

CORPORATE PROPERTY ASSOCIATES 14



2004 FIRST QUARTER REPORT



Generating Income for Investors Since 1997

CPA:14

A MEMBER OF THE

W. P. CAREY

GROUP

Dear Fellow CPA[®]:14 Shareholders,

We are pleased to provide you with CPA[®]:14's first quarter financial results. As we continue to monitor its maturing portfolio, we will seek only the investment opportunities that we believe will enable us to provide you with the rising income you have come to expect from your CPA[®]:14 investment.

Among the first quarter results were:

- ◆ Net Income was \$9 million, as compared to \$10.6 million during the same period in 2003. In 2003, the Company benefited from the gain of approximately \$2.6 million from the forfeiture of a security deposit by a former lessee. Excluding this gain, net income would have increased by approximately \$1 million in the first quarter of 2004.
- ◆ Total revenue was \$31.9 million, as compared to \$32.4 million for the comparable period a year ago. In 2003, total revenue also benefited from the forfeiture of the aforementioned security deposit. Excluding this gain, total revenue would have reflected an increase in the first quarter of 2004.
- ◆ Due to lower interest rates and rising real estate prices, CPA[®]:14's net asset value (NAV), calculated as of December 31, 2003, rose to \$11.30 per share, up from its original share price of \$10.00. This is the first appraisal for CPA[®]:14.
- ◆ CPA[®]:14's dividend rose to \$.1894 per share. This equates to an annualized yield of 6.7% based on its current NAV, or 7.6% based on its initial share price of \$10.00.
- ◆ In January, CPA[®]:14 and its affiliated REIT, CPA[®]:12, re-leased a property previously leased to Fleming Companies, Inc. in Grand Rapids, Michigan, to The Retail Distribution Group through August 31, 2009 with one four-year renewal term.

We would like to remind you about CPA[®]:14's Dividend Reinvestment and Share Purchase Plan (DRIP), which enables you to reinvest your quarterly dividends in new CPA[®]:14 shares at its current NAV of \$11.30 per share and enjoy the effects of compounding returns. It's a convenient and cost effective way to increase your investment portfolio. For more information on how you can take advantage of this program please call our transfer agent at 1-888-241-3737 and request your DRIP participation card and prospectus.

In our continuing effort to reduce investor-related expenses, we are now able to deliver your correspondence via e-mail. If you would like to receive future investor correspondence electronically, please register by sending an e-mail to CPA14@wpcarey.com.

We remain committed to providing our investors with a dependable income stream while continuing to meet the long-term financing needs of high quality companies. On behalf of the entire CPA[®]:14 family, we wish you and your family the very best and hope that you have a safe and enjoyable summer.

With best regards,

Most sincerely,



Wm. Polk Carey
Chairman



Gordon F. DuGan
Vice Chairman

P.S. As always, please direct any change of address, name and transfer instructions, as well as lost check inquiries to our transfer agent:

W. P. Carey & Co. LLC
c/o Phoenix American Financial Services
2401 Kerner Boulevard, San Rafael, CA 94901-5529
1-888-241-3737 • www.phxa.com/wpc

Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>(in thousands)</i>	Three Months Ended March 31,	
	2004	2003
Cash flows from operating activities:		
Net income	\$ 8,989	\$ 10,604
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,158	5,885
Straight-line rent adjustments	(1,138)	(1,012)
Income from equity investments in excess of distributions received	(258)	(494)
Issuance of shares in satisfaction of current and accrued performance fees	1,906	1,461
Minority interest in income	406	472
Unrealized loss (gain) on warrants and foreign currency transactions, net	173	(210)
Gain on foreign currency transactions	(58)	—
Increase (decrease) in prepaid rents and security deposits	83	(702)
Change in other operating assets and liabilities, net	(458)	(470)
Net cash provided by operating activities	<u>15,803</u>	<u>15,534</u>
Cash flows from investing activities:		
Distributions from operations of equity investments in excess of equity income	419	395
Purchases of real estate and equity investments and additional capitalized costs	(368)	(29,563)
Distributions of mortgage financing proceeds received from equity investee	—	8,722
Payment of value added taxes from purchase of real estate	(1,617)	—
Payment of deferred acquisition fees	(3,266)	(2,373)
Net cash used in investing activities	<u>(4,832)</u>	<u>(22,819)</u>
Cash flows from financing activities:		
Proceeds from mortgages	—	3,017
Funds released by mortgage lenders	96	—
Payments on mortgage principal	(2,716)	(2,099)
Distributions to minority interest partner	(582)	(754)
Proceeds from issuance of shares, net of costs	1,209	100
Deferred financing costs	—	21
Dividends paid	(12,662)	(12,488)
Purchase of treasury stock	(675)	(400)
Net used in financing activities	<u>(15,330)</u>	<u>(12,603)</u>
Effect of exchange rate changes on cash	(319)	206
Net decrease in cash and cash equivalents	(4,678)	(19,682)
Cash and cash equivalents, beginning of period	<u>54,675</u>	<u>74,107</u>
Cash and cash equivalents, end of period	<u>\$ 49,997</u>	<u>\$ 54,425</u>

Condensed Consolidated Balance Sheets

<i>(in thousands, except share amounts)</i>	March 31, 2004 (Unaudited)	December 31, 2003 (Note)
Assets:		
Land and buildings, net of accumulated depreciation of \$67,739 at March 31, 2004 and \$62,105 at December 31, 2003	\$ 999,585	\$ 1,010,438
Net investment in direct financing leases	115,433	114,907
Equity investments	120,227	120,388
Cash and cash equivalents	49,997	54,675
Marketable securities	6,921	6,792
Other assets	39,172	38,547
Total assets	<u>\$ 1,331,335</u>	<u>\$ 1,345,747</u>
Liabilities, Minority Interest and Shareholders' Equity:		
Liabilities:		
Mortgage notes payable	\$ 695,445	\$ 702,175
Accrued interest	4,387	4,461
Due to affiliates	3,801	4,559
Accounts payable and accrued expenses	4,375	5,968
Prepaid rental income and security deposits	19,825	19,607
Deferred acquisition fees payable to affiliate	19,263	22,530
Dividends payable	12,718	12,662
Total liabilities	<u>759,814</u>	<u>771,962</u>
Minority interest	<u>27,180</u>	<u>27,356</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.001 par value; authorized, 120,000,000 shares; issued and outstanding, 67,990,109 shares at March 31, 2004 and 67,694,702 shares at December 31, 2003	68	68
Additional paid-in capital	609,496	606,380
Dividends in excess of accumulated earnings	(67,765)	(64,036)
Accumulated other comprehensive income	10,350	11,150
	<u>552,149</u>	<u>553,562</u>
Less, treasury stock at cost, 878,854 shares at March 31, 2004 and 802,642 shares at December 31, 2003	<u>(7,808)</u>	<u>(7,133)</u>
Total shareholders' equity	<u>544,341</u>	<u>546,429</u>
Total liabilities, minority interest and shareholders' equity	<u>\$ 1,331,335</u>	<u>\$ 1,345,747</u>

Note: The balance sheet at December 31, 2003 has been derived from the audited consolidated financial statements at that date.

Condensed Consolidated Statements of Income (Unaudited)

	Three Months Ended March 31,	
<i>(in thousands, except share and per share amounts)</i>	2004	2003
Revenues:		
Rental income	\$ 28,249	\$ 26,559
Interest income from direct financing leases	3,388	3,229
Other operating income	220	2,651
	<u>31,857</u>	<u>32,439</u>
Operating expenses:		
Depreciation	5,859	5,596
General and administrative	1,802	2,161
Property expenses	4,866	4,592
	<u>12,527</u>	<u>12,349</u>
Income from continuing operations before other interest income, minority interest, equity investments, interest expense and (loss) gain	19,330	20,090
Other interest income	331	425
Minority interest in income	(406)	(472)
Income from equity investments	3,367	3,138
Interest expense	<u>(13,518)</u>	<u>(12,787)</u>
Income from continuing operations before (loss) gain	9,104	10,394
Unrealized (loss) gain on derivative instruments and foreign currency transactions, net	(168)	210
Gain on foreign currency transactions, net	53	—
Net income	<u>\$ 8,989</u>	<u>\$ 10,604</u>
Basic and diluted earnings per share	<u>\$.13</u>	<u>\$.16</u>
Weighted average shares outstanding - basic and diluted	<u>67,129,602</u>	<u>66,351,057</u>



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