

CPA:14

2006 THIRD 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 updated information about our portfolio for the third quarter of 2006.

Lease revenues and cash flow from operating activities for the nine-month period ended September 30, 2006 increased as compared to the same period in 2005. The significant increase in cash flow from operating activities was largely due to the sale of two of our properties in the second quarter. Our portfolio of single-tenant triple-net leased real estate assets continues to provide stable quarterly income to investors and consisted of 230 properties leased to 74 tenants, totaling approximately 24 million square feet located throughout the United States, Finland, France, the Netherlands and the United Kingdom as of September 30, 2006.

Merger Update

On December 1, 2006 we merged with an affiliate, Corporate Property Associates 12. In connection with this merger, we issued approximately 18,470,000 shares of our common stock and approximately \$102 million in cash to acquire 87 properties located in 25 states, totaling approximately 6.6 million square feet from CPA®:12. These properties have lease terms of greater than 8 years and a revenue-weighted average lease term of approximately 12.5 years. The price paid for CPA®:12's properties was based on an appraisal performed by a third party appraiser. In connection with this merger, we entered into a three-year, \$150 million line of credit. Shareholders will now benefit from a more diversified portfolio and an asset base in excess of \$2.1 billion.

Portfolio Update

As previously reported, in the second quarter of 2006 we restructured a master lease agreement with Starmark Holdings LLC ("Starmark Holdings") covering 15 fitness center properties that we owned together with several of our affiliates. In the third quarter, six of the properties were leased to a new tenant, Life Time Fitness Inc. In addition, four of the properties formerly leased to Starmark Holdings were transferred to Life Time Fitness in exchange for a \$20 million commitment to fund improvements to the six leased properties. An additional property was re-leased to a second new tenant, Town Sports International, on terms similar to the original lease with Starmark Holdings. Four remaining properties are leased to Starmark Holdings. In December 2006, the ownership of Starmark Holdings was restructured and 100% of the equity of the smaller fitness club operations is now owned by management and a new investor, Central Sports Co., Ltd., a fitness club operator based in Japan.

Companies in automotive-related industries are currently

experiencing a challenging environment, which has resulted in several companies filing for bankruptcy protection. CPA[®]:14 currently has two tenants in automotive-related industries in Chapter 11 bankruptcy, Tower Automotive and Collins & Aikman. Meridian Automotive Systems, which was in bankruptcy, affirmed its lease and exited Chapter 11 in December 2006. Tower Automotive and Collins & Aikman represent approximately 6% of lease revenues for the nine-month period ended September 30, 2006. We will continue to monitor the situation.

Special Distribution

In connection with the sale of a property formerly leased to Etec Systems, Inc., shareholders of record on November 30, 2006, prior to our merger with CPA[®]:12, were paid a special distribution of \$0.04 per share on January 16, 2007.

Distribution Reinvestment and Share Purchase Plan (DRIP)

As a reminder, our DRIP enables you to reinvest your quarterly distributions in new CPA[®]:14 shares at our current Net Asset Value and enjoy the effects of compounding returns. It's a convenient and cost-effective way to increase your investment portfolio. For more information about how you can take advantage of this program, please contact our Investor Relations Department at 1-800-WP CAREY or IR@wpcarey.com

Online Account Access

Please consider receiving your future investor correspondence, such as this quarterly report, electronically. Register at www.wpcarey.com/ShareholderAccess and you will find a convenient and cost-effective way to access your CPA[®]:14 investment information online 24 hours a day, seven days a week.

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

With best regards,



Wm. Polk Carey
Chairman of the Board



Gordon F. DuGan
Chief Executive Officer



Edward V. LaPuma
President

Please note that this letter provides only a summary of the information contained in our quarterly report on Form 10-Q for the three months ended September 30, 2006, which can be found at www.cpa14.com.

Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	Nine months ended September 30,	
	2006	2005
Cash flows from operating activities		
Net income	\$ 45,715	\$ 34,517
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,034	18,473
Straight-line rent adjustments	(1,987)	(2,470)
Income from equity investments in real estate in excess of distributions received	13,165	199
Minority interest in income	1,530	1,549
Issuance of shares to affiliate in satisfaction of fees due	6,666	6,447
Increase (decrease) in prepaid and deferred rental income and security deposits	107	(2,300)
Realized gain on foreign currency transactions, net	(361)	(347)
Unrealized (gain) loss on foreign currency transactions, net	(321)	713
Unrealized gain on derivatives, net	(264)	(798)
Reversal of unrealized (gain) loss on derivatives	(229)	7
Realized loss (gain) on sale of securities and warrants	44	(2,192)
Gain from sale of real estate	(14,178)	(465)
Change in operating assets and liabilities, net	(432)	(1,574)
Net cash provided by operating activities	<u>71,489</u>	<u>51,759</u>
Cash flows from investing activities		
Equity distributions received in excess of equity income in real estate	39,150	1,722
Capital contributions to equity investments in real estate	(45,481)	—
Capital expenditures	(885)	(2,044)
Proceeds from sale of real estate	35,512	2,000
Proceeds from sale of securities	2,986	9,432
Costs capitalized in connection with proposed merger	(1,306)	—
Funds placed in restricted account for future investment	(21,741)	—
Funds released from restricted account	21,741	—
Payment of deferred acquisition fees to an affiliate	(3,514)	(3,420)
Net cash provided by investing activities	<u>26,462</u>	<u>7,690</u>
Cash flows from financing activities		
Distributions paid	(70,328)	(38,856)
Distributions to minority interest partner	(2,882)	(2,588)
Proceeds from mortgages	12,000	—
Prepayment of mortgage principal	(24,167)	—
Scheduled payments of mortgage principal	(9,314)	(8,758)
Payment of financing costs	(476)	—
Proceeds from issuance of shares, net of costs	9,044	5,211
Purchase of treasury stock	(7,146)	(6,470)
Net cash used in financing activities	<u>(93,269)</u>	<u>(51,461)</u>
Effect of exchange rate changes on cash	213	(696)
Net increase in cash and cash equivalents	4,895	7,292
Cash and cash equivalents, beginning of period	37,871	36,395
Cash and cash equivalents, end of period	<u>\$ 42,766</u>	<u>\$ 43,687</u>

Consolidated Balance Sheets (Unaudited)

(in thousands, except share and per share amounts)

	September 30, 2006	December 31, 2005 (Note)
Assets		
Real estate, net	\$ 915,385	\$ 943,637
Net investment in direct financing leases	116,712	115,513
Equity investments in real estate	136,583	143,417
Cash and cash equivalents	42,766	37,871
Marketable securities	6,514	9,267
Other assets, net	51,846	45,331
Total assets	\$ 1,269,806	\$ 1,295,036
Liabilities and Shareholders' Equity		
Liabilities:		
Limited recourse mortgage notes payable	\$ 650,907	\$ 663,098
Accrued interest	4,184	4,358
Accounts payable, accrued expenses and other liabilities	9,365	5,887
Due to affiliates	6,504	4,894
Deferred acquisition fees payable to affiliate	12,910	16,424
Prepaid and deferred rental income and security deposits	20,407	20,296
Distributions payable	13,304	13,103
Total liabilities	717,581	728,060
Minority interest in consolidated entities	23,660	25,012
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.001 par value; 120,000,000 shares authorized; 71,642,558 and 70,308,710 shares issued and outstanding, respectively	72	70
Additional paid-in capital	651,717	636,009
Distributions in excess of accumulated earnings	(105,980)	(81,166)
Accumulated other comprehensive income	9,931	7,080
	555,740	561,993
Less, treasury stock at cost, 2,673,589 and 2,028,584 shares, respectively	(27,175)	(20,029)
Total shareholders' equity	528,565	541,964
Total liabilities and shareholders' equity	\$ 1,269,806	\$ 1,295,036

Note: The consolidated balance sheet at December 31, 2005 has been derived from the audited consolidated financial statements at that date.

Consolidated Statements of Income (Unaudited)

(in thousands, except share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Revenues				
Rental income	\$ 28,801	\$ 28,391	\$ 85,524	\$ 85,122
Interest income from direct financing leases	3,517	3,545	10,500	10,635
Other operating income	2,433	2,798	3,756	4,164
	<u>34,751</u>	<u>34,734</u>	<u>99,780</u>	<u>99,921</u>
Operating Expenses				
Depreciation	(5,765)	(5,740)	(21,006)	(17,300)
Property expenses	(7,208)	(7,946)	(18,021)	(19,884)
General and administrative	(1,493)	(1,787)	(4,700)	(4,837)
	<u>(14,466)</u>	<u>(15,473)</u>	<u>(43,727)</u>	<u>(42,021)</u>
Other Income and Expenses				
(Loss) income from equity investments in real estate	(606)	3,812	13,009	11,554
Other interest income	950	510	2,102	1,681
Minority interest in income	(502)	(535)	(1,530)	(1,549)
Gain on derivative instruments and other gains, net	63	636	449	3,252
Gain (loss) on foreign currency transactions, net	115	(115)	682	(366)
Interest expense	(12,673)	(12,986)	(37,727)	(39,060)
	<u>(12,653)</u>	<u>(8,678)</u>	<u>(23,015)</u>	<u>(24,488)</u>
Income from continuing operations	<u>7,632</u>	<u>10,583</u>	<u>33,038</u>	<u>33,412</u>
Discontinued Operations				
Income (loss) from operations of discontinued properties	—	256	(1,501)	909
Gain on sale of real estate	—	—	14,178	196
Income from discontinued operations	<u>—</u>	<u>256</u>	<u>12,677</u>	<u>1,105</u>
Net Income	<u>\$ 7,632</u>	<u>\$ 10,839</u>	<u>\$ 45,715</u>	<u>\$ 34,517</u>
Basic Earnings Per Share				
Income from continuing operations	\$ 0.11	\$ 0.16	\$ 0.48	\$ 0.49
Income from discontinued operations	—	—	0.19	0.02
Net Income	<u>\$ 0.11</u>	<u>\$ 0.16</u>	<u>\$ 0.67</u>	<u>\$ 0.51</u>
Distributions Declared Per Share	<u>\$ 0.1929</u>	<u>\$ 0.1914</u>	<u>\$ 0.5782</u>	<u>\$ 0.5727</u>
Weighted Average Shares				
Outstanding - Basic	<u>69,101,825</u>	<u>68,266,521</u>	<u>68,729,966</u>	<u>68,153,518</u>



c/o Phoenix American Financial Services
2401 Kerner Boulevard
San Rafael, CA 94901

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