates. The value of our real estate is also subject to fluctuations based on local and regional economic conditions and changes in the creditworthiness of lessees, which may affect our ability to refinance property-level mortgage debt when balloon payments are scheduled, if we do not choose to repay the debt when due. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political conditions, and other factors beyond our control. An increase in interest rates would likely cause the fair value of our assets to decrease. Increases in interest rates may also have an impact on the credit profile of certain tenants.

We are exposed to the impact of interest rate changes primarily through our borrowing activities. To limit this exposure, we generally seek long-term debt financing on a fixed-rate basis. However, we are subject to variable-rate interest on our Unsecured Term Loans, Unsecured Revolving Credit Facility, and certain of our non-recourse mortgage debt. We have entered into, and may continue to enter into, interest rate swap agreements or interest rate cap agreements with counterparties related to certain of our variable-rate debt ([Note 11](#)). See [Note 10](#) for additional information on our interest rate swaps and caps.

Our debt obligations are more fully described in [Note 11](#) and [Liquidity and Capital Resources — Summary of Financing](#) in Item 2 above. The following table presents principal cash flows based upon expected maturity dates of our debt obligations outstanding at September 30, 2023 (in thousands):

|                                    | 2023<br>(Remainder) | 2024        | 2025        | 2026        | 2027      | Thereafter  | Total       | Fair Value  |
|------------------------------------|---------------------|-------------|-------------|-------------|-----------|-------------|-------------|-------------|
| Fixed-rate debt <sup>(a) (b)</sup> | \$ 13,754           | \$1,223,399 | \$ 788,492  | \$1,509,747 | \$530,368 | \$3,063,067 | \$7,128,827 | \$6,380,480 |
| Variable-rate debt <sup>(a)</sup>  | \$ 97,420           | \$ —        | \$1,115,310 | \$ —        | \$ —      | \$ —        | \$1,212,730 | \$1,211,760 |

(a) Amounts are based on the exchange rate at September 30, 2023, as applicable.

(b) Amounts include non-recourse mortgages and unsecured term loans subject to variable-to-fixed interest rate swaps. Amounts after 2023 are primarily comprised of principal payments for our Senior Unsecured Notes ([Note 11](#)).

The estimated fair value of our fixed-rate debt and our variable-rate debt is affected by changes in interest rates. Annual interest expense on our unhedged variable-rate debt that does not bear interest at fixed rates at September 30, 2023 would increase or decrease by \$6.7 million for our euro-denominated debt, by \$3.3 million for our British pound sterling-denominated debt, by \$1.6 million for our U.S. dollar-denominated debt, by \$0.4 million for our Norwegian krone-denominated debt, and by \$0.2 million for our Japanese yen-denominated debt, for each respective 1% change in annual interest rates.

### *Foreign Currency Exchange Rate Risk*

We own international investments, primarily in Europe, Canada, and Japan, and as a result are subject to risk from the effects of exchange rate movements in various foreign currencies, primarily the euro, the British pound sterling, the Canadian dollar, the Japanese yen, and certain other currencies which may affect future costs and cash flows. We have obtained, and may in the future obtain, non-recourse mortgage financing in the local currency. We have also completed several offerings of euro-denominated senior notes, and have borrowed under our Senior Unsecured Credit Facility and Unsecured Term Loan due 2026 in foreign currencies, including the euro, British pound sterling, and Japanese yen ([Note 11](#)). Volatile market conditions arising from certain macroeconomic factors may result in significant fluctuations in foreign currency exchange rates. To the extent that currency fluctuations increase or decrease rental revenues, as translated to U.S. dollars, the change in debt service (comprised of principal and interest, excluding balloon payments), as translated to U.S. dollars, will partially offset the effect of fluctuations in revenue and, to some extent, mitigate the risk from changes in foreign currency exchange rates. We estimate that, for a 1% increase or decrease in the exchange rate between the euro, British pound sterling, or Japanese yen and the U.S. dollar, there would be a corresponding change in the projected estimated cash flow (scheduled future rental revenues, net of scheduled future debt service payments for the next 12 months) for our consolidated foreign operations at September 30, 2023 of \$2.4 million, \$0.3 million, and less than \$0.1 million, respectively, excluding the impact of our derivative instruments.

In addition, we may use currency hedging to further reduce the exposure to our equity cash flow. We are generally a net receiver of these currencies (we receive more cash than we pay out), and therefore our foreign operations benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar, relative to the foreign currency.

We enter into foreign currency collars to hedge certain of our foreign currency cash flow exposures. See [Note 10](#) for additional information on our foreign currency collars.

### *Concentration of Credit Risk*

Concentrations of credit risk arise when a number of tenants are engaged in similar business activities or have similar economic risks or conditions that could cause them to default on their lease obligations to us. We regularly monitor our portfolio to assess potential concentrations of credit risk. While we believe our portfolio is well-diversified, it does contain concentrations in certain areas. There have been no material changes in our concentration of credit risk from what was disclosed in the 2022 Annual Report.

#### **Item 4. Controls and Procedures.**

##### *Disclosure Controls and Procedures*

Our disclosure controls and procedures include internal controls and other procedures designed to provide reasonable assurance that information required to be disclosed in this and other reports filed under the Exchange Act is recorded, processed, summarized, and reported within the required time periods specified in the SEC's rules and forms; and that such information is accumulated and communicated to management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosures. It should be noted that no system of controls can provide complete assurance of achieving a company's objectives and that future events may impact the effectiveness of a system of controls.

Our chief executive officer and chief financial officer, after conducting an evaluation, together with members of our management, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2023, have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of September 30, 2023 at a reasonable level of assurance.

##### *Changes in Internal Control Over Financial Reporting*

There have been no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II — OTHER INFORMATION**

### **Item 1A. Risk Factors**

We are including the following additional risk factor, which should be read in conjunction with our description of risk factors provided in Part I, Item 1A. Risk Factors in our 2022 Annual Report:

***We may not achieve some or all the expected benefits of the Spin-Off and the Office Sale Program.***

We may not be able to achieve the full strategic and financial benefits expected to result from the Spin-Off and the Office Sale Program, or such benefits may be delayed due to a variety of circumstances, not all of which may be under our control. We may not achieve the anticipated benefits of the Spin-Off or the Office Sale Program for a variety of reasons, including, among others: (i) the transactions may not generate the anticipated improvements in our cost of or access to capital; (ii) we may be subject to unexpected costs related to the Spin-Off, including as a result of our indemnification obligations under the Separation and Distribution Agreement or obligations related to indebtedness associates with transfer of NLOP assets and any guaranties related thereto; and (iii) we may face challenges in completing the Office Sale Program at the prices in the timeframe we expect or at all. Failure to achieve some or all the benefits expected to result from the Spin-Off and the Office Sale Program, or a delay in realizing such benefits, may have a material adverse effect on our business, financial condition and results of operations.

**Item 6. Exhibits.**

The following exhibits are filed with this Report. Documents other than those designated as being filed herewith are incorporated herein by reference.

| <b>Exhibit No.</b> | <b>Description</b>                                                                                                                                             | <b>Method of Filing</b>                                                                              |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| 10.1               | Loan Agreement, dated September 20, 2023, by and among JPMorgan Chase Bank, N.A. and the borrowers named therein                                               | Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed September 21, 2023 |
| 10.2               | Mezzanine Loan Agreement, dated September 20, 2023, between NLO Mezzanine Borrower and JPMorgan Chase Bank, N.A.                                               | Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed September 21, 2023 |
| 10.3               | Separation and Distribution Agreement, dated October 31, 2023, between W. P. Carey Inc. and Net Lease Office Properties.                                       | Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed November 2, 2023   |
| 10.4               | Tax Matters Agreement, dated October 31, 2023, between W. P. Carey Inc. and Net Lease Office Properties.                                                       | Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed November 2, 2023   |
| 10.5               | Advisory Agreement, dated November 1, 2023, between W. P. Carey Management LLC and Net Lease Office Properties.                                                | Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed November 2, 2023   |
| 10.6               | Advisory Agreement, dated November 1, 2023, between W. P. Carey & Co. B.V. and Net Lease Office Properties.                                                    | Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed November 2, 2023   |
| 31.1               | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                        | Filed herewith                                                                                       |
| 31.2               | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                        | Filed herewith                                                                                       |
| 32                 | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                                                                                       | Filed herewith                                                                                       |
| 101.INS            | XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document | Filed herewith                                                                                       |
| 101.SCH            | XBRL Taxonomy Extension Schema Document                                                                                                                        | Filed herewith                                                                                       |
| 101.CAL            | XBRL Taxonomy Extension Calculation Linkbase Document                                                                                                          | Filed herewith                                                                                       |
| 101.DEF            | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                           | Filed herewith                                                                                       |
| 101.LAB            | XBRL Taxonomy Extension Label Linkbase Document                                                                                                                | Filed herewith                                                                                       |
| 101.PRE            | XBRL Taxonomy Extension Presentation Linkbase Document                                                                                                         | Filed herewith                                                                                       |
| 104                | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)                                                                       | Filed herewith                                                                                       |

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

W. P. Carey Inc.

Date: November 3, 2023

By: /s/ ToniAnn Sanzone

ToniAnn Sanzone

Chief Financial Officer

(Principal Financial Officer)

Date: November 3, 2023

By: /s/ Brian Zander

Brian Zander

Chief Accounting Officer

(Principal Accounting Officer)

## EXHIBIT INDEX

The following exhibits are filed with this Report. Documents other than those designated as being filed herewith are incorporated herein by reference.

| Exhibit<br>No. | Description                                                                                                                                                    | Method of Filing                                                                                                            |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| 10.1           | Loan Agreement, dated September 20, 2023, by and among JPMorgan Chase Bank, N.A. and the borrowers named therein                                               | <a href="#"><u>Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed September 21, 2023</u></a> |
| 10.2           | Mezzanine Loan Agreement, dated September 20, 2023, between NLO Mezzanine Borrower and JPMorgan Chase Bank, N.A.                                               | <a href="#"><u>Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed September 21, 2023</u></a> |
| 10.3           | Separation and Distribution Agreement, dated October 31, 2023, between W. P. Carey Inc. and Net Lease Office Properties.                                       | <a href="#"><u>Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed November 2, 2023</u></a>   |
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| 10.5           | Advisory Agreement, dated November 1, 2023, between W. P. Carey Management LLC and Net Lease Office Properties.                                                | <a href="#"><u>Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed November 2, 2023</u></a>   |
| 10.6           | Advisory Agreement, dated November 1, 2023, between W. P. Carey & Co. B.V. and Net Lease Office Properties.                                                    | <a href="#"><u>Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed November 2, 2023</u></a>   |
| 31.1           | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                        | <a href="#"><u>Filed herewith</u></a>                                                                                       |
| 31.2           | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                        | <a href="#"><u>Filed herewith</u></a>                                                                                       |
| 32             | Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                                                                                       | <a href="#"><u>Filed herewith</u></a>                                                                                       |
| 101.INS        | XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document | Filed herewith                                                                                                              |
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