# W. P. CAREY

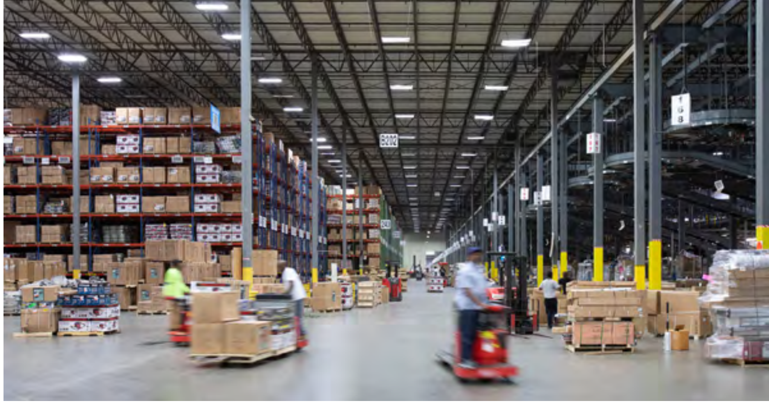
## 2023 CEO Letter




Investing for the Long Run®

W. P. CAREY

W. P. Carey (NYSE: WPC) is one of the largest net lease REITs with a well-diversified portfolio of high-quality, operationally critical commercial real estate, which includes 1,424 net lease properties covering approximately 173 million square feet and a portfolio of 89 self-storage operating properties as of December 31, 2023. We remain focused on investing primarily in single-tenant, industrial, warehouse and retail properties located in the U.S. and Northern and Western Europe, under long-term net leases with built-in rent escalations.




50+

years *Investing for the Long Run®*

25+

years as a public company

25+

years investing in Europe

## Dear Fellow Shareholders,

Since 1973, the W. P. Carey story has been one of evolution and adaptation in an ever-changing market, while staying true to our core expertise of investing in mission-critical properties leased to creditworthy tenants. We started as a privately held investment manager, became a publicly traded company, converted to a REIT, eventually exited the non-traded REIT business, and in 2023, refined our focus by accelerating our exit from office. Today, we stand a simpler, more dynamic business with higher-quality earnings and a strong and flexible balance sheet, well-positioned for both internally and externally driven growth.

In addition to reaffirming our core focus on industrial/warehouse, during 2023 we incrementally broadened our scope within industrial and retail to include additional sub-sectors that over time will expand our addressable market and further diversify our portfolio.

In a year when buyers and sellers were often out of sync with their expectations over cap rates, we remained focused on safeguarding investment spreads and generating attractive risk-adjusted returns.

We closed $1.3 billion of new investments at favorable spreads to our cost of capital—including our largest single investment with the Apotex sale-leaseback. We also continued to generate superior internal growth, driven by the significant proportion of rent we collect from leases with escalations tied to inflation and the strength of our fixed-rent bumps.

For the 2023 full year, we generated AFFO per diluted share of $5.18, with the 2.1% decline versus 2022 primarily driven by the spin-off of Net Lease Office Properties (NYSE: NLOP), which we completed in early November. Our dividend was adjusted accordingly, while also reflecting a lower targeted AFFO payout ratio, enabling us to retain and accretively reinvest greater internally generated cash flow.

Looking ahead, we are well positioned to generate growth over both the near- and long-term. Our capital markets activity in 2023, in combination with various internal sources of capital, enabled us to end the year in a substantial liquidity position—one that differentiates us from many other net lease REITs and will provide us with a great deal of flexibility in 2024. This, in combination with a more constructive investment environment and strong embedded rent growth, reaffirms my confidence in our ability to create long-term value for our shareholders over the years to come.

## Investment Activity and Focus

Changing expectations over the future direction of interest rates had a marked impact on the net lease sector during 2023. While cap rates lagged interest rates, sale-leasebacks continued to be an attractive source of capital for companies, with high-yield debt and other financing alternatives remaining very expensive.

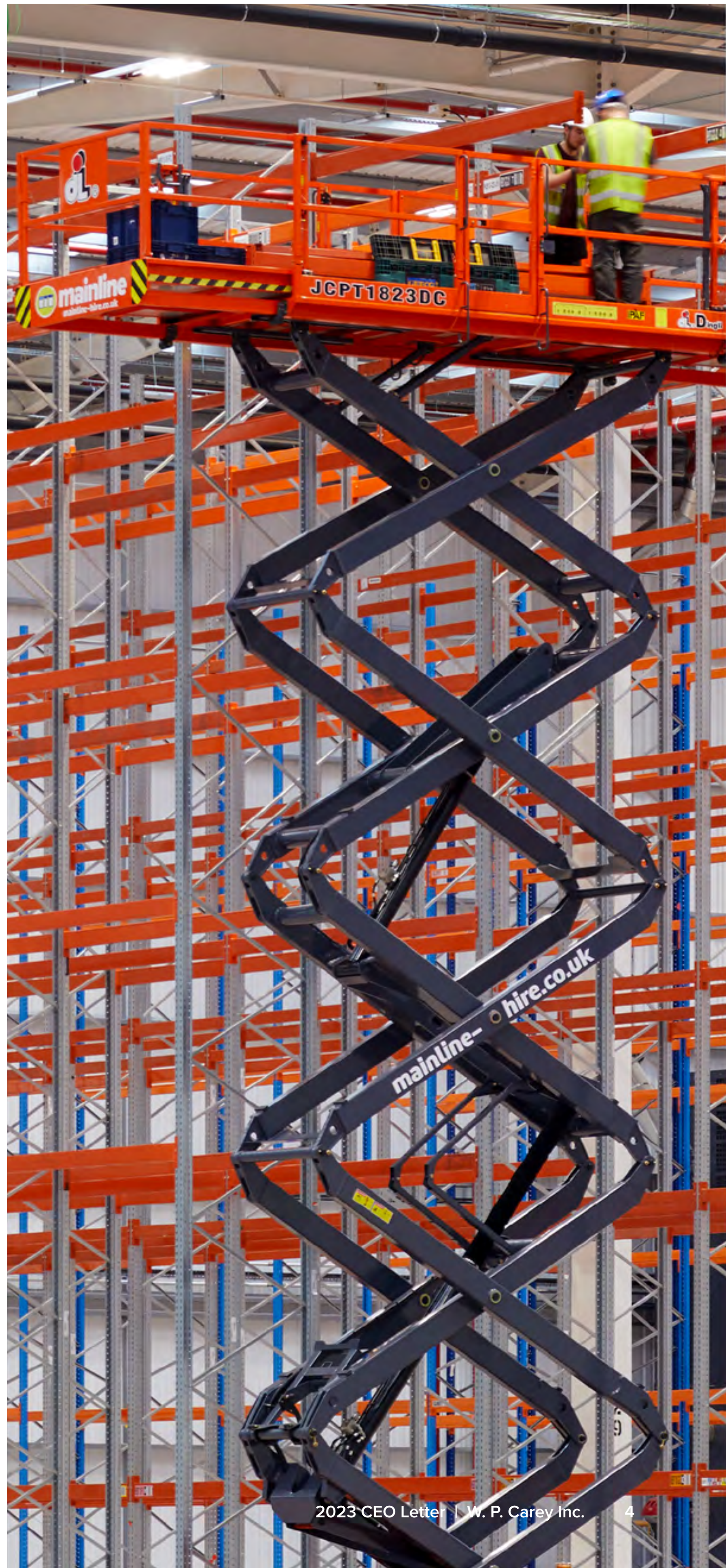
Single-tenant industrial/warehouse remained our primary investment focus, representing about three quarters of our 2023 deal volume. These broad categories comprise many sub-sectors, each requiring unique underwriting expertise. For example, the sale-leaseback of a pharmaceutical R&D and advanced manufacturing portfolio with Apotex represented a new industrial sub-sector for us, but one that shares many of the key characteristics of other industrial assets in which we invest.

We also now have a dedicated team of investment officers focused on various sub-sectors within U.S. retail, which completed over $100 million of retail investments in 2023. Our interest lies outside of commodity retail, in assets where we believe we can achieve terms and structuring consistent with those we get on our other core property types—for example, car washes, fitness, entertainment centers and auto services.

While the 2023 transaction environment was largely a standoff between buyers and sellers over cap rates—causing transactions to take longer to negotiate and close—by year end, we saw improvements in the net lease market as buyers were able to push cap rates higher to better reflect their cost of capital. We believe the narrowing of bid-ask spreads, in conjunction with a more settled outlook for capital markets, has set up a more constructive environment for external growth in 2024, especially through sale-leasebacks.

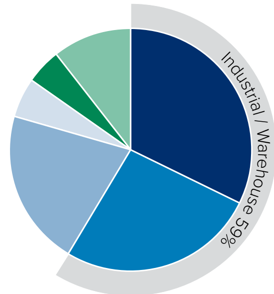
**$1.3B**

**in completed investments**



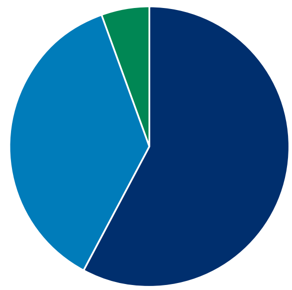
Even with our core focus on industrial, warehouse and retail, we still maintain a diversified portfolio by property type, tenant industry and geography, a hallmark of our strategy since our inception. Our diversified investment approach continues to afford us a large addressable market of opportunities, while ensuring that no individual tenant, asset type or industry can have an outsized impact on our overall performance.

## Property Type Diversification



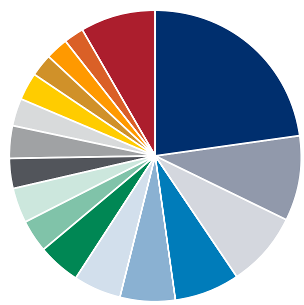

- Industrial (32.3%)
- Warehouse (26.4%)
- Retail (20.8%)
- Office (5.4%)
- Self-Storage (Net Lease) (4.7%)
- Other (10.4%)[1]

## Geographic Diversification



- United States (57.8%)
- Europe (36.8%)
- Other (5.4%)[2]

## Tenant Industry Diversification



- Retail Stores (22.9%)[3]
- Consumer Services (9.5%)
- Beverage and Food (8.3%)
- Automotive (7.1%)
- Grocery (6.2%)
- Healthcare and Pharmaceuticals (5.4%)
- Cargo Transportation (4.6%)
- Containers, Packaging and Glass (3.7%)
- Capital Equipment (3.7%)
- Durable Consumer Goods (3.5%)
- Construction and Building (3.5%)
- Sovereign and Public Finance (3.2%)
- Hotel and Leisure (3.1%)
- Chemicals, Plastics and Rubber (2.5%)
- Non-Durable Consumer Goods (2.4%)
- Business Services (2.1%)
- Other (8.3%)[3]

Portfolio data reflects pro rata ownership of real estate assets (excluding operating properties) and is based on contractual minimum ABR as of December 31, 2023.

[1] Other includes education facility, specialty, laboratory, hotel (net lease), research and development, and land.

[2] Other includes Canada, Mexico, Mauritius and Japan.

[3] Other includes high-tech industries, metals, telecommunications, wholesale, aerospace and defense, insurance, banking, environmental industries, oil and gas, media: advertising, printing and publishing, consumer transportation, forest products and paper, and electricity. Retail Stores includes auto dealerships.

## Featured Investments


### €280M cross-border sale-leaseback in Europe

We completed a €280 million sale-leaseback of 16 facilities across Italy, Spain and Germany, net leased to Fedrigoni Group, a global manufacturer of specialty papers for luxury packaging and other creative applications, premium labels and self-adhesive materials. The transaction closed in two tranches–the first in December 2023 (11 assets, €143 million), and the second in January 2024 (five assets, €137 million). The portfolio is critical to Fedrigoni's business and generates a significant portion of its revenue. Several of the facilities in the portfolio generate energy via cogeneration, hydropower or solar, and are fully self-sufficient, selling excess energy back to the grid. The portfolio is triple-net leased on master leases by country for a term of 20 years with annual CPI-based rent increases.

### $468M sale-leaseback of an industrial portfolio

We completed the $468 million sale-leaseback of an industrial portfolio comprising four pharmaceutical R&D and manufacturing campuses in the Greater Toronto Area. The portfolio is leased to Apotex Pharmaceutical Holdings, Inc., a global pharmaceutical company and the largest generic drug manufacturer in Canada. The portfolio represents the vast majority of Apotex's global operations, comprising 11 facilities covering 2.3 million square feet and located in attractive industrial submarkets. The assets are triple-net leased on a master lease for a 20-year term with fixed annual rent escalations (with all rent paid in USD). The sale-leaseback also closed concurrently with a majority buyout of Apotex, financing a portion of the acquisition.

## 2023 Portfolio Overview

**$1.3B** ABR

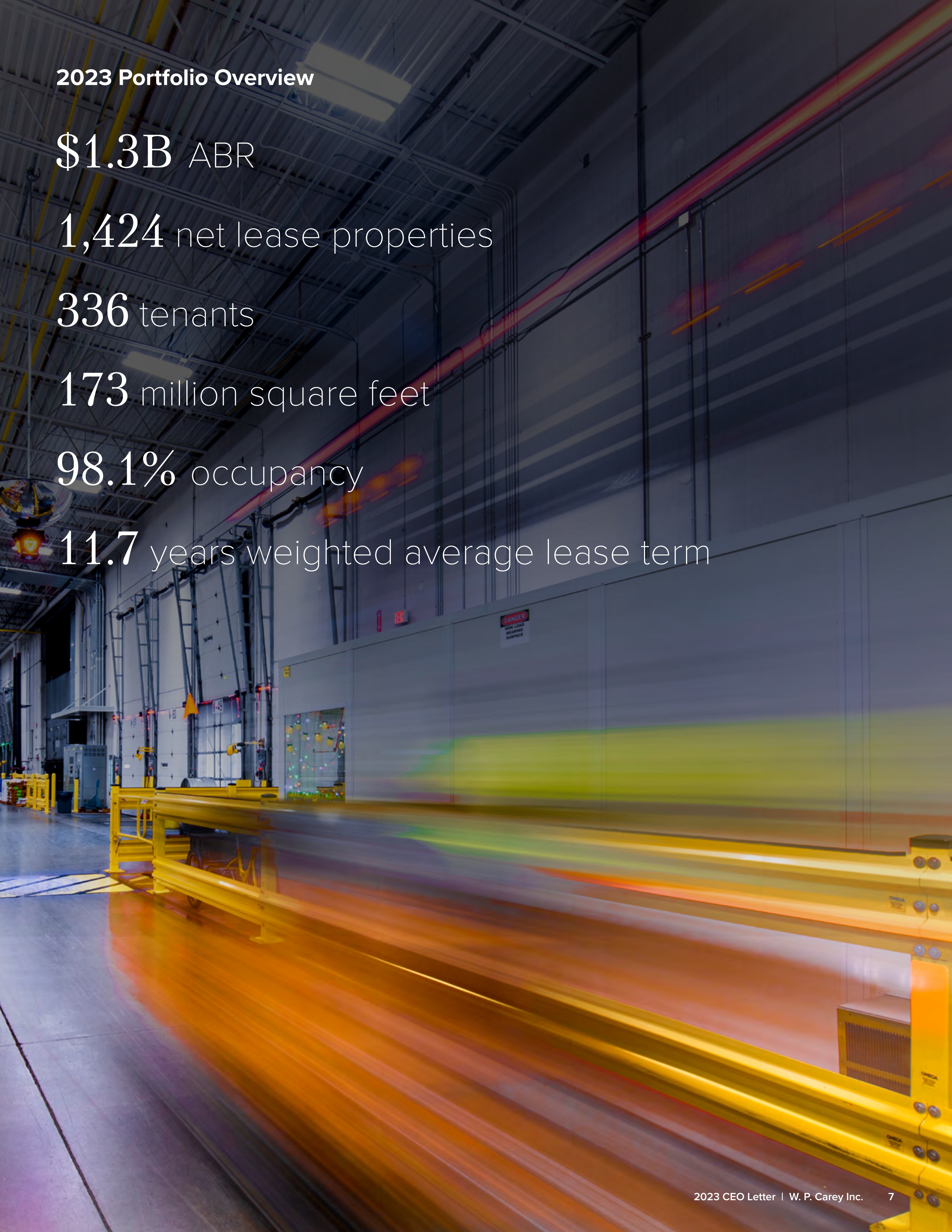
**1,424** net lease properties

**336** tenants

**173** million square feet

**98.1%** occupancy

**11.7** years weighted average lease term



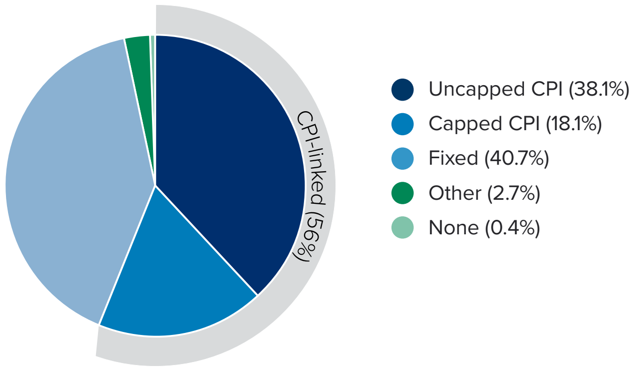
## Inflation Continued to Provide a Boost

During 2023, our net lease portfolio continued to benefit from inflation tailwinds, even with inflation remaining well below its 2022 peak.

A distinct advantage of our focus on sale-leasebacks—which represented close to 90% of our 2023 investment volume—is the ability to directly negotiate the lease structure, enabling us to build a portfolio with strong rent growth, long lease terms and robust protections.

Fifty-six percent of our rents came from leases tied to CPI, and in combination with our strong fixed-rent escalations, we generated record year-over-year contractual same-store rent growth, which at 4.1% was among the best in the net lease sector.

### Over 99% of our ABR comes from leases with contractual rent increases, including 56% linked to inflation[4]




Portfolio data reflects pro rata ownership of real estate assets (excluding operating properties) as of December 31, 2023.

[4] Based on contractual minimum ABR as of December 31, 2023.

## Exceptionally Strong Liquidity Position

Our capital markets activity in 2023 demonstrated our commitment to maintaining a strong, conservative balance sheet with access to multiple forms of capital. In the fourth quarter, we completed the recast of our unsecured credit facility, refinancing two existing term loans and upsizing our existing multicurrency revolver from $1.8 billion to $2 billion, adding several new banks to our syndicate and pushing out the maturity on a significant portion of debt maturing over the next few years.

We have built up a large cash reserve through a combination of settling all outstanding equity forwards shortly before the NLOP spin-off, the distribution we received from NLOP at spin-off, sales of certain office assets on the balance sheet and the recent sale of our U-Haul portfolio. We also have clear visibility into additional sources of cash this year from incremental dispositions and cash flow from operations, after paying our quarterly dividend. In addition, our revolver is largely undrawn.

As a result, we are currently in an exceptionally strong liquidity position. This gives us a meaningful advantage over other net lease REITs, with the ability to fund 2024 investments and repay our maturing debt without the need to raise new capital. While we have a strong bias toward deploying capital into new investments, this affords us significant flexibility in when and how we access the capital markets and strong confidence in our ability to steadily manage our business, even if we face more equity or debt market volatility in 2024.

**$2B+**

**in total liquidity**

## Out of Office

While we have meaningfully reduced our office exposure in recent years, we took decisive steps in 2023 to vastly accelerate our exit from office and clarify our path forward, free from the headwinds associated with deteriorating office fundamentals. We believe this approach has improved the quality and stability of our cash flows through better end-of-lease outcomes, including higher re-leasing spreads, reduced downtimes and carrying costs, and lower capex requirements.

We efficiently executed on our plan in 2023, spinning-off the large majority of our office properties into a separate publicly traded REIT in November, and establishing a program to sell our remaining on-balance sheet office assets over the near term. As of February 2024, our office exposure represented just 2.7% of our rent, and we expect to end 2024 with negligible remaining office exposure.

## Well Positioned for the Future

As I reflect on 2023—our 50th anniversary milestone year—I'd like to first and foremost thank our employees for their hard work and commitment to the company. The spin-off of NLOP was no easy endeavor and came to fruition through the collective efforts of our team.

As always, I'd like to express my sincere appreciation to our Board of Directors, whose guidance and support have been invaluable. In particular, I'd like to thank Nick van Ommen, who is not standing for re-election after 13 years as an Independent Director. I'd also like to welcome our newest board member, Rhonda Gass, who was appointed in March 2024. Rhonda is an accomplished executive and board member, with more than 30 years of experience leveraging technology to transform businesses.

Lastly, I want to thank our shareholders, whose support and trust in our business have been integral in our ability to *Invest for the Long Run*®.

Looking ahead, 2024 will be a year in which we set a new baseline to grow AFFO, supported by substantial capital ready to deploy and the embedded rent growth within our portfolio. I am energized by the strong position we have established and have full confidence in our ability to produce meaningful growth, manage our portfolio and create long-term value through judicious capital allocation and execution of our strategy.

With best regards,

Jason E. Fox
Chief Executive Officer




## Doing Good While Doing Well®

Our founder Wm. Polk Carey's lifelong commitment to *Doing Good While Doing Well®* is an essential component of our culture and woven into the fabric of our company. We are thrilled to highlight our 2023 achievements, which reflect our ongoing commitment to making a positive difference within our business, local communities and beyond:

- Included in the 2023 Bloomberg Gender-Equality Index
- Named a Green Lease Leader for the second consecutive year
- Executed 45 green leases in 2023, totaling 13.8 million square feet
- Earned U.S. Great Place to Work Certification™ for the second consecutive year
- Increased corporate donations by 9% to support organizations, including Adaptive Sports Federation, Asian Americans Advancing Justice, Equal Justice Initiative, Gift of Adoption, Heritage of Pride, Hispanic Federation and Womankind Worldwide
- Maintained a Governance QualityScore of "1" from ISS, the highest possible rating
- Sponsored a team of 19 to run in the New York City Marathon and, together with the W. P. Carey Foundation, raised over $120,000 for NewYork-Presbyterian Hospital. W. P. Carey also sponsored a team of ten employees to run the Mizuno Half Marathon in Amsterdam
- Continued our Carey Forward employee volunteer program supporting community organizations, such as the American Cancer Society, the Amsterdam Food Bank, City Harvest, Friends of the High Line, NL Cares, New York Cares, Plastic Whale and Volunteers of America
- Mentored a team of ten students through Project Destined, in addition to supporting the next generation of leaders through the W. P. Carey Scholarship Award, which recognizes two students who embody high integrity, persistence and a passion for a career in commercial real estate

## The following non-GAAP financial measures are used in this CEO letter:

### AFFO

Due to certain unique operating characteristics of real estate companies, as discussed below, NAREIT, an industry trade group, has promulgated a non-GAAP measure known as FFO, which we believe to be an appropriate supplemental measure, when used in addition to and in conjunction with results presented in accordance with GAAP, to reflect the operating performance of a REIT. The use of FFO is recommended by the REIT industry as a supplemental non-GAAP measure. FFO is not equivalent to, nor a substitute for, net income or loss as determined under GAAP.

We define FFO, a non-GAAP measure, consistent with the standards established by the White Paper on FFO approved by the Board of Governors of NAREIT, as restated in December 2018. The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding gains or losses from the sale of certain real estate, impairment charges on real estate or other assets incidental to the company's main business, gains or losses on changes in control of interests in real estate and depreciation and amortization from real estate assets; and after adjustments for unconsolidated partnerships and jointly owned investments. Adjustments for unconsolidated partnerships and jointly owned investments are calculated to reflect FFO on the same basis.

We also modify the NAREIT computation of FFO to adjust GAAP net income for certain non-cash charges, such as amortization of real estate-related intangibles, deferred income tax benefits and expenses, straight-line rent and related reserves, other non-cash rent adjustments, non-cash allowance for credit losses on loans receivable and finance leases, stock-based compensation, non-cash environmental accretion expense, amortization of discounts and premiums on debt and amortization of deferred financing costs. Our assessment of our operations is focused on long-term sustainability and not on such non-cash items, which may cause short-term fluctuations in net income but have no impact on cash flows. Additionally, we exclude non-core income and expenses, such as gains or losses from extinguishment of debt, merger and acquisition expenses, and spin-off expenses. We also exclude realized and unrealized gains/losses on foreign currency exchange rate movements (other than those realized on the settlement of foreign currency derivatives), which are not considered fundamental attributes of our business plan and do not affect our overall long-term operating performance. We refer to our modified definition of FFO as AFFO. We exclude these items from GAAP net income to arrive at AFFO as they are not the primary drivers in our decision-making process and excluding these items provides investors a view of our portfolio performance over time and makes it more comparable to other REITs that are currently not engaged in acquisitions, mergers and restructuring, which are not part of our normal business operations. AFFO also reflects adjustments for unconsolidated partnerships and jointly owned investments. We use AFFO as one measure of our operating performance when we formulate corporate goals, evaluate the effectiveness of our strategies and determine executive compensation.

We believe that AFFO is a useful supplemental measure for investors to consider as we believe it will help them to better assess the sustainability of our operating performance without the potentially distorting impact of these short-term fluctuations. However, there are limits on the usefulness of AFFO to investors. For example, impairment charges and unrealized foreign currency losses that we exclude may become actual realized losses upon the ultimate disposition of the properties in the form of lower cash proceeds or other considerations. We use our FFO and AFFO measures as supplemental financial measures of operating performance. We do not use our FFO and AFFO measures as, nor should they be considered to be, alternatives to net income computed under GAAP, or as alternatives to net cash provided by operating activities computed under GAAP, or as indicators of our ability to fund our cash needs.

### Other Metrics

#### Pro Rata Metrics

This CEO letter contains certain metrics prepared on a pro rata basis. We refer to these metrics as pro rata metrics. We have certain investments in which our economic ownership is less than 100%. On a full consolidation basis, we report 100% of the assets, liabilities, revenues and expenses of those investments that are deemed to be under our control or for which we are deemed to be the primary beneficiary, even if our ownership is less than 100%. Also, for all other jointly owned investments, which we do not control, we report our net investment and our net income or loss from that investment. On a pro rata basis, we generally present our proportionate share, based on our economic ownership of these jointly owned investments, of the assets, liabilities, revenues and expenses of those investments. Multiplying each of our jointly owned investments' financial statement line items by our percentage ownership and adding or subtracting those amounts from our totals, as applicable, may not accurately depict the legal and economic implications of holding an ownership interest of less than 100% in our jointly owned investments.

#### ABR

ABR represents contractual minimum annualized base rent for our net-leased properties and reflects exchange rates as of December 31, 2023. If there is a rent abatement, we annualize the first monthly contractual base rent following the free rent period. ABR is not applicable to operating properties and is presented on a pro rata basis.

Paperless

W. P. Carey is committed to reducing our environmental impact and finding new ways to expand our green efforts. As such, we are proud to report that our 2023 CEO Letter was issued in electronic form only.