

# CPA:16 GLOBAL

2006 THIRD 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 our portfolio for the third quarter of 2006.

Revenues, net income and cash flow from operating activities increased as compared to the same period in 2005, as our asset base has continued to grow as a result of fundraising and investment activity. Our portfolio of single-tenant triple-net leased real estate assets as of September 30, 2006 consisted of 215 properties leased to 44 tenants, totaling approximately 15 million square feet located throughout the United States, Canada, Europe, Mexico, Thailand, Malaysia and the United Kingdom.

### **Portfolio Update**

During the third quarter, we completed five investments, including entering into two build-to-suit projects, at a total cost of approximately \$113 million. Of the five investments made, four are in the United States and one is in Malaysia.

### **Fundraising Activity**

Effective March 27, 2006, we commenced our second public offering of up to 55,000,000 shares of common stock at a price of \$10.00 per share and raised \$115.9 million during the third quarter. Subsequently, CPA®:16 – Global completed its final escrow closing in connection with this offering on December 28, 2006, bringing the total raised in connection with that offering to approximately \$550 million.

### **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](mailto: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](http://www.wpcarey.com/ShareholderAccess) and you will find a convenient 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      Gordon F. DuGan      Thomas E. Zacharias  
*Chairman of the Board    Chief Executive Officer    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](http://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 months ended September 30, 2006, which can be found at [www.cpa16global.com](http://www.cpa16global.com).*

# Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	Nine months ended September 30,	
	2006	2005
<b>Cash flows from operating activities</b>		
Net income	\$ 19,604	\$ 11,875
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization including intangible assets and deferred financing costs	9,353	4,681
(Gain) loss on foreign currency transactions, net	(394)	1,365
Unrealized gain on derivative instrument	—	(702)
Equity income in real estate in excess of distributions received	(1,338)	(413)
Issuance of shares to affiliate in satisfaction of fees due	3,857	2,199
Minority interest in income	1,459	340
Straight-line rent adjustments and amortization of rent-related intangibles	(1,354)	(692)
Increase in accrued interest	549	1,444
Increase in due to affiliates <sup>(a)</sup>	4,902	3,375
Increase in accounts payable, accrued expenses and other liabilities <sup>(a)</sup>	384	3,943
Increase in prepaid and deferred rental income and security deposits	807	4,626
Net change in other operating assets and liabilities	(364)	(1,048)
Net cash provided by operating activities	37,465	30,993
<b>Cash flows from investing activities</b>		
Distributions from equity investments in real estate in excess of equity income	3,420	3,055
Acquisition of real estate and equity investments in real estate <sup>(b)</sup>	(215,902)	(381,753)
Contributions to equity investments in real estate	(10,088)	(38,499)
Funds placed in escrow for future acquisition and construction	(28,419)	—
Release of funds held in escrow for future acquisition and construction	26,454	19,631
VAT taxes recovered (paid) from purchase of real estate	4,008	(2,044)
Purchase of mortgage note receivable	—	(12,798)
Receipt of principal payment of mortgage note receivable	206	153
Receipt of principal prepayment of mortgage note receivable	20,000	—
Proceeds from short-term investments	—	2,888
Purchases of securities	—	(32,625)
Proceeds from sale of securities	—	96,425
Net cash used in investing activities	(200,321)	(345,567)
<b>Cash flows from financing activities</b>		
Distributions paid	(28,328)	(20,443)
Distributions paid to minority interest partners	(1,220)	(399)
Contributions from minority interest partners	—	6,724
Proceeds from mortgages <sup>(c)</sup>	119,744	202,853
Scheduled payments of mortgage principal	(4,571)	(1,795)
Deferred financing costs and mortgage deposits, net of deposits refunded	(1,356)	854
Proceeds from issuance of shares, net of costs of raising capital	258,319	42,553
Purchase of treasury stock	(3,717)	(1,227)
Net cash provided by financing activities	338,871	229,120
Effect of exchange rate changes on cash	80	(775)
Net increase (decrease) in cash and cash equivalents	176,095	(86,229)
Cash and cash equivalents, beginning of period	155,374	217,310
Cash and cash equivalents, end of period	\$ 331,469	\$ 131,081

(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 September 30, 2006 and 2005, the amount due to the Company's advisor for such costs was \$5,742 and \$2,233, 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 nine months ended September 30, 2006 and 2005 also includes deferred acquisition fees payable of \$5,964 and \$8,577, respectively.

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

## Consolidated Balance Sheets (Unaudited)

(in thousands, except share and per share amounts)

	September 30, 2006	December 31, 2005 (Note)
<b>Assets</b>		
Real estate, net	\$ 500,900	\$ 386,615
Net investment in direct financing leases	206,646	152,772
Equity investments in real estate	108,928	97,179
Real estate under construction	51,140	15,026
Mortgage notes receivable	9,598	29,798
Cash and cash equivalents	331,469	155,374
Short-term investments	2,235	1,698
Marketable securities	2,858	2,996
Funds in escrow	8,499	6,377
Intangible assets, net	84,847	66,589
Due from affiliates	—	590
Deferred offering costs	5,740	4,028
Other assets, net	10,053	10,607
Total assets	\$ 1,322,913	\$ 929,649
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Limited recourse mortgage notes payable	\$ 480,521	\$ 358,370
Accrued interest	2,907	2,330
Accounts payable, accrued expenses and other liabilities	3,907	10,163
Due to affiliates	18,117	9,475
Deferred acquisition fees payable to affiliate	23,672	17,708
Prepaid and deferred rental income and security deposits	23,816	18,548
Distributions payable	12,899	8,926
Total liabilities	565,839	425,520
Minority interest in consolidated entities	17,373	17,134
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.001 par value; 250,000,000 shares authorized; 86,845,106 and 57,268,850 shares issued and outstanding, respectively	87	57
Additional paid-in capital	776,160	514,014
Distributions in excess of accumulated earnings	(35,113)	(22,416)
Accumulated other comprehensive income (loss)	3,796	(3,148)
	744,930	488,507
Less, treasury stock at cost, 562,292 and 162,564 shares, respectively	(5,229)	(1,512)
Total shareholders' equity	739,701	486,995
Total liabilities and shareholders' equity	\$ 1,322,913	\$ 929,649

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
<b>Revenues</b>				
Rental income	\$ 12,723	\$ 8,472	\$ 34,876	\$ 19,359
Interest income from direct financing leases	4,413	2,657	10,935	6,964
Interest income on mortgage receivable	356	709	1,722	1,768
Other operating income	223	137	966	344
	<u>17,715</u>	<u>11,975</u>	<u>48,499</u>	<u>28,435</u>
<b>Operating Expenses</b>				
Depreciation and amortization	(3,405)	(2,187)	(9,119)	(4,907)
Property expenses	(3,525)	(2,449)	(9,249)	(5,743)
General and administrative	(1,063)	(1,237)	(3,436)	(3,282)
	<u>(7,993)</u>	<u>(5,873)</u>	<u>(21,804)</u>	<u>(13,932)</u>
<b>Other Income and Expenses</b>				
Income from equity investments in real estate	1,776	1,604	5,256	4,122
Other interest income	3,399	1,259	6,830	4,266
Minority interest in income	(468)	(210)	(1,459)	(340)
Gain (loss) on foreign currency transactions, derivative instruments and other, net	163	(477)	229	(663)
Interest expense	(6,837)	(4,291)	(17,947)	(10,013)
	<u>(1,967)</u>	<u>(2,115)</u>	<u>(7,091)</u>	<u>(2,628)</u>
<b>Net Income</b>	<u>\$ 7,755</u>	<u>\$ 3,987</u>	<u>\$ 19,604</u>	<u>\$ 11,875</u>
<b>Basic Earnings Per Share</b>	<u>\$ 0.10</u>	<u>\$ 0.07</u>	<u>\$ 0.29</u>	<u>\$ 0.21</u>
<b>Distributions Declared Per Share</b>	<u>\$ 0.1601</u>	<u>\$ 0.1500</u>	<u>\$ 0.4764</u>	<u>\$ 0.4200</u>
<b>Weighted Average Shares</b>				
<b>Outstanding - Basic</b>	<u>81,569,191</u>	<u>56,660,533</u>	<u>67,911,308</u>	<u>56,106,453</u>



c/o Phoenix American Financial Services  
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