



Carey Watermark
INVESTORS 2







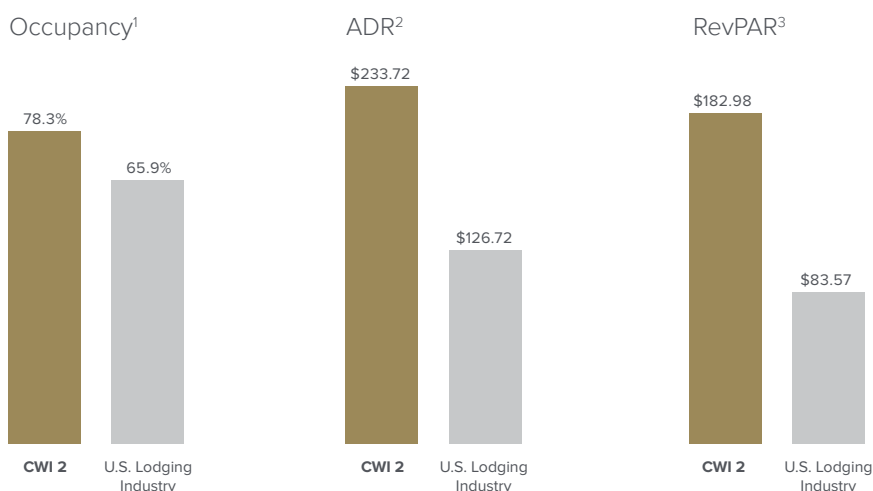
Dear Fellow Investors,

2017 was an important year for Carey Watermark Investors 2 (CWI® 2). We completed our initial public offering, having raised proceeds in excess of \$850 million. We also acquired two additional hotels, thereby fully investing our offering proceeds in a diversified lodging portfolio across geography and hotel type. These investments comprised:

- The Charlotte Marriott City Center, acquired in June 2017, is one of Marriott's flagship properties located in Uptown, Charlotte's central business district. Prior to our acquisition, the property underwent more than \$40 million of capital improvements to reposition it as one of the most technologically advanced full-service properties within the Marriott Hotels system. As part of the renovation, Marriott introduced the world's first hotel innovation incubator, M Beta.
- The Ritz-Carlton Bacara, Santa Barbara, one of a limited number of luxury oceanfront resorts on the California coast, was acquired in September 2017 in a tenancy-in-common venture with our affiliate, Carey Watermark Investors 1 (CWI® 1). Formerly Bacara Resort & Spa, upon acquisition, we changed the hotel management company and rebranded the property as The Ritz-Carlton Bacara, Santa Barbara. The irreplaceable 358-key resort is strategically located on 78 oceanfront acres in close proximity to Santa Barbara and the Santa Ynez Valley wineries. We believe the barriers to entry associated with the 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.

As of December 31, 2017, our portfolio was composed of 12 hotels across the U.S. Among those properties, five have been renovated and five have renovations planned. For 2017, our average daily rate (ADR) — a key hotel

CWI 2 Performance versus the U.S. Lodging Industry



As of December 31, 2017, CWI 2 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.

¹ Occupancy is the percentage of rooms sold divided by rooms available.

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

³ RevPAR, revenue per available room, is room revenue divided by available rooms.

industry benchmark of financial performance — stood at \$233.72 compared with a national average of \$126.72, and our portfolio occupancy was 78.3% versus the industry's 65.9%, which we believe illustrates the quality of our assets.

Hurricane Irma made landfall in September 2017, impacting two of our properties: the Sawgrass Marriott Golf Resort & Spa and The Ritz-Carlton Key Biscayne. These hotels sustained some damage and were forced to close for a short time but reopened as of September 30, 2017. 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.

In 2017, our financing initiatives demonstrated our ability to secure debt financing at attractive rates and maturities. Mortgage financings were composed of three non-recourse loans: \$103 million obtained in connection with our 2017 acquisition of Charlotte Marriott City Center; \$143 million obtained in connection with our 2016 acquisition of The Ritz-Carlton, San Francisco; and \$56 million obtained in the refinancing of the mortgage loan on the Courtyard Nashville Downtown. All three were attractive fixed-rate financings with maturities in 2022. In connection with the acquisition of The Ritz-Carlton Bacara, Santa Barbara, the joint venture obtained debt consisted 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.

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




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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 importance of our ongoing value-creation initiatives. In 2018, we are committed to executing on both our operational initiatives as well as 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,



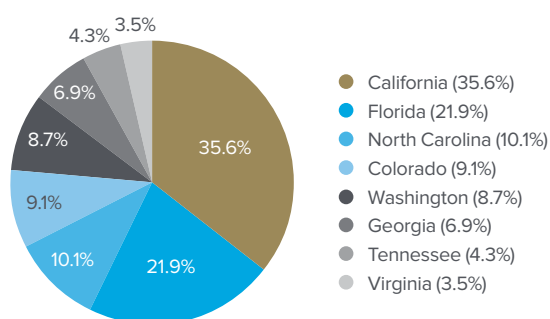
Jason E. Fox
Chairman of the Board



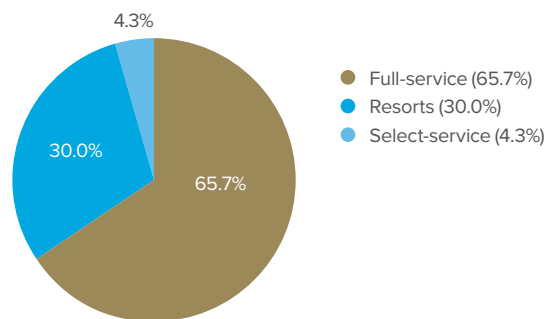
Michael G. Medzigian
Chief Executive Officer and President

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



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. Numbers may not add up to 100% due to rounding.

Featured Properties



Marriott Sawgrass Golf Resort & Spa
Ponte Vedra Beach, FL



Courtyard Nashville Downtown
Nashville, TN



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



Embassy Suites by Hilton Denver
Downtown Convention Center
Denver, CO



Seattle Marriott Bellevue
Seattle, WA



Le Méridien Arlington
Arlington, VA



San Jose Marriott
San Jose, CA



San Diego Marriott La Jolla
La Jolla, CA



Renaissance Atlanta Midtown Hotel
Atlanta, GA



The Ritz-Carlton, San Francisco
San Francisco, CA



Charlotte Marriott City Center
Charlotte, NC



The Ritz-Carlton Bacara, Santa Barbara
Santa Barbara, 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
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Hotel Capital Advisers, Inc.*

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Provost, Babson College

Robert E. Parsons, Jr.
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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

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Annual Meeting

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

Form 10-K

A copy of Carey Watermark Investors 2 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, by writing to our Executive Offices at the address above or by visiting our website at www.careywatermark2.com.

E-delivery

To receive future investor-related correspondence electronically, visit www.wpcarey.com/investoraccess.

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