

CPA:14

2005 Second 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 details on CPA®:14's financial results for the three-month period ended June 30, 2005. Among the quarterly and year-to-date highlights were:

- In June, the Board of Directors of CPA®:14 increased its second quarter distribution to \$.1909 per share. This equates to an annualized yield of 7.63%, based on its initial share price of \$10.00.
- Cash flows from operating activities for the six-month period ended June 30, 2005 increased to \$30.9 million, from \$30.6 million during the comparable period in 2004.
- Net income for the second quarter increased to \$10.7 million, as compared to \$8.9 million for the similar period in 2004.
- Revenues increased to \$33.2 million during the quarter, from \$32.3 million during the comparable period in 2004.

Portfolio Update

- In April, Meridian Automotive Systems, Inc., the lessee of a property that generated annual lease revenues of \$1.2 million in 2004, filed a voluntary petition of bankruptcy. They remain current on their lease obligations.
- In May, Collins and Aikman Corporation, the lessee of several properties that generated annual lease revenues of \$3.4 million in 2004, filed a voluntary petition of bankruptcy. They remain current on their lease obligations.

As you are well aware by now, Madison Liquidity Investors and its affiliates are soliciting CPA®:14 investors to sell their shares for \$10.00 per share, a 17% discount to CPA®:14's current NAV of \$12.10. We recommend that you reject their tender offer solicitation 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/minitend.htm,

which provides additional details on the dangers of these types of tender offers. If you have questions, please consult your financial advisor or call our Investor Relations Department at 1-800-WP CAREY (972-2739) or send an e-mail to IR@wpcarey.com.

We are pleased to offer a 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 and distribution history, among other options.

As a reminder, CPA[®]:14's Distribution Reinvestment and Share Purchase Plan (DRIP) 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 Investor Relations Department.

On behalf of the entire CPA[®]:14 family, we thank you again for your continued confidence and support.

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.wpcarey.com/ShareholderAccess

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

<i>(in thousands except share and per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Revenues:				
Rental income	\$ 29,012	\$ 28,087	\$ 57,941	\$ 56,231
Interest income from direct financing leases	3,445	3,319	7,090	6,707
Other operating income	748	948	1,386	1,168
	33,205	32,354	66,417	64,106
Operating expenses:				
Depreciation	5,884	5,829	11,788	11,672
General and administrative	1,465	1,560	3,050	3,354
Property expenses	6,315	5,798	11,946	10,664
	13,664	13,187	26,784	25,690
Income from continuing operations before other interest income, minority interest, equity income, interest expense and gains and losses	19,541	19,167	39,633	38,416
Other interest income	813	280	1,171	611
Minority interest in income	(566)	(406)	(1,014)	(812)
Income from equity investments	3,931	3,578	7,742	6,945
Interest expense	(13,296)	(13,427)	(26,541)	(26,902)
Income from continuing operations before gain (loss)	10,423	9,192	20,991	18,258
Gain (loss) on derivative instruments, net	192	(847)	2,598	(902)
Gain (loss) on foreign currency transactions, net	52	507	(251)	447
Income from continuing operations	10,667	8,852	23,338	17,803
Discontinued operations:				
Income from operations of discontinued properties	—	53	144	91
Gain on sale of real estate	—	—	196	—
Income from discontinued operations	-	53	340	91
Net income	\$ 10,667	\$ 8,905	\$ 23,678	\$ 17,894
Basic earnings per share:				
Earnings from continuing operations	\$.16	\$.13	\$.34	\$.27
Income from discontinued operations	—	—	.01	—
Net income	\$.16	\$.13	\$.35	\$.27
Dividends declared per share	\$.1909	\$.1897	\$.3813	\$.3791
Weighted average shares outstanding – basic	68,166,303	67,339,075	68,096,081	67,234,339

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

<i>(in thousands)</i>	Six Months Ended June 30,	
	2005	2004
Cash flows from operating activities:		
Net income	\$ 23,678	\$ 17,894
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, including gain on sale of real estate	(340)	(91)
Depreciation and amortization	12,352	12,290
Straight-line rent adjustments	(1,676)	(2,319)
Income from equity investments in excess of distributions received	(186)	(455)
Issuance of shares to affiliate in satisfaction of fees due	4,424	4,008
Minority interest in income	1,014	812
Reversal of unrealized loss on warrants	(7)	—
Realized gain on sale of warrants	(2,192)	—
Unrealized (gain) loss on derivatives, net	(399)	902
Unrealized loss on foreign currency transactions, net	696	279
Gain on foreign currency transactions, net	(445)	(726)
Decrease in prepaid rents and security deposits	(4,076)	(987)
Change in other operating assets and liabilities, net	(2,086)	(1,134)
Net cash provided by continuing operations	30,757	30,473
Net cash provided by discontinued operations	144	128
Net cash provided by operating activities	30,901	30,601
Cash flows from investing activities:		
Distributions from operations of equity investments in excess of equity income	1,350	1,423
Additional capitalized costs	(50)	(15,665)
Payment of value added taxes from purchase of real estate	—	(1,617)
Purchase of securities	—	(10,825)
Proceeds from sale of securities	7,000	19,775
Proceeds from sale of real estate	2,000	—
Proceeds from sale of warrants	2,432	—
Payment of deferred acquisition fees	(3,420)	(3,266)
Net cash provided by (used in) investing activities	9,312	(10,175)
Cash flows from financing activities:		
Funds released by mortgage lenders	—	167
Payments of mortgage principal	(5,834)	(5,354)
Distributions to minority interest partner	(1,802)	(1,427)
Contributions from minority interest partner	—	111
Proceeds from issuance of shares, net of costs	3,271	2,607
Dividends paid	(25,835)	(25,380)
Purchase of treasury stock	(3,947)	(1,876)
Net cash used in financing activities	(34,147)	(31,152)
Effect of exchange rate changes on cash	(726)	(344)
Net increase (decrease) in cash and cash equivalents	5,340	(11,070)
Cash and cash equivalents, beginning of period	36,395	38,725
Cash and cash equivalents, end of period	\$ 41,735	\$ 27,655

CONSOLIDATED BALANCE SHEETS (Unaudited)

(in thousands except share amounts)

	June 30, 2005	December 31, 2004*
Assets:		
Land and buildings, net of accumulated depreciation of \$96,568 at June 30, 2005 and \$86,212 at December 31, 2004	\$ 966,668	\$ 999,861
Net investment in direct financing leases	115,848	116,343
Equity investments	133,741	134,905
Asset held for sale	—	3,797
Cash and cash equivalents	41,735	36,395
Marketable securities	6,702	13,904
Other assets, net	45,478	41,150
Total assets	<u>\$ 1,310,172</u>	<u>\$ 1,346,355</u>
Liabilities, Minority Interest and Shareholders' Equity:		
Liabilities:		
Mortgage notes payable	\$ 678,005	\$ 701,181
Mortgage notes payable on asset held for sale	—	2,190
Accrued interest	4,364	4,612
Due to affiliates	4,469	4,925
Accounts payable and accrued expenses	5,397	3,760
Prepaid rental income and security deposits	18,280	22,233
Deferred acquisition fees payable to affiliate	16,424	20,012
Other liabilities	1,526	1,424
Dividends payable	13,020	12,894
Total liabilities	<u>741,485</u>	<u>773,231</u>
Minority interest	<u>25,638</u>	<u>26,426</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.001 par value; 120,000,000 shares authorized; issued and outstanding, 69,640,756 shares at June 30, 2005 and 68,982,023 shares at December 31, 2004	70	69
Additional paid-in capital	628,060	620,366
Dividends in excess of accumulated earnings	(78,584)	(76,301)
Accumulated other comprehensive income	8,507	13,621
	<u>558,053</u>	<u>557,755</u>
Less treasury stock at cost, 1,567,254 shares at June 30, 2005 and 1,191,490 shares at December 31, 2004	(15,004)	(11,057)
Total shareholders' equity	<u>543,049</u>	<u>546,698</u>
Total liabilities, minority interest and shareholders' equity	<u>\$ 1,310,172</u>	<u>\$ 1,346,355</u>

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



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