



Carey Watermark  
INVESTORS 1







Leveraging our capabilities to create value in the lodging industry





## Dear Fellow Investors,

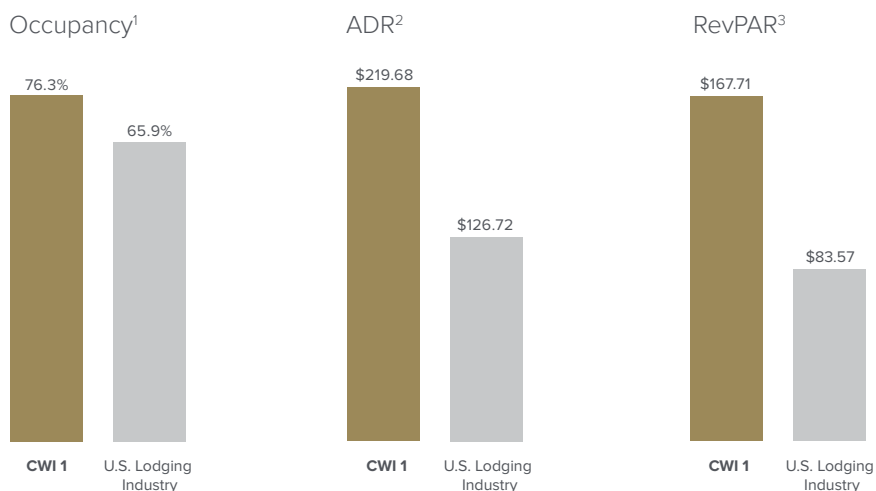
The 2017 U.S. lodging market saw continued strengthening, with average daily rate (ADR) — a key hotel industry benchmark of financial performance — reflecting the growth of both transient and group travel. In addition, revenue per available room (RevPAR) continued its year-over-year growth trend that began when we launched Carey Watermark Investors 1 (CWI® 1) in 2010, increasing by 3.0% in 2017\*. The market also saw temporary financial and operational challenges in certain markets related to the impact of natural disasters.

In the context of this environment, we continued to focus on value-creation initiatives that we believe will enable us to increase cash flow and the quality of our portfolio over time. We are proud to report that as of December 31, 2017, our portfolio comprised a diverse selection of 31 strategically chosen resort, full-service and select-service properties across the U.S.\*\* Among those properties, 20 have been renovated, three are currently undergoing renovations and four have planned renovations in the coming years.

Hurricane Irma made landfall in September 2017, impacting six of our hotels in Florida and Georgia. All six hotels sustained some damage, and all except one were forced to close for a period of time. As of September 30, 2017, all hotels had reopened, with the exception of Hawks Cay Resort, which is expected to fully reopen in mid-2018. Additionally, in October 2017, as a result of the wildfires in Northern California, the Fairmont Sonoma Mission Inn & Spa was closed for six days, resulting in lost revenue.

We are insured for both property damage and business interruption for all of our properties and are working on finalizing claims and reimbursements from our carriers with regard to the properties impacted. While we have already received certain insurance advances for property damage and business interruption, no business interruption income can be recognized in our financial statements until the claims are settled.

## CWI 1 Performance versus the U.S. Lodging Industry



As of December 31, 2017, CWI 1 Performance represents statistical data for our Consolidated Hotels during our ownership period. U.S. Lodging Industry Performance, as reported by PwC Hospitality Directions U.S., January 2018.

<sup>1</sup> Occupancy is the percentage of rooms sold divided by rooms available.

<sup>2</sup> ADR is room revenue divided by rooms sold, displayed as the average rental rate for a single room.

<sup>3</sup> RevPAR is room revenue divided by available rooms.

\* PwC Hospitality Directions U.S., January 2018.

\*\* At December 31, 2017, our portfolio included 31 hotels. During the first quarter of 2018, we sold three non-core assets.



## Carey Watermark Investors 1

In 2017, we continued to focus on opportunities to build incremental long-term value for the portfolio with the acquisition of an additional asset in a joint venture with our affiliate, Carey Watermark Investors 2 (CWI® 2), and the disposition of five non-core assets:

- In September 2017, CWI 1, in a tenancy-in-common venture with CWI 2, acquired Bacara Resort & Spa, changed the hotel management company and rebranded the property as The Ritz-Carlton Bacara, Santa Barbara. Strategically located on 78 oceanfront acres in close proximity to Santa Barbara and the Santa Ynez Valley wineries, the irreplaceable 358-key resort is one of a limited number of luxury oceanfront resorts on the California coast. We believe the barriers to entry associated with a decades-long entitlement process, Ritz-Carlton branding and planned value-add renovations and capital projects will help enhance the overall value and position the property as a best-in-class resort.
- During the year, CWI 1 sold five properties: the Hampton Inn & Suites Legacy Park Frisco, the Hampton Inn Birmingham-Colonnade, the Hilton Garden Inn Baton Rouge Airport, the Hampton Inn Boston/Braintree and The Westin Atlanta Perimeter North, a joint venture in which we owned a 57% interest.

For 2017, our ADR stood at \$219.68 compared with a national average of \$126.72, and our portfolio occupancy was 76.3% versus the industry's 65.9%, which we believe illustrates the quality of our assets.

In 2017, our financing initiatives demonstrated our ability to secure debt financing at attractive rates and maturities. Mortgage refinancings were composed of three non-recourse loans totaling \$96 million that were refinanced with new non-recourse loans totaling \$110 million at attractive interest rates and a term to maturity of 4.5 years. In connection with the acquisition of The Ritz-Carlton Bacara, Santa Barbara, the joint venture obtained debt composed of a \$175-million senior mortgage loan and a \$55-million mezzanine loan at attractive floating rates. Both loans have maturity dates of September 28, 2021, with one-year extension options.



As of December 31, 2017, our portfolio comprised a diverse selection of 31 strategically chosen hotels across the U.S. Our ADR—a key hotel industry benchmark of financial performance—stood at \$219.68 compared with a national average of \$126.72.

## Carey Watermark Investors 1

According to PwC's *Hospitality Directions U.S.* report, underlying macroeconomic and industry fundamentals will remain strong in 2018. Supply growth is expected to reach 2.0%, the long-term average, while demand growth is anticipated to continue to support record occupancy levels. Strength in consumer spending and the potential for an increase in corporate transient demand are anticipated to drive continued ADR growth compared with 2017. We also believe the passage of the Tax Cuts and Jobs Act of 2017 has the potential to increase consumer and business travel in the coming years.

Against the broader market outlook for 2018, we recognize the inherent quality of our portfolio, the value of its diversification by geography and service level, and the importance of ongoing value-creation initiatives. Given that we are fully invested, we are focused on maximizing the value of our existing assets through proactive asset management. In 2018, we are committed to executing on both our operational initiatives and our asset repair and improvement plans. Upon completion, these initiatives will enable us to fully recognize the value of our individual assets and the portfolio as a whole, which we believe will position us to achieve our longer-term cash flow and valuation objectives.

As always, we thank you for your ongoing confidence and support.

With best regards,



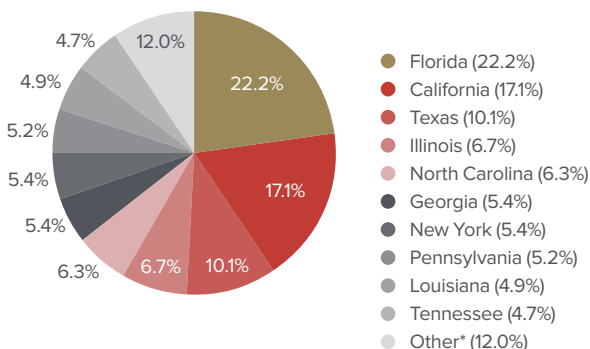
Jason E. Fox  
Chairman of the Board



Michael G. Medzigian  
Chief Executive Officer and President

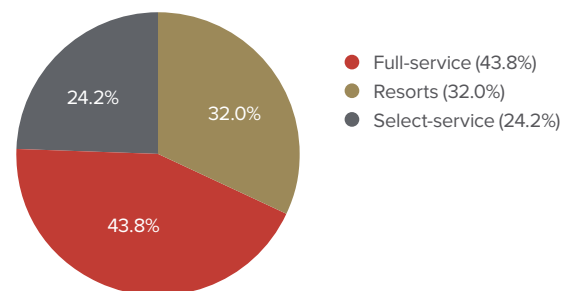
We remain committed to maximizing long-term value for our investors by applying our investment, financial and operational expertise to proactively manage our overall portfolio, complete our value-enhancement initiatives and continue to invest in our existing properties throughout the U.S.

### Diversification by Geography



\* Other includes properties in Colorado, Minnesota, Missouri and Vermont.

### Diversification by Hotel Type



As of December 31, 2017. Percentages derived from proportionate share of hotel rooms at each property, as financial metrics vary by period.

## Featured Properties



The Ritz-Carlton Bacara,  
Santa Barbara  
Santa Barbara, CA

The Equinox, a Luxury  
Collection Golf Resort  
& Spa  
Manchester, VT

The Ritz-Carlton,  
Fort Lauderdale  
Fort Lauderdale, FL

Le Méridien Dallas,  
The Stoneleigh  
Dallas, TX

The Ritz-Carlton  
Key Biscayne, Miami  
Key Biscayne, FL

The Ritz-Carlton  
Philadelphia  
Philadelphia, PA

Hilton Garden Inn and  
Homewood Suites  
Midtown Atlanta  
Atlanta, GA



The Westin Pasadena  
Pasadena, CA

The Westin Minneapolis  
Minneapolis, MN

Kansas City Marriott  
Country Club Plaza  
Kansas City, MO

Staybridge Suites  
Savannah Historic  
District  
Savannah, GA

Sanderling Resort  
Duck, NC

Marriott Sawgrass  
Golf Resort & Spa  
Ponte Vedra Beach, FL

Hampton Inn & Suites/  
Homewood Suites  
Denver Downtown  
Convention Center  
Denver, CO



Sheraton Austin Hotel  
at the Capitol  
Austin, TX

Courtyard Times  
Square West  
New York, NY

Hyatt Place Austin  
Downtown  
Austin, TX

The Renaissance  
Chicago Downtown  
Chicago, IL

Hawks Cay Resort  
Duck Key, FL

Marriott Raleigh  
City Center  
Raleigh, NC

Fairmont Sonoma  
Mission Inn & Spa  
Sonoma, CA



Holiday Inn  
Manhattan 6th  
Avenue – Chelsea  
New York, NY

Hutton Hotel  
Nashville, TN

Courtyard Pittsburgh  
Shadyside  
Pittsburgh, PA

Lake Arrowhead  
Resort and Spa  
Lake Arrowhead, CA

Hilton Garden Inn  
New Orleans French  
Quarter/CBD  
New Orleans, LA

Hyatt Centric French  
Quarter New Orleans  
New Orleans, LA

Courtyard San Diego  
Mission Valley/Hotel Circle  
San Diego, CA

# Corporate Information

W. P. CAREY

## Board of Directors

Jason E. Fox  
*Chairman of the Board;  
Chief Executive Officer, W. P. Carey Inc.*

Michael G. Medzigian  
*Chief Executive Officer and President;  
Chairman and Managing Partner,  
Watermark Capital Partners, LLC*

Charles S. Henry  
*President and Founder,  
Hotel Capital Advisers, Inc.*

Michael D. Johnson  
*Provost, Babson College*

Robert E. Parsons, Jr.  
*Lead Director of the Board and  
Chairman of the Audit Committee;  
Executive Vice President and  
Chief Financial Officer,  
Exclusive Resorts LLC*

William H. Reynolds, Jr.  
*Senior Managing Director,  
MCS Capital LLC*

## Auditors

PricewaterhouseCoopers LLP

## Executive Offices

Carey Watermark Investors 1 Incorporated  
50 Rockefeller Plaza  
New York, NY 10020  
1-212-492-1100  
1-800-WP CAREY (1-800-972-2739)

## Transfer Agent

DST Systems, Inc.  
*Regular mail:*  
W. P. Carey Inc.  
c/o DST Systems, Inc.  
P.O. Box 219145  
Kansas City, MO 64121-9145  
1-888-241-3737  
[www.wpcarey.com/investoraccess](http://www.wpcarey.com/investoraccess)

## Annual Meeting

June 21, 2018, at 2 PM ET  
At our Executive Offices

## Form 10-K

A copy of Carey Watermark Investors 1 Incorporated's Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on March 27, 2018, may be obtained at [www.sec.gov](http://www.sec.gov) by writing to our Executive Offices at the address above or by visiting our website at [www.careywatermark.com](http://www.careywatermark.com).

## E-delivery

To receive future investor-related correspondence electronically, visit [www.wpcarey.com/investoraccess](http://www.wpcarey.com/investoraccess).

## Website

[www.careywatermark.com](http://www.careywatermark.com)

## E-mail

[cwi@wpcarey.com](mailto:cwi@wpcarey.com)



Carey Watermark Investors 1 Incorporated  
50 Rockefeller Plaza  
New York, NY 10020  
1-800-WP CAREY  
[cwi@wpcarey.com](mailto:cwi@wpcarey.com)  
[www.careywatermark.com](http://www.careywatermark.com)



**MIX**  
Paper from  
responsible sources  
**FSC® C101537**

The paper and printer used in the production of the Carey Watermark Investors 1 Incorporated 2017 Annual Report are certified to Forest Stewardship Council® (FSC®) standards, which promote environmentally appropriate, socially beneficial and economically viable management of the world's forests. This report was printed on paper containing 10% postconsumer waste material.