W. P. Carey Inc.
Form 10-Q
May 05, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016
or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from__________ to __________

Commission File Number: 001-13779

W. P. CAREY INC.
(Exact name of registrant as specified in its charter)

Maryland	45-4549771
(State of incorporation)	(I.R.S. Employer Identification No.)

50 Rockefeller Plaza

New York, New York	10020
(Address of principal executive offices)	(Zip Code)

Investor Relations (212) 492-8920
(212) 492-1100
(Registrant's telephone numbers, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Registrant has 104,871,813 shares of common stock, $0.001 par value, outstanding at April 29, 2016.

INDEX

	Page No.
PART I – FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Consolidated Balance Sheets	2
Consolidated Statements of Income	3
Consolidated Statements of Comprehensive Income (Loss)	4
Consolidated Statements of Equity	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	39
Item 3. Quantitative and Qualitative Disclosures About Market Risk	67
Item 4. Controls and Procedures	71
PART II – OTHER INFORMATION	
Item 6. Exhibits	72
Signatures	73

Forward-Looking Statements

This Quarterly Report on Form 10-Q, or this Report, including Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of Part I of this Report, contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will b "will likely result," and similar expressions. These forward-looking statements include, but are not limited to, statements regarding our formal strategic review; capital markets; tenant credit quality; general economic overview; our expected range of Adjusted funds from operations, or AFFO; our corporate strategy; our capital structure; our portfolio lease terms; our international exposure and acquisition volume; our expectations about tenant bankruptcies and interest coverage; statements regarding estimated or future economic performance and results, including our underlying assumptions, occupancy rate, credit ratings, and possible new acquisitions by us and our investment management programs; the Managed Programs discussed herein, including their earnings; statements that we make regarding our ability to remain qualified for taxation as a real estate investment trust, or REIT; the amount and timing of any future dividends; our existing or future leverage and debt service obligations; our ability to sell shares under our "at the market" program; our future prospects for growth; our projected assets under management; our future capital expenditure levels; our historical and anticipated funds from operations; our future financing transactions; our estimates of growth; and our plans to fund our future liquidity needs. These statements are based on the current expectations of our management. It is important to note that our actual results could be materially different from those projected in such forward-looking statements. There are a number of risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on our business, financial condition, liquidity, results of operations, AFFO, and prospects. You should exercise caution in relying on forward-looking statements as they involve known and unknown risks, uncertainties, and other factors that may materially affect our future results, performance, achievements or transactions. Information on factors that could impact actual results and cause them to differ from what is anticipated in the forward-looking statements contained herein is included in this Report as well as in our other filings with the Securities and Exchange Commission, or the SEC, including but not limited to those described in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC on February

26, 2016, or the 2015 Annual Report. Moreover, because we operate in a very competitive and rapidly-changing environment, new risks are likely to emerge from time to time. Given these risks and uncertainties, potential investors are cautioned not to place undue reliance on these forward-looking statements as a prediction of future results, which speak only as of the date of this Report, unless noted otherwise. Except as required by federal securities laws and the rules and regulations of the SEC, we do not undertake to revise or update any forward-looking statements.

All references to "Notes" throughout the document refer to the footnotes to the consolidated financial statements of the registrant in Part I, Item 1. Financial Statements (Unaudited).

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements.

W. P. CAREY INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except share and per share amounts)

	March 31, 2016	December 31, 2015
Assets		
Investments in real estate:		
Real estate, at cost (inclusive of $883,703 and $923,253, respectively, attributable to variable interest entities, or VIEs)	$5,350,924	$5,309,925
Operating real estate, at cost (inclusive of $43,135 and $42,472, respectively, attributable to VIEs)	80,224	82,749
Accumulated depreciation (inclusive of $81,918 and $75,271, respectively, attributable to VIEs)	(414,623)	(381,529)
Net investments in properties	5,016,525	5,011,145
Net investments in direct financing leases (inclusive of $62,387 and $61,454, respectively, attributable to VIEs)	753,746	756,353
Assets held for sale	3,747	59,046
Net investments in real estate	5,774,018	5,826,544
Equity investments in the Managed Programs and real estate	281,546	275,473
Cash and cash equivalents (inclusive of $12,016 and $12,382, respectively, attributable to VIEs)	267,064	157,227
Due from affiliates	61,548	62,218
In-place lease and tenant relationship intangible assets, net (inclusive of $214,233 and $214,924, respectively, attributable to VIEs)	856,496	902,848
Goodwill	680,043	681,809
Above-market rent intangible assets, net (inclusive of $80,314 and $80,901, respectively, attributable to VIEs)	460,422	475,072
Other assets, net (inclusive of $36,613 and $37,161, respectively, attributable to VIEs)	322,114	360,898
Total assets	$8,703,251	$8,742,089
Liabilities and Equity		
Liabilities:		
Non-recourse debt, net (inclusive of $449,187 and $439,285, respectively, attributable to VIEs)	$2,247,993	$2,269,421
Senior Unsecured Notes, net	1,501,281	1,476,084
Senior Unsecured Credit Facility - Revolver	564,600	485,021
Senior Unsecured Credit Facility - Term Loan, net	249,790	249,683
Accounts payable, accrued expenses and other liabilities (inclusive of $92,403 and $97,441, respectively, attributable to VIEs)	281,844	342,374
Below-market rent and other intangible liabilities, net (inclusive of $45,572 and $45,850, respectively, attributable to VIEs)	132,363	154,315
Deferred income taxes (inclusive of $6,872 and $8,020, respectively, attributable to VIEs)	88,935	86,104
Distributions payable	103,990	102,715
Total liabilities	5,170,796	5,165,717
Redeemable noncontrolling interest	965	14,944
Commitments and contingencies (Note 12)		
Equity:		

W. P. Carey stockholders’ equity:		
Preferred stock, $0.001 par value, 50,000,000 shares authorized; none issued	—	—
Common stock, $0.001 par value, 450,000,000 shares authorized; 104,866,351 and 104,448,777 shares, respectively, issued and outstanding	105	104
Additional paid-in capital	4,295,469	4,282,042
Distributions in excess of accumulated earnings	(786,217)	(738,652)
Deferred compensation obligation	60,550	56,040
Accumulated other comprehensive loss	(171,903)	(172,291)
Total W. P. Carey stockholders’ equity	3,398,004	3,427,243
Noncontrolling interests	133,486	134,185
Total equity	3,531,490	3,561,428
Total liabilities and equity	$8,703,251	$8,742,089

See Notes to Consolidated Financial Statements.

W. P. CAREY INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2016	2015
Revenues		
Owned Real Estate:		
Lease revenues	$175,244	$ 160,165
Lease termination income and other	32,541	3,209
Operating property revenues	6,902	7,112
Reimbursable tenant costs	6,309	5,939
	220,996	176,425
Investment Management:		
Reimbursable costs	19,738	9,607
Asset management revenue	14,613	11,159
Structuring revenue	12,721	21,720
Dealer manager fees	2,172	1,274
Other advisory revenue	—	203
	49,244	43,963
	270,240	220,388
Operating Expenses		
Depreciation and amortization	84,452	65,400
Reimbursable tenant and affiliate costs	26,047	15,546
General and administrative	21,438	29,768
Property expenses, excluding reimbursable tenant costs	17,772	9,364
Restructuring and other compensation	11,473	—
Stock-based compensation expense	6,607	7,009
Property acquisition and other expenses	5,566	5,676
Dealer manager fees and expenses	3,352	2,372
Subadvisor fees	3,293	2,661
Impairment charges	—	2,683
	180,000	140,479
Other Income and Expenses		
Interest expense	(48,395)	(47,949)
Equity in earnings of equity method investments in the Managed Programs and real estate	15,011	11,723
Other income and (expenses)	3,871	(4,306)
	(29,513)	(40,532)
Income before income taxes and gain on sale of real estate	60,727	39,377
Provision for income taxes	(525)	(1,980)
Income before gain on sale of real estate	60,202	37,397
Gain on sale of real estate, net of tax	662	1,185
Net Income	60,864	38,582
Net income attributable to noncontrolling interests	(3,425)	(2,466)
Net Income Attributable to W. P. Carey	$57,439	$ 36,116
Basic Earnings Per Share	$0.54	$ 0.34
Diluted Earnings Per Share	$0.54	$ 0.34
Weighted-Average Shares Outstanding		

Basic	105,939,161	105,303,679
Diluted	106,405,453	106,109,877
Distributions Declared Per Share	$ 0.9742	$ 0.9525

See Notes to Consolidated Financial Statements.

W. P. CAREY INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2016	2015
Net Income	$60,864	$38,582
Other Comprehensive Income (Loss)		
Foreign currency translation adjustments	14,033	(114,080)
Realized and unrealized (loss) gain on derivative instruments	(11,775)	26,818
Change in unrealized gain on marketable securities	—	14
	2,258	(87,248)
Comprehensive Income (Loss)	63,122	(48,666)
Amounts Attributable to Noncontrolling Interests		
Net income	(3,425)	(2,466)
Foreign currency translation adjustments	(1,870)	5,143
Comprehensive (income) loss attributable to noncontrolling interests	(5,295)	2,677
Comprehensive Income (Loss) Attributable to W. P. Carey	$57,827	$(45,989)

See Notes to Consolidated Financial Statements.

W. P. CAREY INC.
CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
Three Months Ended March 31, 2016 and 2015
(in thousands, except share and per share amounts)

	W. P. Carey Stockholders								
	Common Stock $0.001 Par Value		Additional Paid-in	Distributions in Excess of Accumulated	Deferred Compensation	Accumulated Other Comprehensive	Total W. P. Carey	Noncontrolling	
	Shares	Amount	Capital	Earnings	Obligation	Loss	Stockholders	Interests	Total
Balance at January 1, 2016	104,448,777	$104	$4,282,042	$(738,652)	$56,040	$(172,291)	$3,427,243	$134,185	$3,561,428
Shares issued to a third party in connection with the redemption of a redeemable noncontrolling interest	217,011	1	13,418				13,419		13,419
Contributions from noncontrolling interests							—	90	90
Exercise of stock options and employee purchases under the employee share purchase plan	180	—	6				6		6
Grants issued in connection with services rendered	190,083	—	(6,662)				(6,662)		(6,662)
Shares issued under share incentive plans	10,300	—	(690)				(690)		(690)
Deferral of vested shares			(4,262)		4,262		—		—
Amortization of stock-based compensation expense			9,814				9,814		9,814
Redemption value adjustment			561				561		561
Distributions to noncontrolling interests							—	(6,084)	(6,084)

Distributions declared ($0.9742 per share)			1,242	(105,004)	248		(103,514)		(103,514)
Net income				57,439			57,439	3,425	60,864
Other comprehensive income (loss):									
Foreign currency translation adjustments						12,163	12,163	1,870	14,033
Realized and unrealized loss on derivative instruments						(11,775)	(11,775)		(11,775)
Balance at March 31, 2016	104,866,351	$105	$4,295,469	$(786,217)	$60,550	$(171,903)	$3,398,004	$133,486	$3,531,490

W. P. CAREY INC.
CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
(Continued)
Three Months Ended March 31, 2016 and 2015
(in thousands, except share and per share amounts)

	W. P. Carey Stockholders								
	Common Stock $0.001 Par Value		Additional	Distributions in Excess of	Deferred	Accumulated Other	Total		
	Shares	Amount	Paid-in Capital	Accumulated Earnings	Compensation Obligation	Comprehensive Loss	W. P. Carey Stockholders	Noncontrolling Interests	Total
Balance at January 1, 2015	104,040,653	$104	$4,293,450	$(497,730)	$30,624	$(75,559)	$3,750,889	$139,846	$3,890,735
Contributions from noncontrolling interests							—	208	208
Exercise of stock options and employee purchases under the employee share purchase plan	3	—	—				—		—
Grants issued in connection with services rendered	279,621	—	(14,533)				(14,533)		(14,533)
Shares issued under share incentive plans	17,146	—	(717)				(717)		(717)
Deferral of vested shares			(24,288)		24,288		—		—
Windfall tax benefits - share incentive plans			5,276				5,276		5,276
Amortization of stock-based compensation expense			7,009				7,009		7,009
Redemption value adjustment			(7,303)				(7,303)		(7,303)
Distributions to noncontrolling interests							—	(2,354)	(2,354)
Distributions declared ($0.9525 per			5,064	(108,035)	1,837		(101,134)		(101,134)

share)									
Net income				36,116			36,116	2,466	38,582
Other comprehensive (loss) income:									
Foreign currency translation adjustments						(108,937)	(108,937)	(5,143)	(114,080)
Realized and unrealized gain on derivative instruments						26,818	26,818		26,818
Change in unrealized gain on marketable securities						14	14		14
Balance at March 31, 2015	104,337,423	$104	$4,263,958	$(569,649)	$56,749	$(157,664)	$3,593,498	$135,023	$3,728,521

See Notes to Consolidated Financial Statements.

W. P. CAREY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2016	2015
Cash Flows — Operating Activities		
Net income	$60,864	$38,582
Adjustments to net income:		
Depreciation and amortization, including intangible assets and deferred financing costs	84,956	66,994
Straight-line rent, amortization of rent-related intangibles, and deferred rental revenue	(36,309)	10,364
Stock-based compensation expense	9,814	7,009
Allowance for credit losses	7,064	—
Management income received in shares of Managed REITs and other	(6,939)	(4,988)
Realized and unrealized (gain) loss on foreign currency transactions, derivatives, extinguishment of debt, and other	(3,914)	7,615
Deferred income taxes	(3,027)	(1,733)
Gain on sale of real estate	(662)	(1,185)
Equity in earnings of equity method investments in the Managed Programs and real estate in excess of distributions received	464	331
Impairment charges	—	2,683
Changes in assets and liabilities:		
Deferred acquisition revenue received	7,560	8,738
Payments for withholding taxes upon delivery of equity-based awards and exercises of stock options	(7,352)	(15,250)
Increase in structuring revenue receivable	(2,266)	(6,645)
Net changes in other operating assets and liabilities	2,819	(31,586)
Net Cash Provided by Operating Activities	113,072	80,929
Cash Flows — Investing Activities		
Proceeds from sale of real estate	103,689	13,119
Funding of short-term loans to affiliates	(20,000)	—
Proceeds from repayment of short-term loans to affiliates	20,000	—
Capital expenditures on owned real estate	(4,092)	(308)
Change in investing restricted cash	(3,074)	6,852
Investment in real estate under construction	(2,562)	(10,481)
Distributions received from equity investments in the Managed Programs and real estate in excess of equity income	1,935	1,473
Other investing activities, net	(1,130)	489
Capital expenditures on corporate assets	(761)	(882)
Proceeds from repayments of note receivable	195	9,970
Capital contributions to equity investments in real estate	(5)	—
Purchases of real estate	—	(385,603)
Net Cash Provided by (Used in) Investing Activities	94,195	(365,371)
Cash Flows — Financing Activities		
Proceeds from Senior Unsecured Credit Facility	190,568	291,206
Repayments of Senior Unsecured Credit Facility	(130,000)	(877,685)
Distributions paid	(102,239)	(99,860)
Prepayments of mortgage principal	(36,894)	—
Scheduled payments of mortgage principal	(17,941)	(18,247)

Distributions paid to noncontrolling interests	(6,084)	(2,354)
Change in financing restricted cash	633	175
Payment of financing costs	(250)	(10,501)
Contributions from noncontrolling interests	90	208
Proceeds from exercise of stock options and employee purchases under the employee share purchase plan	6	—
Proceeds from issuance of Senior Unsecured Notes	—	1,022,303
Proceeds from mortgage financing	—	8,277
Windfall tax benefit associated with stock-based compensation awards	—	5,276
Net Cash (Used in) Provided by Financing Activities	(102,111)	318,798
Change in Cash and Cash Equivalents During the Period		
Effect of exchange rate changes on cash	4,681	(25,648)
Net increase in cash and cash equivalents	109,837	8,708
Cash and cash equivalents, beginning of period	157,227	198,683
Cash and cash equivalents, end of period	$267,064	$207,391

See Notes to Consolidated Financial Statements.

W. P. CAREY INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Business and Organization

W. P. Carey Inc., or W. P. Carey, is, together with its consolidated subsidiaries and predecessors, a REIT that provides long-term financing via sale-leaseback and build-to-suit transactions for companies worldwide and manages a global investment portfolio. We invest primarily in commercial properties domestically and internationally. We earn revenue principally by leasing the properties we own to single corporate tenants, primarily on a triple-net lease basis, which generally requires each tenant to pay substantially all of the costs associated with operating and maintaining the property.

Originally founded in 1973, we reorganized as a REIT in September 2012 in connection with our merger with Corporate Property Associates 15 Incorporated. We refer to that merger as the CPA®:15 Merger. On January 31, 2014, Corporate Property Associates 16 – Global Incorporated, or CPA®:16 – Global, merged with and into us, which we refer to as the CPA®:16 Merger. Our shares of common stock are listed on the New York Stock Exchange under the symbol "WPC."

We have elected to be taxed as a REIT under Section 856 through 860 of the Internal Revenue Code. As a REIT, we are not generally subject to United States federal income taxation other than from our taxable REIT subsidiaries, or TRSs, as long as we satisfy certain requirements, principally relating to the nature of our income and the level of our distributions, as well as other factors. We hold all of our real estate assets attributable to our Owned Real Estate segment under the REIT structure, while the activities conducted by our Investment Management segment subsidiaries have been organized under TRSs.

Through our TRSs, we also earn revenue as the advisor to publicly-owned, non-listed REITs, which are sponsored by us under the Corporate Property Associates, or CPA®, brand name and invest in similar properties. At March 31, 2016, we were the advisor to Corporate Property Associates 17 – Global Incorporated, or CPA®:17 – Global, and Corporate Property Associates 18 – Global Incorporated, or CPA®:18 – Global. We refer to CPA®:17 – Global and CPA®:18 – Global together as the CPA® REITs. We were also the advisor to CPA®:16 – Global until its merger with us on January 31, 2014. At March 31, 2016, we were also the advisor to Carey Watermark Investors Incorporated, referred to as CWI 1, and Carey Watermark Investors 2 Incorporated, or CWI 2, two publicly-owned, non-listed REITs that invest in lodging and lodging-related properties. We refer to CWI 1 and CWI 2 together as the CWI REITs and, together with the CPA® REITs, as the Managed REITs (Note 4). At March 31, 2016, we also served as the advisor to Carey Credit Income Fund, or CCIF, a business development company, or BDC (Note 7). We refer to CCIF and the two feeder funds of CCIF, or the CCIF Feeder Funds, collectively as the Managed BDCs and, together with the Managed REITs, as the Managed Programs.

Reportable Segments

Owned Real Estate — We own and invest in commercial properties principally in the United States, Europe, and Asia that are then leased to companies, primarily on a triple-net lease basis. We have also invested in several operating properties, such as lodging and self-storage properties. We earn lease revenues from our wholly-owned and co-owned real estate investments that we control. In addition, we generate equity income through co-owned real estate investments that we do not control and through our ownership of shares of the Managed Programs (Note 7). Through our special member interests in the operating partnerships of the Managed REITs, we also participate in their cash flows (Note 4). At March 31, 2016, our owned portfolio was comprised of our full or partial ownership interests in 866 properties, totaling approximately 89.3 million square feet, substantially all of which were net leased to 220 tenants, with an occupancy rate of 98.5%.

Investment Management — Through our TRSs, we structure and negotiate investments and debt placement transactions for the Managed REITs, for which we earn structuring revenue, and manage their portfolios of real estate investments, for which we earn asset-based management revenue. We also earn asset management revenue from CCIF based on the average of its gross assets at fair value. We may earn disposition revenue when we negotiate and structure the sale of properties on behalf of the Managed REITs, and we may also earn incentive revenue and receive other compensation in connection with providing liquidity events for the Managed REITs' stockholders. At March 31, 2016, CPA®:17 – Global and CPA®:18 – Global collectively owned all or a portion of 431 properties, including certain properties in which we have an ownership interest. Substantially all of these properties, totaling approximately 49.9 million square feet, were net leased to 205 tenants, with an average occupancy rate of approximately 99.8%. The Managed REITs also had interests in 176 operating properties, totaling approximately 20.2 million square feet. We continue to explore alternatives for expanding our investment management operations beyond advising the existing Managed Programs. Any such expansion could involve the purchase of properties or other investments as principal, either for our owned portfolio or with the intention of transferring such investments to a newly-

Notes to Consolidated Financial Statements (Unaudited)

created fund. These new funds could invest primarily in assets other than net-lease real estate and could include funds raised through private placements or publicly-traded vehicles, either in the United States or internationally.

Note 2. Revisions of Previously-Issued Financial Statements

During the second quarter of 2015, we identified errors in the March 31, 2015 interim consolidated financial statements related to the calculation of foreign currency translation of the assets and liabilities of a foreign investment acquired in January 2015 and the presentation of certain foreign currency losses within the consolidated statement of cash flows for the three months ended March 31, 2015. We evaluated the impact on the previously-issued financial statements and concluded that these errors were not material to our consolidated financial statements as of and for the three months ended March 31, 2015. However, in order to correctly present such foreign currency translation and certain foreign currency losses, we elected to revise the previously-issued consolidated statements of comprehensive loss, equity, and cash flows for the three months ended March 31, 2015. The interim consolidated financial statements as of and for the three months ended June 30, 2015 and September 30, 2015 are not impacted by these adjustments.

The corrections of the foreign currency translation adjustments resulted in a $17.3 million decrease in Accumulated other comprehensive loss on the consolidated statement of equity with a corresponding reduction in Other comprehensive loss, Comprehensive loss, and Comprehensive loss attributable to W. P. Carey within the consolidated statement of comprehensive loss for the three months ended March 31, 2015 as compared to amounts previously presented. The correction of the presentation of the foreign currency losses within the consolidated statement of cash flows for the three months ended March 31, 2015 resulted in a $13.6 million increase in Net cash provided by operating activities, with a corresponding decrease to the Effect of exchange rate changes on cash as compared to the amounts previously presented.
The revisions described above had no effect on our cash balances or liquidity as of March 31, 2015, or the consolidated statements of income or basic and diluted earnings per share for the three months ended March 31, 2015.

During the year ended December 31, 2015, we determined that our presentation of common shares repurchased should be classified as a reduction to Common stock, for the par amount of the common shares repurchased, Additional paid-in capital, and Distributions in excess of accumulated earnings, and included as shares unissued within the consolidated financial statements. We previously classified common shares repurchased as Treasury stock in the consolidated financial statements. We evaluated the impact of this correction on previously-issued financial statements and concluded that they were not materially misstated. In order to conform previously-issued financial statements to the current period, we elected to revise previously-issued financial statements the next time such financial statements are filed to include the elimination of Treasury stock of $60.9 million, with corresponding reductions of Common stock and Additional paid-in capital of $28.8 million, and Distributions in excess of accumulated earnings of $32.1 million as of March 31, 2015. These revisions resulted in no change in Total equity within the consolidated statements of equity for the three months ended March 31, 2015.

Note 3. Basis of Presentation

Basis of Presentation

Our interim consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not necessarily include all information and footnotes necessary for a fair statement of our consolidated financial position, results of operations, and cash flows in accordance with generally accepted accounting principles in the United States, or GAAP.

In the opinion of management, the unaudited financial information for the interim periods presented in this Report reflects all normal and recurring adjustments necessary for a fair statement of financial position, results of operations, and cash flows. Our interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2015, which are included in the 2015 Annual Report, as certain disclosures that would substantially duplicate those contained in the audited consolidated financial statements have not been included in this Report. Operating results for interim periods are not necessarily indicative of operating results for an entire year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in our consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Notes to Consolidated Financial Statements (Unaudited)

Basis of Consolidation

Our consolidated financial statements reflect all of our accounts, including those of our controlled subsidiaries and our tenancy-in-common interest as described below. The portion of equity in a consolidated subsidiary that is not attributable, directly or indirectly, to us is presented as noncontrolling interests. All significant intercompany accounts and transactions have been eliminated.

On January 1, 2016, we adopted the Financial Accounting Standards Board's, or FASB's, Accounting Standards Update, or ASU, 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, as described in the Recent Accounting Pronouncements section below, which amends the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities. When we obtain an economic interest in an entity, we evaluate the entity to determine if it should be deemed a variable interest entity, or VIE, and, if so, whether we are the primary beneficiary and are therefore required to consolidate the entity. We apply accounting guidance for consolidation of VIEs to certain entities in which the equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Fixed price purchase and renewal options within a lease, as well as certain decision-making rights within a loan or joint-venture agreement, can cause us to consider an entity a VIE. Limited partnerships and other similar entities which operate as a partnership will be considered a VIE unless the limited partners hold substantive kick-out rights or participation rights. Significant judgment is required to determine whether a VIE should be consolidated. We review the contractual arrangements provided for in the partnership agreement or other related contracts to determine whether the entity is considered a VIE, and to establish whether we have any variable interests in the VIE. We then compare our variable interests, if any, to those of the other variable interest holders to determine which party is the primary beneficiary of the VIE based on whether the entity (i) has the power to direct the activities that most significantly impact the economic performance of the VIE and (ii) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. We performed this analysis on all of our subsidiary entities following the guidance in ASU 2015-02 to determine whether they qualify as VIEs and whether they should be consolidated or accounted for as equity investments in an unconsolidated venture. As a result of our assessment, at March 31, 2016, we considered 33 entities VIEs, 26 of which we consolidated and seven of which we accounted for as an equity investment. As a part of this assessment, we determined that 13 entities that were previously classified as voting interest entities should now be classified as VIEs as of January 1, 2016 and therefore included in our VIE disclosures. However, there was no change in determining whether or not we consolidate these entities as a result of the new guidance. We elected to retrospectively adopt ASU 2015-02, which resulted in changes to our VIE disclosures within the consolidated balance sheets. There were no other changes to our consolidated balance sheets or results of operations for the periods presented.

At March 31, 2016, we had an investment in a tenancy-in-common interest in various underlying international properties. Consolidation of this investment is not required as such interest does not qualify as a VIE and does not meet the control requirement for consolidation. Accordingly, we account for this investment using the equity method of accounting. We use the equity method of accounting because the shared decision-making involved in a tenancy-in-common interest investment provides us with significant influence on the operating and financial decisions of this investment.

Additionally, we own interests in single-tenant, net-leased properties leased to companies through noncontrolling interests in partnerships and limited liability companies that we do not control but over which we exercise significant influence. We account for these investments under the equity method of accounting. At times, the carrying value of our equity investments may fall below zero for certain investments. We intend to fund our share of the jointly-owned investments' future operating deficits should the need arise. However, we have no legal obligation to pay for any of the

liabilities of such investments nor do we have any legal obligation to fund operating deficits. At March 31, 2016, none of our equity investments had carrying values below zero.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

On January 1, 2016, we adopted ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30) as described in the Recent Accounting Pronouncements section below. ASU 2015-03 changes the presentation of debt issuance costs, which were previously recognized as an asset and requires that they be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. As a result of adopting this guidance, we reclassified $12.6 million of deferred financing costs, net from Other assets, net to Non-recourse debt, net, Senior Unsecured Notes, net, and Senior Unsecured Credit Facility - Term Loan, net as of December 31, 2015.

Notes to Consolidated Financial Statements (Unaudited)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) — ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 does not apply to our lease revenues, but will apply to reimbursed tenant costs and revenues generated from our operating properties and our Investment Management business. Additionally, this guidance modifies disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 for all entities by one year, until years beginning in 2018, with early adoption permitted but not before 2017, the original public company effective date. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810), which amends the current consolidation guidance, including modification of the guidance for evaluating whether limited partnerships and similar legal entities are VIEs or voting interest entities. The guidance does not amend the existing disclosure requirements for VIEs or voting interest model entities. The guidance, however, modified the requirements to qualify under the voting interest model. Under the revised guidance, ASU 2015-02 requires an entity to classify a limited liability company or a limited partnership as a VIE unless the partnership provides partners with either substantive kick-out rights or substantive participating rights over the managing member or general partner. Refer to the discussion in the Basis of Consolidation section above.

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30). ASU 2015-03 changes the presentation of debt issuance costs, which were previously recognized as an asset, and requires that they be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 does not affect the recognition and measurement guidance for debt issuance costs. ASU 2015-03 is effective for periods beginning after December 15, 2015, early adoption is permitted and retrospective application is required. We adopted ASU 2015-03 on January 1, 2016 and have disclosed the reclassification of our debt issuance costs in the Reclassifications section above.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805). ASU 2015-16 eliminates the requirement that an acquirer in a business combination account for measurement period adjustments retrospectively. Instead, an acquirer will recognize a measurement period adjustment during the period in which it determines the amount of the adjustment, including the effect on earnings of any amounts it would have recorded in previous periods if the accounting had been completed at the acquisition date. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, early adoption is permitted and prospective application is required for adjustments that are identified after the effective date of this update. We elected to early adopt ASU 2015-16 and implemented the standard prospectively beginning July 1, 2015. The adoption and implementation of the standard did not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 - Leases (Topic 842), which outlines a new model for accounting by lessees, whereby their rights and obligations under substantially all leases, existing and new, would be capitalized and recorded on the balance sheet. For lessors, however, the accounting remains largely unchanged from the current model, with the distinction between operating and financing leases retained, but updated to align with certain changes to the lessee model and the new revenue recognition standard. The new standard also replaces existing sale-leaseback guidance with a new model applicable to both lessees and lessors. Additionally, the new standard requires extensive quantitative and qualitative disclosures. ASU 2016-02 is effective for U.S. GAAP public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years; for all other entities, the final

lease standard will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application will be permitted for all entities. The new standard must be adopted using a modified retrospective transition of the new guidance and provides for certain practical expedients. Transition will require application of the new model at the beginning of the earliest comparative period presented. We are in the process of evaluating the impact of the new standard on our business and on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-05 - Derivatives and Hedging (Topic 815): Effect of derivative contract novations on existing hedge accounting relationships, which clarifies that a change in counterparty to a derivative contract in and of itself, does not require the dedesignation of a hedging relationship. ASU 2016-05 is effective for fiscal years beginning after December 15, 2016, including interim periods within those years. Early adoption is permitted and entities have the option of adopting this guidance on a prospective basis to new derivative contracts or on a modified retrospective basis. We elected to

Notes to Consolidated Financial Statements (Unaudited)

early adopt ASU 2016-05 on January 1, 2016 on a prospective basis and there was no impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07 - Investments - Equity Method and Joint Ventures (Topic 323), which simplifies the transition to the equity method of accounting. ASU 2016-07 eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. Instead the equity method of accounting will be applied prospectively from the date significant influence is obtained. The new standard should be applied prospectively for investments that qualify for the equity method of accounting in interim and annual periods beginning after December 15, 2016. Early adoption is permitted and we elected to early adopt this standard as of January 1, 2016. The adoption of this standard had no impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09 - Improvements to Employee Share-Based Payment Accounting, which amends Accounting Standards Codification Topic 718, Compensation-Stock Based Compensation to simplify various aspects of how share-based payments are accounted for and presented in the financial statements including (i) reflecting income tax effects of share-based payments through the income statement, (ii) allowing statutory tax withholding requirements at the employees' maximum individual tax rate without requiring awards to be classified as liabilities and (iii) permitting an entity to make an accounting policy election for the impact of forfeitures on the recognition of expense. ASU 2016-09 is effective for public business entities for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period, with early adoption permitted. We are in the process of evaluating the impact of adopting ASU 2016-09 on our consolidated financial statements.

Note 4. Agreements and Transactions with Related Parties

Advisory Agreements with the Managed Programs

We have advisory agreements with each of the Managed Programs, pursuant to which we earn fees and are entitled to receive reimbursement for fund management expenses, as well as cash distributions. We also earn fees for serving as the dealer-manager of the public offerings of the Managed Programs. Unless otherwise renewed, the advisory agreements with each of the CPA® REITs and with the CWI REITs are scheduled to expire on December 31, 2016. The advisory agreement with CCIF, which commenced February 27, 2015, is subject to renewal on or before February 26, 2017.

The following tables present a summary of revenue earned and/or cash received from the Managed Programs for the periods indicated, included in the consolidated financial statements. Asset management revenue excludes amounts received from third parties (in thousands):

	Three Months Ended March 31,	
	2016	2015
Reimbursable costs from affiliates	$19,738	$9,607
Asset management revenue	14,590	11,112
Structuring revenue	12,721	21,720
Distributions of Available Cash	10,981	8,806
Dealer manager fees	2,172	1,274
Interest income on deferred acquisition fees and loans to affiliates	194	153
Other advisory revenue	—	203
	$60,396	$52,875

	Three Months Ended March 31,	
	2016	2015
CPA®:17 – Global	$18,192	$21,676
CPA®:18 – Global	8,541	18,940
CWI 1	11,449	12,259
CWI 2	20,534	—
CCIF	1,680	—
	$60,396	$52,875

Notes to Consolidated Financial Statements (Unaudited)

The following table presents a summary of amounts included in Due from affiliates in the consolidated financial statements (in thousands):

	March 31, 2016	December 31, 2015
Deferred acquisition fees receivable	$28,101	$ 33,386
Accounts receivable	21,181	15,711
Current acquisition fees receivable	4,491	4,909
Reimbursable costs	4,486	5,579
Asset management fees receivable	2,303	2,172
Organization and offering costs	986	461
	$61,548	$ 62,218

Asset Management Revenue

Under the advisory agreements with the Managed Programs, we earn asset management revenue for managing their investment portfolios. The following table presents a summary of our asset management fee arrangements with the Managed Programs:

Managed Program	Rate	Payable	Description
CPA®:17 – Global	0.5% - 1.75%	50% in cash and 50% in shares of its common stock	Rate depends on the type of investment and is based on the average market or average equity value, as applicable
CPA®:18 – Global	0.5% - 1.5%	In shares of its class A common stock	Rate depends on the type of investment and is based on the average market or average equity value, as applicable
CWI 1	0.5%	In cash	Rate is based on the average market value of the investment; we are required to pay 20% of the asset management revenue we receive to the subadvisor
CWI 2	0.55%	In shares of its class A common stock	Rate is based on the average market value of the investment; we are required to pay 25% of the asset management revenue we receive to the subadvisor
CCIF	1.75% - 2.00%	In cash	Based on the average of gross assets at fair value; we are required to pay 50% of the asset management revenue we receive to the subadvisor

Incentive Fees

We are entitled to receive a quarterly incentive fee on income from CCIF equal to 100% of quarterly net investment income, before incentive fee payments, in excess of 1.875% of CCIF's average adjusted capital up to a limit of 2.344%, plus 20% of net investment income, before incentive fee payments, in excess of 2.344% of average adjusted capital. We are also entitled to receive from CCIF an incentive fee on realized capital gains of 20%, net of (i) all realized capital losses and unrealized depreciation on a cumulative basis, and (ii) the aggregate amount, if any, of previously paid incentive fees on capital gains since inception.

Notes to Consolidated Financial Statements (Unaudited)

Structuring Revenue

Under the terms of the advisory agreements, we earn revenue for structuring and negotiating investments and related financing for the Managed REITs. We do not earn any structuring revenue from the Managed BDCs. The following table presents a summary of our structuring fee arrangements with the Managed REITs:

Managed Program	Rate	Payable	Description
CPA®:17 – Global	1% - 1.75%, 4.5%	In cash; for non net-lease investments, 1% - 1.75% upon completion; for net-lease investments, 2.5% upon completion, with 2% deferred and payable in three interest-bearing annual installments	Based on the total aggregate cost of the net-lease investments made; also based on the total aggregate cost of the non net-lease investments made; total limited to 6% of the contract prices in aggregate
CPA®:18 – Global	4.5%	In cash; for all investments other than readily marketable real estate securities for which we will not receive any acquisition fees, 2.5% upon completion, with 2% deferred and payable in three interest-bearing annual installments	Based on the total aggregate cost of the investments made; total limited to 6% of the contract prices in aggregate
CWI REITs	2.5%	In cash upon completion	Based on the total aggregate cost of the lodging investments made; loan refinancing transactions up to 1% of the principal amount; we are required to pay 20% and 25% to the subadvisor of CWI 1 and CWI 2, respectively; total limited to 6% of the contract prices in aggregate

Reimbursable Costs from Affiliates

The Managed Programs reimburse us for certain costs that we incur on their behalf, which consist primarily of broker-dealer commissions, marketing costs, an annual distribution and shareholder servicing fee, or Shareholder Servicing Fee, and certain personnel and overhead costs, as applicable. The following tables present summaries of such fee arrangements:

Broker-Dealer Selling Commissions

Managed Program	Rate	Payable	Description
CWI 2 Class A Shares	$0.70	In cash upon share settlement; 100% re-allowed to broker-dealers	Per share sold
CPA®:18 – Global Class C Shares	$0.14	In cash upon share settlement; 100% re-allowed to broker-dealers	Per share sold; this offering closed in April 2015
CWI 2 Class T Shares	$0.19	In cash upon share settlement; 100% re-allowed to broker-dealers	Per share sold
CCIF Feeder Funds	0% - 3%	In cash upon share settlement; 100% re-allowed to broker-dealers	Based on the selling price of each share sold

Notes to Consolidated Financial Statements (Unaudited)

Dealer Manager Fees

Managed Program	Rate	Payable	Description
CWI 2 Class A Shares	\$0.30	Per share sold	In cash upon share settlement; a portion may be re-allowed to broker-dealers
CPA®:18 – Global Class C Shares	\$0.21	Per share sold	In cash upon share settlement; a portion may be re-allowed to broker-dealers; this offering closed in April 2015
CWI 2 Class T Shares	\$0.26	Per share sold	In cash upon share settlement; a portion may be re-allowed to broker-dealers
CCIF Feeder Funds	2.75% - 3.0%	Based on the selling price of each share sold	In cash upon share settlement; a portion may be re-allowed to broker-dealers

Annual Distribution and Shareholder Servicing Fee

Managed Program	Rate	Payable	Description
CPA®:18 – Global Class C Shares	1.0%	Accrued daily and payable quarterly in arrears in cash; a portion may be re-allowed to selected dealers	Based on the purchase price per share sold or, once reported, the net asset value per share; cease paying when underwriting compensation from all sources equals 10% of gross offering proceeds
CWI 2 Class T Shares	1.0%	Accrued daily and payable quarterly in arrears in cash; a portion may be re-allowed to selected dealers	Based on the purchase price per share sold or, once reported, the net asset value per share; cease paying on the earlier of six years or when underwriting compensation from all sources equals 10% of gross offering proceeds

Personnel and Overhead Costs

Managed Program	Payable	Description
CPA®:17 – Global and CPA®:18 – Global	In cash	Personnel and overhead costs, excluding those related to our legal transactions group, our senior management, and our investments team, are charged to the CPA® REITs based on the average of the trailing 12-month aggregate reported revenues of the Managed REITs and us, and are capped at 2.2% and 2.4% of each CPA® REIT's pro rata lease revenues for 2016 and 2015, respectively; for the legal transactions group, costs are charged according to a fee schedule
CWI 1	In cash	Actual expenses incurred; allocated between the CWI REITs based on the percentage of their total pro rata hotel revenues for the most recently completed quarter
CWI 2	In cash	Actual expenses incurred; allocated between the CWI REITs based on the percentage of their total pro rata hotel revenues for the most recently completed quarter
CCIF and CCIF Feeder Funds	In cash	Actual expenses incurred

Organization and Offering Costs

Managed Program	Payable	Description
CWI 2	In cash; within 60 days after the end of the quarter in which the offering terminates	Actual costs incurred from 1.5% through 4.0% of the gross offering proceeds, depending on the amount raised
CCIF and CCIF Feeder Funds	In cash; payable monthly	Up to 1.5% of the gross offering proceeds

Notes to Consolidated Financial Statements (Unaudited)

For CCIF, total reimbursements to us for personnel and overhead costs and organization and offering costs may not exceed 18% of total Front End Fees, as defined in its Declaration of Trust, so that total funds available for investment may not be lower than 82% of total gross proceeds.

Expense Support and Conditional Reimbursements

Under the expense support and conditional reimbursement agreement we have with each of the CCIF Feeder Funds, we and the CCIF subadvisor are obligated to reimburse the CCIF Feeder Funds for 50% of the excess of the cumulative distributions paid to the CCIF Feeder Funds' shareholders over the available operating funds on a monthly basis. Following any month in which the available operating funds exceed the cumulative distributions paid to its shareholders, the excess operating funds are used to reimburse us and the CCIF subadvisor for any expense payment we made within three years prior to the last business day of such months that have not been previously reimbursed by the CCIF Feeder Fund, up to the lesser of (i) 1.75% of each CCIF Feeder Fund's average net assets or (ii) the percentage of each CCIF Feeder Fund's average net assets attributable to its common shares represented by other operating expenses during the fiscal year in which such expense support payment from us and the CCIF's subadvisor was made, provided that the effective rate of distributions per share at the time of reimbursement is not less than such rate at the time of expense payment.

Distributions of Available Cash

We are entitled to receive distributions of up to 10% of the Available Cash (as defined in the respective advisory agreements) from the operating partnerships of each of the Managed REITs, as described in their respective operating partnership agreements, payable quarterly in arrears.

Other Transactions with Affiliates

Loans to Affiliates

During 2015 and 2014, our board of directors approved unsecured loans from us to CPA®:17 – Global of up to $75.0 million, CPA®:18 – Global of up to $100.0 million, CWI 1 and CWI 2 of up to $110.0 million in the aggregate, and CCIF of up to $50.0 million, with each loan at a rate equal to the rate at which we are able to borrow funds under our senior credit facility (Note 11), for the purpose of facilitating acquisitions approved by their respective investment committees.

During 2015, various loans aggregating $185.4 million were made to the Managed Programs, all of which were repaid during 2015. All of the loans were made at an interest rate equal to the London Interbank Offered Rate, or LIBOR, as of the issue date, plus 1.1%. During 2015, we arranged credit agreements for each of CPA®:17 – Global, CWI 1, and CCIF, and our board of directors terminated its previous authorizations to provide loans to CPA®:17 – Global and CWI 1. During the three months ended March 31, 2016, our board of directors terminated its previous authorizations to provide loans to CPA®:18 – Global and CCIF.

On January 20, 2016, we made a $20.0 million loan to CWI 2, which was repaid in full on February 20, 2016.

Other

On February 2, 2016, an entity in which we, one of our employees, and third parties owned 38.3%, 0.5%, and 61.2%, respectively, and which we consolidated, sold a self-storage property (Note 16). In connection with the sale, we made a distribution of $0.1 million to the employee, representing their share of the net proceeds from the sale.

At March 31, 2016, we owned interests ranging from 3% to 90% in jointly-owned investments, including a jointly-controlled tenancy-in-common interest in several properties, with the remaining interests generally held by affiliates, and stock of each of the Managed REITs and CCIF. We consolidate certain of these investments and account for the remainder under the equity method of accounting (Note 7).

Notes to Consolidated Financial Statements (Unaudited)

Note 5. Net Investments in Properties

Real Estate

Real estate, which consists of land and buildings leased to others, at cost, and which are subject to operating leases, and real estate under construction, is summarized as follows (in thousands):

	March 31, 2016	December 31, 2015
Land	$1,172,868	$1,160,567
Buildings	4,175,564	4,147,644
Real estate under construction	2,492	1,714
Less: Accumulated depreciation	(405,684)	(372,735)
	$4,945,240	$4,937,190

During the three months ended March 31, 2016, the U.S. dollar weakened against the euro, as the end-of-period rate for the U.S. dollar in relation to the euro at March 31, 2016 increased by 4.6% to $1.1385 from $1.0887 at December 31, 2015. As a result, the carrying value of our Real estate increased by $58.9 million from December 31, 2015 to March 31, 2016.

During the three months ended March 31, 2016, we did not acquire any properties. During the three months ended March 31, 2016, we sold four properties and a parcel of vacant land (Note 16). As a result, the carrying value of our Real estate decreased by $28.0 million from December 31, 2015 to March 31, 2016.

Operating Real Estate

At March 31, 2016, Operating real estate consisted of our investments in two hotels. At December 31, 2015, Operating real estate consisted of our investments in two hotels and one self-storage property. During the three months ended March 31, 2016, we sold one self-storage property, and as a result, the carrying value of our Operating real estate decreased by $2.3 million from December 31, 2015 to March 31, 2016 (Note 16). Below is a summary of our Operating real estate (in thousands):

	March 31, 2016	December 31, 2015
Land	$6,041	$ 6,578
Buildings	74,183	76,171
Less: Accumulated depreciation	(8,939)	(8,794)
	$71,285	$ 73,955

Assets Held for Sale

Below is a summary of our properties held for sale (in thousands):

	March 31, 2016	December 31, 2015
Real estate, net	$3,747	$ 59,046
Assets held for sale	$3,747	$ 59,046

At March 31, 2016, we had one property classified as Assets held for sale. At December 31, 2015, we had two properties classified as Assets held for sale, one of which was sold during the three months ended March 31, 2016.

Notes to Consolidated Financial Statements (Unaudited)

Note 6. Finance Receivables

Assets representing rights to receive money on demand or at fixed or determinable dates are referred to as finance receivables. Our finance receivables portfolio consists of our Net investments in direct financing leases, notes receivable, and deferred acquisition fees. Operating leases are not included in finance receivables as such amounts are not recognized as an asset in the consolidated financial statements. Our note receivable is included in Other assets, net in the consolidated financial statements. Earnings from our note receivable are included in Lease termination income and other in the consolidated financial statements.

Net Investments in Direct Financing Leases

Interest income from direct financing leases, which was included in Lease revenues in the consolidated financial statements, was $18.3 million and $18.8 million for the three months ended March 31, 2016 and 2015, respectively. During the three months ended March 31, 2016, the U.S. dollar weakened against the euro, resulting in a $14.6 million increase in the carrying value of Net investments in direct financing leases from December 31, 2015 to March 31, 2016. During the three months ended March 31, 2016, we reclassified 31 properties with a carrying value of $9.7 million from Net investments in direct financing leases to Real estate, at cost in connection with the extensions of the underlying leases.

Note Receivable

At March 31, 2016 and December 31, 2015, we had a note receivable with an outstanding balance of $10.5 million and $10.7 million, respectively, representing the expected future payments under a sales type lease, which was included in Other assets, net in the consolidated financial statements.

Deferred Acquisition Fees Receivable

As described in Note 4, we earn revenue in connection with structuring and negotiating investments and related mortgage financing for the CPA® REITs. A portion of this revenue is due in equal annual installments over three years, provided the CPA® REITs meet their respective performance criteria. Unpaid deferred installments, including accrued interest, from the CPA® REITs were included in Due from affiliates in the consolidated financial statements.

Credit Quality of Finance Receivables

We generally seek investments in facilities that we believe are critical to a tenant’s business and that we believe have a low risk of tenant default. As of March 31, 2016 and December 31, 2015, we had allowances for credit losses of $15.8 million and $8.7 million, respectively, on a direct financing lease. During the three months ended March 31, 2016, we increased the allowance by $7.1 million, which was recorded in Property expenses, excluding reimbursable tenant costs in the consolidated financial statements, due to a decline in the estimated amount of future payments we will receive from the tenant, including the possible early termination of the direct financing lease. At both March 31, 2016 and December 31, 2015, none of the balances of our finance receivables were past due. Other than the lease extensions noted under Net Investments in Direct Financing Leases above and the allowance for credit losses discussed above, there were no modifications of finance receivables during the three months ended March 31, 2016 or the year ended December 31, 2015. We evaluate the credit quality of our finance receivables utilizing an internal five-point credit rating scale, with one representing the highest credit quality and five representing the lowest. The credit quality evaluation of our finance receivables was last updated in the first quarter of 2016. We believe the credit quality of our deferred acquisition fees receivable falls under category one, as the CPA® REITs are expected to have the available cash to make such payments.

A summary of our finance receivables by internal credit quality rating is as follows (dollars in thousands):

Internal Credit Quality Indicator	Number of Tenants / Obligors at		Carrying Value at	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
1	2	2	$26,154	$ 90,818
2	4	3	70,769	53,492
3	22	23	563,225	512,724
4	5	6	102,184	110,002
5	1	—	1,921	—
			$764,253	$ 767,036

Notes to Consolidated Financial Statements (Unaudited)

Note 7. Equity Investments in the Managed Programs and Real Estate

We own interests in certain unconsolidated real estate investments with the Managed Programs and also own interests in the Managed Programs. We account for our interests in these investments under the equity method of accounting (i.e., at cost, increased or decreased by our share of earnings or losses, less distributions, plus contributions and other adjustments required by equity method accounting, such as basis differences).

The following table presents Equity in earnings of equity method investments in the Managed Programs and real estate, which represents our proportionate share of the income or losses of these investments, as well as certain adjustments related to other-than-temporary impairment charges and amortization of basis differences related to purchase accounting adjustments (in thousands):

	Three Months Ended March 31,	
	2016	2015
Distributions of Available Cash (Note 4)	$10,981	$8,806
Proportionate share of earnings from equity investments in the Managed Programs	1,112	307
Amortization of basis differences on equity investments in the Managed Programs	(239)	(295)
Total equity earnings from the Managed Programs	11,854	8,818
Equity earnings from other equity investments	4,102	3,816
Amortization of basis differences on other equity investments	(945)	(911)
Equity in earnings of equity method investments in the Managed Programs and real estate	$15,011	$11,723

Managed Programs

We own interests in the Managed Programs and account for these interests under the equity method because, as their advisor and through our ownership of their common stock, we do not exert control over, but we do have the ability to exercise significant influence on, the Managed Programs. Operating results of the Managed REITs are included in the Owned Real Estate segment and operating results of CCIF are included in the Investment Management segment.

The following table sets forth certain information about our investments in the Managed Programs (dollars in thousands):

	% of Outstanding Shares Owned at		Carrying Amount of Investment at	
Fund	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
CPA®:17 – Global	3.177 %	3.087 %	$ 90,836	$ 87,912
CPA®:17 – Global operating partnership	0.009 %	0.009 %	—	—
CPA®:18 – Global	0.940 %	0.735 %	11,806	9,279
CPA®:18 – Global operating partnership	0.034 %	0.034 %	209	209
CWI 1	1.124 %	1.131 %	12,262	12,619
CWI 1 operating partnership	0.015 %	0.015 %	—	—
CWI 2	0.389 %	0.379 %	1,661	949
CWI 2 operating partnership	0.015 %	0.015 %	300	300
CCIF	36.713 %	47.882 %	21,931	22,214
			$ 139,005	$ 133,482

CPA®:17 – Global — The carrying value of our investment in CPA®:17 – Global at March 31, 2016 includes asset management fees receivable, for which 122,304 shares of CPA®:17 – Global common stock were issued during the second quarter of 2016. We received distributions from this investment during the three months ended March 31, 2016

and 2015 of $1.9 million and $1.4 million, respectively. We received distributions from our investment in the CPA®:17 – Global operating partnership during the three months ended March 31, 2016 and 2015 of $6.7 million and $6.1 million, respectively.

Notes to Consolidated Financial Statements (Unaudited)

CPA®:18 – Global — The carrying value of our investment in CPA®:18 – Global at March 31, 2016 includes asset management fees receivable, for which 103,955 shares of CPA®:18 – Global class A common stock were issued during the second quarter of 2016. We received distributions from this investment during the three months ended March 31, 2016 of $0.2 million. We received distributions from our investment in the CPA®:18 – Global operating partnership during the three months ended March 31, 2016 and 2015 of $1.3 million and $0.9 million, respectively.

CWI 1 — We received distributions from this investment during the three months ended March 31, 2016 of $0.2 million. We received distributions from our investment in the CWI 1 operating partnership during the three months ended March 31, 2016 and 2015 of $2.5 million and $1.8 million, respectively.

CWI 2 — The carrying value of our investment in CWI 2 at March 31, 2016 includes asset management fees receivable, for which 26,550 shares of class A common stock of CWI 2 were issued during the second quarter of 2016. We received distributions from this investment during the three months ended March 31, 2016 of less than $0.1 million. On March 27, 2015, we purchased a 0.015% special general partnership interest in the CWI 2 operating partnership for $0.3 million. This special general partnership interest entitles us to receive distributions of our proportionate share of earnings up to 10% of the Available Cash from the CWI 2 operating partnership (Note 4). During the three months ended March 31, 2016, we received $0.5 million of distributions from this investment.

CCIF — We received $0.1 million of distributions from our investment in CCIF during the three months ended March 31, 2016.

At March 31, 2016 and December 31, 2015, the aggregate unamortized basis differences on our equity investments in the Managed Programs were $28.5 million and $27.4 million, respectively.

Interests in Other Unconsolidated Real Estate Investments

We own equity interests in single-tenant net-leased properties that are generally leased to companies through noncontrolling interests (i) in partnerships and limited liability companies that we do not control but over which we exercise significant influence or (ii) as tenants-in-common subject to common control. Generally, the underlying investments are jointly-owned with affiliates. We account for these investments under the equity method of accounting. Earnings for each investment are recognized in accordance with each respective investment agreement.

The following table sets forth our ownership interests in our equity investments in real estate, excluding the Managed Programs, and their respective carrying values (dollars in thousands):

		Ownership Interest at	Carrying Value at	
Lessee	Co-owner	March 31, 2016	March 31, 2016	December 31, 2015
The New York Times Company	CPA®:17 – Global	45%	$70,586	$ 70,976
Frontier Spinning Mills, Inc.	CPA®:17 – Global	40%	24,163	24,288
Beach House JV, LLC [a]	Third Party	N/A	15,105	15,318
Actebis Peacock GmbH [b]	CPA®:17 – Global	30%	12,729	12,186
Waldaschaff Automotive GmbH and Wagon Automotive Nagold GmbH [b]	CPA®:17 – Global	33%	10,136	9,507
C1000 Logistiek Vastgoed B.V. [b] [c]		15%	9,462	9,381

	CPA®:17 – Global			
Wanbishi Archives Co. Ltd. [d]	CPA®:17 – Global	3%	360	335
			$142,541	$ 141,991

____

(a) This investment is a preferred equity position.

(b) The carrying value of this investment is affected by fluctuations in the exchange rate of the euro.

(c) This investment represents a tenancy-in-common interest, whereby the property is encumbered by the debt for which we are jointly and severally liable. For this investment, the co-obligor is CPA®:17 – Global and the amount due under the arrangement was approximately $75.0 million at March 31, 2016. Of this amount, $11.3 million represents the amount we agreed to pay and is included within the carrying value of the investment at March 31, 2016.

(d) The carrying value of this investment is affected by fluctuations in the exchange rate of the yen.

Notes to Consolidated Financial Statements (Unaudited)

We received aggregate distributions of $4.0 million and $3.1 million from our other unconsolidated real estate investments for the three months ended March 31, 2016 and 2015, respectively. At both March 31, 2016 and December 31, 2015, the aggregate unamortized basis differences on our unconsolidated real estate investments were $5.7 million.

As of March 31, 2016, we had six unconsolidated VIEs among our interests in unconsolidated real estate investments and one unconsolidated VIE among our interests in the Managed Programs. We do not consolidate these entities because we are not the primary beneficiary and the nature of our involvement in the activities of these entities does not give us power over decisions that significantly affect these entities' economic performances. We account for our investments in these entities under the equity method. As of March 31, 2016 and December 31, 2015, the carrying amount of our investments in these entities was $155.0 million and $154.8 million, respectively, and our maximum exposure to loss in these entities was limited to our investments in the entities.

Note 8. Goodwill and Other Intangibles

In connection with our acquisitions of properties, we have recorded net lease intangibles that are being amortized over periods ranging from one year to 40 years. In addition, we have several ground lease intangibles that are being amortized over periods of up to 99 years. In-place lease and tenant relationship intangibles are included in In-place lease and tenant relationship intangible assets, net in the consolidated financial statements. Above-market rent intangibles are included in Above-market rent intangible assets, net in the consolidated financial statements. Below-market ground lease (as lessee), trade name, management contracts, and software license intangibles are included in Other assets, net in the consolidated financial statements. Below-market rent, above-market ground lease (as lessee), and below-market purchase option intangibles are included in Below-market rent and other intangible liabilities, net in the consolidated financial statements.

The following table presents a reconciliation of our goodwill (in thousands):

	Owned Real Estate	Investment Management	Total
Balance at January 1, 2016	$618,202	$ 63,607	$681,809
Foreign currency translation adjustments and other	4,133	—	4,133
Allocation of goodwill to the cost basis of properties sold or classified as held for sale	(5,899)	—	(5,899)
Balance at March 31, 2016	$616,436	$ 63,607	$680,043

Notes to Consolidated Financial Statements (Unaudited)

Intangible assets, intangible liabilities, and goodwill are summarized as follows (in thousands):

	March 31, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable Intangible Assets						
Management contracts	$32,765	$ (32,765)	$ —	$32,765	$ (32,765)	$ —
Internal-use software development costs	18,447	(2,770)	15,677	18,188	(2,038)	16,150
	51,212	(35,535)	15,677	50,953	(34,803)	16,150
Lease Intangibles:						
In-place lease and tenant relationship	1,161,523	(305,027)	856,496	1,205,585	(302,737)	902,848
Above-market rent	648,822	(188,400)	460,422	649,035	(173,963)	475,072
Below-market ground lease	26,182	(1,076)	25,106	25,403	(889)	24,514
	1,836,527	(494,503)	1,342,024	1,880,023	(477,589)	1,402,434
Unamortizable Goodwill and Indefinite-Lived Intangible Assets						
Goodwill	680,043	—	680,043	681,809	—	681,809
Trade name	3,975	—	3,975	3,975	—	3,975
Below-market ground lease	936	—	936	895	—	895