

CPA:14

2005 First Quarter Report

CORPORATE PROPERTY ASSOCIATES 14



GENERATING INCOME FOR INVESTORS SINCE 1997

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 2005 financial results. Among the highlights:

- Net income for the first quarter increased to \$13.0 million, as compared to \$8.9 million for the similar period in 2004. This increase was due in large part to a gain of \$2.4 million in connection with CPA[®]:14's exercise of its warrant position in American Tire Distributors, Inc. (formerly Heafner Tires).
- Revenues increased to \$33.2 million during the first quarter, up from \$31.7 million for the same period in 2004.
- Cash Flows from Operating Activities for the first quarter declined to \$13.4 million from \$15.8 million during the same period in 2004. This decrease was the result in large part to a decline in prepaid rents due during the first quarter 2005, which were received in December 2004. We believe this decline is temporary and not indicative of future results. As of March 31, 2005, CPA[®]:14 had cash and cash equivalent balances of \$38.9 million, which can be utilized for working capital needs and other commitments as well as future real estate purchases.
- CPA[®]:14's net asset value (NAV) per share, based on an independent third party appraisal as of December 31, 2004, increased to \$12.10, up 7% from its \$11.30 per share 2003 valuation. This increase also represents a 21% increase from its original share price of \$10.00. We are pleased with this increase, but remain mindful that rising interest rates and other market conditions could have an adverse effect on CPA[®]:14's future valuations. We will remain diligent in monitoring CPA[®]:14's portfolio to ensure its continued stability and future success.
- In March, the Board of Directors of CPA[®]:14 increased its first quarter distribution to \$.1904 per share. This equates to an annualized yield of 7.62%, based on its initial share price of \$10.00.

Asset Management Activity

- In February, CPA[®]:14 sold a property in Valencia, CA formerly leased to Stellex Technologies, Inc. to a third party and received \$1.9 million, net of selling costs. As a result, CPA[®]:14 recognized a gain of \$196,000.
- In March, CPA[®]:14 approved the redemption of its warrant position it held in American Tire Distributors Inc. (ATD) in connection with the acquisition of ATD by Investcorp, a global investment group. As a result, CPA[®]:14 recognized a gain of \$2.4 million. ATD remains a tenant of CPA[®]:14.

As you are well aware by now, Madison Liquidity Investors and its affiliates are soliciting CPA[®]:14 investors to sell their

shares for \$9.25 per share, a significant discount to CPA[®]:14's current NAV of \$12.10. We recommend that you reject their tender offer solicitations for the reason mentioned in our previous shareholder communications, a copy of which can be found at www.CPA14.com. We also encourage you to review the Securities and Exchange Commission's website, www.sec.gov/investor/pubs/miniend.htm, which provides additional details on the dangers of these types of tender offers. If you have questions, please consult your financial advisor or contact our Investor Relations Department at 1-800-WP CAREY (972-2739) or send an e-mail to IR@wpcarey.com.

We are pleased to announce a new convenient, secure and cost effective way to access your CPA[®]:14 investment information online 24 hours a day, seven days a week at www.wpcarey.com/ShareholderAccess. You can access your current investment balances, distribution histories, and download forms among other options.

We would like to remind you of CPA[®]:14's Distribution Reinvestment and Share Purchase Plan (DRIP). This plan enables you to reinvest your quarterly distributions in new CPA[®]:14 shares at its current NAV of \$12.10 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.

On behalf of the entire CPA[®]:14 family, we thank you again for your continued confidence and support. We wish you and your family the very best and hope that you have a safe and enjoyable summer.

With best regards,



Wm. Polk Carey
Chairman



Gordon F. DuGan
Vice Chairman
& *CEO*



Edward V. LaPuma
President

P.S. Please direct any change of address, name and transfer instructions, as well as lost check inquiries to CPA[®]:14's transfer agent:

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

<i>(in thousands except share and per share amounts)</i>	Three Months Ended March 31,	
	2005	2004
Revenues:		
Rental income	\$ 28,929	\$ 28,144
Interest income from direct financing leases	3,645	3,388
Other operating income	638	220
	<u>33,212</u>	<u>31,752</u>
Operating expenses:		
Depreciation	5,904	5,843
General and administrative	1,585	1,794
Property expenses	5,631	4,866
	<u>13,120</u>	<u>12,503</u>
Income from continuing operations before other interest income, minority interest, equity investments, interest expense and gain (loss)	20,092	19,249
Other interest income	358	331
Minority interest in income	(448)	(406)
Income from equity investments	3,811	3,367
Interest expense	(13,245)	(13,475)
Income from continuing operations before gain (loss)	10,568	9,066
Gain (loss) on derivative instruments, net	2,406	(55)
Loss on foreign currency transactions, net	(303)	(60)
Income from continuing operations	12,671	8,951
Discontinued operations:		
Income from operation of discontinued properties	144	38
Gain on sale of real estate	196	—
Income from discontinued operations	340	38
Net income	<u>\$ 13,011</u>	<u>\$ 8,989</u>
Basic earnings per share:		
Earnings from continuing operations	\$.18	\$.13
Earnings from discontinued operations	.01	—
Net income	<u>\$.19</u>	<u>\$.13</u>
Weighted average shares outstanding – basic	<u>68,025,078</u>	<u>67,129,602</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

<i>(in thousands except share and per share amounts)</i>	Three Months Ended March 31,	
	2005	2004
Cash flows from operating activities:		
Net income	\$ 13,011	\$ 8,989
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, including gain on sale of real estate	(340)	(38)
Depreciation and amortization	6,187	6,140
Straight-line rent adjustments	(892)	(1,138)
Income from equity investments in excess of distributions received	(54)	(258)
Issuance of shares in satisfaction of current and accrued performance fees	2,156	1,906
Minority interest in income	448	406
Unrealized (gain) loss on derivatives, net	(2,406)	55
Unrealized loss on foreign currency transactions, net	303	118
Gain on foreign currency transactions, net	—	(58)
(Decrease) increase in prepaid rents and security deposits	(3,781)	83
Change in other operating assets and liabilities, net	(1,384)	(458)
Net cash provided by continuing operations	13,248	15,747
Net cash provided by discontinued operations	144	56
Net cash provided by operating activities	13,392	15,803
Cash flows from investing activities:		
Distributions from operations of equity investments in excess of equity income	719	419
Additional capitalized costs	(50)	(368)
Payment of value added taxes from purchase of real estate	—	(1,617)
Purchase of securities	—	(10,825)
Proceeds from sale of real estate and securities	9,000	15,950
Payment of deferred acquisition fees	(3,420)	(3,266)
Net cash provided by investing activities	6,249	293
Cash flows from financing activities:		
Funds released by mortgage lenders	—	96
Payments of mortgage principal	(3,060)	(2,716)
Distributions to minority interest partner	(939)	(582)
Proceeds from issuance of shares, net of costs	1,615	1,209
Dividends paid	(12,892)	(12,662)
Purchase of treasury stock	(1,369)	(675)
Net cash used in financing activities	(16,645)	(15,330)
Effect of exchange rate changes on cash	(448)	(319)
Net increase in cash and cash equivalents	2,548	447
Cash and cash equivalents, beginning of period	36,395	38,725
Cash and cash equivalents, end of period	\$ 38,943	\$ 39,172

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(in thousands except share and per share amounts)

	March 31, 2005	December 31, 2004*
Assets:		
Land and buildings, net of accumulated depreciation of \$91,494 at March 31, 2005 and \$86,212 at December 31, 2004	\$ 983,952	\$ 999,861
Net investment in direct financing leases	116,175	116,343
Equity investments	134,240	134,905
Asset held for sale	—	3,797
Cash and cash equivalents	38,943	36,395
Marketable securities	6,666	13,904
Other assets, net	43,403	41,150
Total assets	<u>\$ 1,323,379</u>	<u>\$ 1,346,355</u>
Liabilities, Minority Interest and Shareholders' Equity:		
Liabilities:		
Mortgage notes payable	\$ 690,110	\$ 701,181
Mortgage notes payable on asset held for sale	—	2,190
Accrued interest	4,470	4,612
Due to affiliates	4,314	4,925
Accounts payable and accrued expenses	4,076	5,184
Prepaid rental income and security deposits	18,254	22,233
Deferred acquisition fees payable to affiliate	16,424	20,012
Dividends payable	12,943	12,894
Total liabilities	<u>750,591</u>	<u>773,231</u>
Minority interest	25,935	26,426
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common stock, \$.001 par value; authorized, 120,000,000 shares; issued and outstanding, 69,309,914 shares at March 31, 2005 and 68,982,023 shares at December 31, 2004	69	69
Additional paid-in capital	624,137	620,366
Dividends in excess of accumulated earnings	(76,231)	(76,301)
Accumulated other comprehensive income	11,304	13,621
	<u>559,279</u>	<u>557,755</u>
Less, treasury stock at cost, 1,330,075 shares at March 31, 2005 and 1,191,490 shares at December 31, 2004	<u>(12,426)</u>	<u>(11,057)</u>
Total shareholders' equity	<u>546,853</u>	<u>546,698</u>
Total liabilities, minority interest and shareholders' equity	<u>\$ 1,323,379</u>	<u>\$ 1,346,355</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

*Note: The balance sheet at December 31, 2004 has been derived from the audited consolidated financial statements at that date.