

CPA:16 GLOBAL

2006 SECOND QUARTER REPORT

CORPORATE PROPERTY ASSOCIATES 16 — GLOBAL

GENERATING INCOME FOR INVESTORS SINCE 2003



A MEMBER OF THE

W. P. CAREY

GROUP

Dear Fellow CPA®:16 – Global Shareholders

We are pleased to provide you with updated information about CPA®:16 – Global’s portfolio for the three-month period ended June 30, 2006.

Revenues, net income and cash flows from operating activities increased as compared to the same period in 2005. CPA®:16 – Global continues to develop into a diversified portfolio of single-tenant triple-net leased real estate that as of June 30, 2006 consisted of 189 properties, leased to 41 tenants, totaling approximately 13.5 million square feet, located throughout the United States, Canada, Europe (Finland, France, Germany, Poland, Sweden), Mexico, Thailand and the United Kingdom.

Fundraising Activity

Effective March 27, 2006, we commenced our second public offering of up to \$550 million and have raised \$221 million through August 11, 2006.

Portfolio Update

For the three-month period ended June 30, 2006, we completed three investments, at a total cost of \$83 million. Two of the three investments included properties located in the United States leased to Kings Super Markets, Inc. and CheeseWorks, Inc., while the remaining investment included a corporate headquarters facility located in Germany leased to Hilite International, Inc.

In May 2006, Foss Manufacturing Company, LLC assumed the lease of Foss Manufacturing Company, Inc., which had operated under bankruptcy protection since September 2005.

In June 2006, our tenants Clean Earth Kentucky, LLC and Clean Earth Environmental Group LLC (collectively, “Clean Earth”), who filed for Chapter 11 bankruptcy protection in January 2006, notified us that they would not affirm their lease. In July 2006, we entered into a new lease with EZ Pack, which provides for initial annual rent consistent with revenue generated under the Clean Earth leases.

Quarterly Distribution

Our second quarter 2006 distribution increased to \$.1588 per share, which equates to an annualized yield of 6.35% based on our original share price of \$10.00.

Distribution Reinvestment and Share Purchase Plan (DRIP)

As a reminder, our DRIP enables you to reinvest your quarterly distributions in new CPA®:16 – Global shares 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.

Shareholder 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, secure and cost-effective way to access your CPA®:16 – Global investment information online 24 hours a day, seven days a week. In addition to lowering shareholder expenses, you will be able to access your current investment balances and distribution history, among other options.

On behalf of the entire CPA®:16 – Global 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*



Thomas E. Zacharias
President

P.S. As always, please direct any change of address, name and transfer instructions to our 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

Please note that this letter provides only a summary of the information contained in our quarterly report on Form 10-Q for the six-month period ended June 30, 2006, which we have filed with the Securities and Exchange Commission. We encourage you to read the full report, which can be found at www.cpa16global.com.

Consolidated Statements of Cash Flows (Unaudited)

(in thousands except share amounts)

	Six months ended June 30,	
	2006	2005
Cash flows from operating activities		
Net income	\$ 11,849	\$ 7,888
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization including intangible assets and deferred financing costs	5,912	2,754
(Gain) loss on foreign currency transactions, net	(232)	212
Unrealized gain on derivative instrument	—	(26)
Equity income in excess of distributions received	(867)	(303)
Issuance of shares to affiliate in satisfaction of fees due	2,457	1,190
Minority interest in income	991	130
Straight-line rent adjustments and amortization of rent-related intangibles	(909)	(434)
(Decrease) increase in accrued interest	(48)	1,353
Increase in due to affiliates ^(a)	3,570	2,332
Increase in accounts payable, accrued expenses and other liabilities ^(a)	263	137
Increase in prepaid and deferred rental income and security deposits	1,462	3,793
Net change in other operating assets and liabilities	(313)	(752)
Net cash provided by operating activities	<u>24,135</u>	<u>18,274</u>
Cash flows from investing activities		
Distributions received from equity investments in excess of equity income	3,372	1,079
Acquisition of real estate and equity investments ^(b)	(145,964)	(351,534)
Contributions to equity investments	(10,088)	(79)
Funds held in escrow for future acquisition and construction	(29,915)	(4,253)
Release of funds held in escrow for acquisition and construction of real estate	2,251	12,371
VAT taxes recovered from purchase of real estate	4,008	—
Purchase of mortgage note receivable	—	(12,778)
Receipt of principal payment of mortgage note receivable	135	66
Receipt of principal prepayment of mortgage note receivable	20,000	—
Purchase of short-term investments	—	(3,516)
Purchases of securities	—	(31,825)
Proceeds from sale of securities	—	90,825
Net cash used in investing activities	<u>(156,201)</u>	<u>(299,644)</u>
Cash flows from financing activities		
Proceeds from issuance of stock, net of costs of raising capital	150,582	41,340
Proceeds from mortgages ^(c)	73,732	196,065
Deferred financing costs and mortgage deposits, net of deposits refunded	(691)	44
Scheduled payments of mortgage principal	(2,634)	(1,056)
Distributions paid	(17,978)	(12,281)
Distributions paid to minority partners	(985)	—
Purchase of treasury stock	(2,209)	(640)
Net cash provided by financing activities	<u>199,817</u>	<u>223,472</u>
Effect of exchange rate changes on cash	(229)	(236)
Net increase (decrease) in cash and cash equivalents	67,522	(58,134)
Cash and cash equivalents, beginning of period	155,374	217,310
Cash and cash equivalents, end of period	<u>\$ 222,896</u>	<u>\$ 159,176</u>

(a) Changes in due to affiliates and accounts payable, accrued expenses and other liabilities excludes amounts related to the raising of capital (financing activities) pursuant to the Company's public offerings. At June 30, 2006 and 2005, the amount due to the Company's advisor for such costs was \$7,141 and \$3,583, respectively. The above caption also excludes deferred acquisition fees payable related to the acquisition of real estate (investing activities).

(b) The cost basis of real estate investments acquired during the six months ended June 30, 2006 and 2005 also includes deferred acquisition fees payable of \$3,701 and \$6,716, respectively.

(c) Net of \$2,325 retained by mortgage lenders during the six months ended June 30, 2005.

Consolidated Balance Sheets (Unaudited)

(in thousands except share and per share amounts)

	June 30, 2006	December 31, 2005 (Note)
Assets		
Real estate, net	\$ 477,350	\$ 386,615
Net investment in direct financing leases	180,934	152,772
Equity investments	108,411	97,179
Real estate under construction	27,612	15,026
Mortgage notes receivable	9,590	29,798
Cash and cash equivalents	222,896	155,374
Short-term investments	2,234	1,698
Marketable securities	2,858	2,996
Funds in escrow	33,608	6,377
Intangible assets, net	81,903	66,589
Due from affiliates	—	590
Deferred offering costs	7,141	4,028
Other assets, net	8,872	10,607
Total assets	<u>\$ 1,163,409</u>	<u>\$ 929,649</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Limited recourse mortgage notes payable	\$ 434,022	\$ 358,370
Accrued interest	2,287	2,330
Prepaid and deferred rental income and security deposits	22,508	18,548
Due to affiliates	16,159	9,475
Distributions payable	10,355	8,926
Deferred acquisition fees payable to affiliate	21,409	17,708
Accounts payable, accrued expenses and other liabilities	3,469	10,163
Total liabilities	<u>510,209</u>	<u>425,520</u>
Minority interest in consolidated entities	<u>17,140</u>	<u>17,134</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.001 par value; 110,000,000 shares authorized; 74,622,506 and 57,268,850 shares issued and outstanding, respectively	75	57
Additional paid-in capital	667,035	514,014
Distributions in excess of accumulated earnings	(29,974)	(22,416)
Accumulated other comprehensive income (loss)	2,645	(3,148)
	<u>639,781</u>	<u>488,507</u>
Less, treasury stock at cost, 400,179 and 162,564 shares, respectively	<u>(3,721)</u>	<u>(1,512)</u>
Total shareholders' equity	<u>636,060</u>	<u>486,995</u>
Total liabilities and shareholders' equity	<u>\$ 1,163,409</u>	<u>\$ 929,649</u>

Note: The 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 June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Revenues				
Rental income	\$ 11,798	\$ 7,000	\$ 22,153	\$ 10,887
Interest income from direct financing leases	3,370	2,380	6,522	4,307
Interest income on mortgage receivable	638	496	1,366	1,059
Other operating income	655	141	743	207
	<u>16,461</u>	<u>10,017</u>	<u>30,784</u>	<u>16,460</u>
Operating Expenses				
Depreciation and amortization	(3,081)	(1,828)	(5,714)	(2,720)
Property expenses	(2,912)	(1,925)	(5,724)	(3,294)
General and administrative	(1,066)	(1,137)	(2,373)	(2,045)
	<u>(7,059)</u>	<u>(4,890)</u>	<u>(13,811)</u>	<u>(8,059)</u>
Other Income and Expenses				
Income from equity investments	1,777	1,241	3,480	2,518
Other interest income	1,970	1,506	3,431	3,007
Minority interest in income	(516)	(130)	(991)	(130)
Gain (loss) on foreign currency transactions, derivative instruments and other, net	40	(20)	66	(186)
Interest expense	(5,824)	(3,680)	(11,110)	(5,722)
	<u>(2,553)</u>	<u>(1,083)</u>	<u>(5,124)</u>	<u>(513)</u>
Net Income	<u>\$ 6,849</u>	<u>\$ 4,044</u>	<u>\$ 11,849</u>	<u>\$ 7,888</u>
Basic Earnings Per Share	<u>\$.10</u>	<u>\$.07</u>	<u>\$.19</u>	<u>\$.14</u>
Distributions Declared Per Share	<u>\$.1588</u>	<u>\$.1450</u>	<u>\$.3163</u>	<u>\$.2700</u>
Weighted Average Shares				
Outstanding - Basic	<u>65,680,890</u>	<u>56,197,766</u>	<u>61,420,609</u>	<u>55,824,822</u>



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