Section 1: 10-Q (10-Q)

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

FORM 10-Q

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

For the quarterly period ended June 30, 2019

or

☐ **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: 000-54970

CORPORATE PROPERTY ASSOCIATES 18 – GLOBAL INCORPORATED
(Exact name of registrant as specified in its charter)

Maryland	**90-0885534**
(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)

Securities registered pursuant to Section 12(b) of the Act: None

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 ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 ☑ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑

Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Registrant has 117,057,009 shares of Class A common stock, $0.001 par value, and 32,296,113 shares of Class C common stock, $0.001 par value, outstanding at August 2, 2019.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q (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 be," "will continue," "will likely result," and similar expressions. These forward-looking statements include, but are not limited to, statements regarding: our corporate strategy and underlying assumptions about our portfolio (e.g. occupancy rate, lease terms, and tenant credit quality, including our expectations about tenant bankruptcies and interest coverage), possible new acquisitions and dispositions, and our international exposure; our future capital expenditure levels, including any plans to fund our future liquidity needs, and future leverage and debt service obligations; statements that we make regarding our ability to remain qualified for taxation as a real estate investment trust ("REIT"); and the impact of recently issued accounting pronouncements and regulatory activity. It is important to note that our actual results could be materially different from those projected in such forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on our business, financial condition, liquidity, results of operations, Modified funds from operations ("MFFO"), 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 ("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, 2018, as filed with the SEC on March 13, 2019 (the "2018 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, shareholders 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 condensed consolidated financial statements of the registrant in Part I, Item 1. Financial Statements (Unaudited).

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

CORPORATE PROPERTY ASSOCIATES 18 – GLOBAL INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except share and per share amounts)

	June 30, 2019	December 31, 2018
Assets		
Investments in real estate:		
Real estate — Land, buildings and improvements	$ 1,181,517	$ 1,210,776
Operating real estate — Land, buildings and improvements	506,067	503,149
Real estate under construction	204,288	152,106
Net investments in direct financing leases	41,880	41,745
In-place lease and other intangible assets	293,804	285,460
Investments in real estate	2,227,556	2,193,236
Accumulated depreciation and amortization	(304,105)	(280,608)
Assets held for sale, net	22,857	23,608
Net investments in real estate	1,946,308	1,936,236
Cash and cash equivalents	160,161	170,914
Accounts receivable and other assets, net	155,370	197,403
Total assets [(a)]	$ 2,261,839	$ 2,304,553
Liabilities and Equity		
Non-recourse secured debt, net	$ 1,213,274	$ 1,237,427
Accounts payable, accrued expenses and other liabilities	136,623	132,065
Due to affiliates	12,429	16,827
Distributions payable	22,540	22,264
Total liabilities [(a)]	1,384,866	1,408,583
Commitments and contingencies (Note 10)		
Preferred stock, $0.001 par value; 50,000,000 shares authorized; none issued	—	—
Class A common stock, $0.001 par value; 320,000,000 shares authorized; 116,033,328 and 114,589,333 shares, respectively, issued and outstanding	115	114
Class C common stock, $0.001 par value; 80,000,000 shares authorized; 32,002,614 and 31,641,265 shares, respectively, issued and outstanding	32	32
Additional paid-in capital	1,306,923	1,290,888
Distributions and accumulated losses	(439,622)	(411,464)
Accumulated other comprehensive loss	(53,559)	(50,593)
Total stockholders' equity	813,889	828,977
Noncontrolling interests	63,084	66,993
Total equity	876,973	895,970
Total liabilities and equity	$ 2,261,839	$ 2,304,553

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(a) See Note 2 for details related to variable interest entities ("VIEs").

See Notes to Condensed Consolidated Financial Statements.

CORPORATE PROPERTY ASSOCIATES 18 – GLOBAL INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues				
Lease revenues — net-leased	$ 30,109	$ 33,092	$ 61,023	$ 65,889
Lease revenues — operating real estate	17,297	19,511	34,562	38,544
Other operating and interest income	1,621	2,800	3,736	5,405
	49,027	55,403	99,321	109,838
Operating Expenses				
Depreciation and amortization	17,180	16,892	32,552	34,524
Property expenses	8,126	10,190	16,801	20,024
Operating real estate expenses	6,615	8,220	13,081	16,379
General and administrative	2,100	1,817	3,859	3,462
	34,021	37,119	66,293	74,389
Other Income and Expenses				
Interest expense	(12,044)	(13,294)	(24,401)	(26,224)
Other gains and (losses)	1,302	(2,072)	1,474	5,920
Gain on sale of real estate, net	650	—	16,058	—
Equity in losses of equity method investment in real estate	(603)	(235)	(1,251)	(559)
	(10,695)	(15,601)	(8,120)	(20,863)
Income before income taxes	4,311	2,683	24,908	14,586
Benefit from (provision for) income taxes	867	298	(57)	713
Net Income	5,178	2,981	24,851	15,299
Net income attributable to noncontrolling interests (inclusive of Available Cash Distributions to a related party of $2,105, $2,830, $3,953, and $4,735, respectively)	(2,100)	(3,315)	(6,946)	(5,306)
Net Income (Loss) Attributable to CPA:18 – Global	$ 3,078	$ (334)	$ 17,905	$ 9,993
Class A Common Stock				
Net income (loss) attributable to CPA:18 – Global	$ 2,442	$ (213)	$ 14,095	$ 7,901
Basic and diluted weighted-average shares outstanding	116,210,773	113,010,970	115,855,895	112,564,943
Basic and diluted earnings per share	$ 0.02	$ —	$ 0.12	$ 0.07
Class C Common Stock				
Net income (loss) attributable to CPA:18 – Global	$ 636	$ (121)	$ 3,810	$ 2,092
Basic and diluted weighted-average shares outstanding	32,058,663	31,593,597	31,969,341	31,517,919
Basic and diluted earnings per share	$ 0.02	$ —	$ 0.12	$ 0.07

See Notes to Condensed Consolidated Financial Statements.

CORPORATE PROPERTY ASSOCIATES 18 – GLOBAL INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Income	$ 5,178	$ 2,981	$ 24,851	$ 15,299
Other Comprehensive Income (Loss)				
Foreign currency translation adjustments	3,658	(22,582)	(584)	(11,005)
Unrealized (loss) gain on derivative instruments	(1,971)	3,418	(2,209)	2,759
	1,687	(19,164)	(2,793)	(8,246)
Comprehensive Income (Loss)	6,865	(16,183)	22,058	7,053
Amounts Attributable to Noncontrolling Interests				
Net income	(2,100)	(3,315)	(6,946)	(5,306)
Foreign currency translation adjustments	(331)	2,326	(173)	709
Comprehensive income attributable to noncontrolling interests	(2,431)	(989)	(7,119)	(4,597)
Comprehensive Income (Loss) Attributable to CPA:18 – Global	$ 4,434	$ (17,172)	$ 14,939	$ 2,456

See Notes to Condensed Consolidated Financial Statements.

CORPORATE PROPERTY ASSOCIATES 18 – GLOBAL INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
(in thousands, except share and per share amounts)

	CPA:18 – Global Stockholders									
	Common Stock									
	Class A		Class C			Distributions and	Accumulated Other	Total CPA:18		
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Losses	Comprehensive Loss	– Global Stockholders	Noncontrolling Interests	Total
Balance at April 1, 2019	115,444,107	$ 115	31,840,141	$ 32	$ 1,300,223	$ (420,161)	$ (54,915)	$ 825,294	$ 65,258	$ 890,552
Shares issued	959,968	1	294,171	—	10,949			10,950		10,950
Shares issued to affiliate	164,709	—			1,438			1,438		1,438
Distributions to noncontrolling interests								—	(4,605)	(4,605)
Distributions declared ($0.1563 and $0.1376 per share to Class A and Class C, respectively)						(22,539)		(22,539)		(22,539)
Net income						3,078		3,078	2,100	5,178
Other comprehensive income:										
Foreign currency translation adjustments							3,327	3,327	331	3,658
Unrealized loss on derivative instruments							(1,971)	(1,971)		(1,971)
Repurchase of shares	(535,456)	(1)	(131,698)	—	(5,687)			(5,688)		(5,688)
Balance at June 30, 2019	116,033,328	$ 115	32,002,614	$ 32	$ 1,306,923	$ (439,622)	$ (53,559)	$ 813,889	$ 63,084	$ 876,973
Balance at April 1, 2018	112,099,561	$ 111	31,368,773	$ 31	$ 1,266,999	$ (431,512)	$ (23,911)	$ 811,718	$ 67,484	$ 879,202
Shares issued	1,004,254	1	311,757		11,001			11,002		11,002
Shares issued to affiliate	365,936	1			3,086			3,087		3,087
Contributions from noncontrolling interests								—	1,003	1,003
Distributions to noncontrolling interests								—	(3,871)	(3,871)
Distributions declared ($0.1563 and $0.1378 per share to Class A and Class C, respectively)						(21,977)		(21,977)		(21,977)
Net loss						(334)		(334)	3,315	2,981
Other comprehensive loss:										
Foreign currency translation adjustments							(20,256)	(20,256)	(2,326)	(22,582)
Unrealized gain on derivative instruments							3,418	3,418		3,418
Repurchase of shares	(620,208)	—	(269,546)	—	(7,401)			(7,401)		(7,401)
Balance at June 30, 2018	112,849,543	$ 113	31,410,984	$ 31	$ 1,273,685	$ (453,823)	$ (40,749)	$ 779,257	$ 65,605	$ 844,862

CORPORATE PROPERTY ASSOCIATES 18 – GLOBAL INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
(Continued)
(in thousands, except share and per share amounts)

	CPA:18 – Global Stockholders									
	Common Stock									
	Class A		Class C							
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Distributions and Accumulated Losses	Accumulated Other Comprehensive Loss	Total CPA:18 – Global Stockholders	Noncontrolling Interests	Total
Balance at January 1, 2019	114,589,333	$ 114	31,641,265	$ 32	$ 1,290,888	$ (411,464)	$ (50,593)	$ 828,977	$ 66,993	$ 895,970
Cumulative-effect adjustment for the adoption of new accounting pronouncements (Note 2)						(1,108)		(1,108)		(1,108)
Shares issued	1,925,165	2	591,233	1	21,967			21,970		21,970
Shares issued to affiliate	384,947	—			3,360			3,360		3,360
Contributions from noncontrolling interests								—	2,520	2,520
Distributions to noncontrolling interests								—	(13,548)	(13,548)
Distributions declared ($0.3126 and $0.2749 per share to Class A and Class C, respectively)						(44,955)		(44,955)		(44,955)
Net income						17,905		17,905	6,946	24,851
Other comprehensive income:										
Foreign currency translation adjustments							(757)	(757)	173	(584)
Unrealized loss on derivative instruments							(2,209)	(2,209)		(2,209)
Repurchase of shares	(866,117)	(1)	(229,884)	(1)	(9,292)			(9,294)		(9,294)
Balance at June 30, 2019	116,033,328	$ 115	32,002,614	$ 32	$ 1,306,923	$ (439,622)	$ (53,559)	$ 813,889	$ 63,084	$ 876,973
Balance at January 1, 2018	111,193,651	$ 110	31,189,137	$ 31	$ 1,257,840	$ (420,005)	$ (33,212)	$ 804,764	$ 67,301	$ 872,065
Shares issued	2,008,147	2	625,174	1	22,012			22,015		22,015
Shares issued to affiliate	711,157	1			5,970			5,971		5,971
Contributions from noncontrolling interests								—	1,174	1,174
Distributions to noncontrolling interests								—	(7,467)	(7,467)
Distributions declared ($0.3126 and $0.2753 per share to Class A and Class C, respectively)						(43,811)		(43,811)		(43,811)
Net income						9,993		9,993	5,306	15,299
Other comprehensive loss:										
Foreign currency translation adjustments							(10,296)	(10,296)	(709)	(11,005)
Unrealized gain on derivative instruments							2,759	2,759		2,759
Repurchase of shares	(1,063,412)	—	(403,327)	(1)	(12,137)			(12,138)		(12,138)
Balance at June 30, 2018	112,849,543	$ 113	31,410,984	$ 31	$ 1,273,685	$ (453,823)	$ (40,749)	$ 779,257	$ 65,605	$ 844,862

See Notes to Condensed Consolidated Financial Statements.

CORPORATE PROPERTY ASSOCIATES 18 – GLOBAL INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2019	2018
Cash Flows — Operating Activities		
Net Cash Provided by Operating Activities	$ 42,029	$ 44,960
Cash Flows — Investing Activities		
Funding and advances for build-to-suit and development projects	(44,728)	(44,941)
Proceeds from repayment of notes receivable	35,954	2,546
Proceeds from sale of real estate	19,343	771
Acquisitions of real estate, build-to-suit and development projects	(12,911)	(37,985)
Value added taxes paid in connection with acquisitions of real estate	(3,502)	(3,290)
Payment of deferred acquisition fees to an affiliate	(2,993)	(2,238)
Value added taxes refunded in connection with acquisitions of real estate	2,096	3,374
Capital expenditures on real estate	(1,594)	(7,033)
Proceeds from insurance settlements	856	7,074
Other investing activities, net	30	6
Net Cash Used in Investing Activities	(7,449)	(81,716)
Cash Flows — Financing Activities		
Distributions paid	(44,679)	(43,530)
Scheduled payments and prepayments of mortgage principal	(26,144)	(22,654)
Proceeds from mortgage financing	25,133	128,010
Proceeds from issuance of shares	20,924	20,970
Distributions to noncontrolling interests	(11,717)	(7,467)
Repurchase of shares	(9,294)	(12,138)
Contributions from noncontrolling interests	2,520	1,174
Other financing activities, net	(624)	(425)
Net Cash (Used in) Provided by Financing Activities	(43,881)	63,940
Change in Cash and Cash Equivalents and Restricted Cash During the Period		
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(59)	(2,690)
Net (decrease) increase in cash and cash equivalents and restricted cash	(9,360)	24,494
Cash and cash equivalents and restricted cash, beginning of period	190,838	90,183
Cash and cash equivalents and restricted cash, end of period	$ 181,478	$ 114,677

See Notes to Condensed Consolidated Financial Statements.

Note 1. Organization

Organization

Corporate Property Associates 18 – Global Incorporated ("CPA:18 – Global"), is a publicly owned, non-traded REIT, that invests primarily in a diversified portfolio of income-producing commercial real estate properties leased to companies and other real estate related assets, both domestically and internationally. In addition, our portfolio includes self-storage and student housing investments. We were formed in 2012 and are managed by W. P. Carey Inc. ("WPC") through one of its subsidiaries (collectively our "Advisor"). As a REIT, we are not subject to U.S. federal income taxation as long as we satisfy certain requirements, principally relating to the nature of our income and the level of our distributions, among other factors. We earn revenue primarily by leasing the properties we own to single corporate tenants, predominantly on a triple-net lease basis, which requires the tenant to pay substantially all of the costs associated with operating and maintaining the property. We derive self-storage revenue from rents received from customers who rent storage space primarily under month-to-month leases for personal or business use. We earn student housing and multi-family residential revenue primarily from leases of one year or less with the individual students and tenants, respectively. Our last multi-family residential investment was sold on January 29, 2019, and as of that date, we no longer earn revenue from multi-family residential tenants. Revenue is subject to fluctuation due to the timing of new lease transactions, lease terminations, lease expirations, contractual rent adjustments, tenant defaults, sales of properties, and changes in foreign currency exchange rates.

Substantially all of our assets and liabilities are held by CPA:18 Limited Partnership (the "Operating Partnership"), and as of June 30, 2019 we owned 99.97% of general and limited partnership interests in the Operating Partnership. The remaining interest in the Operating Partnership is held by a subsidiary of WPC.

As of June 30, 2019, our net lease portfolio was comprised of full or partial ownership interests in 54 properties, substantially all of which were fully-occupied and triple-net leased to 87 tenants totaling 10.0 million square feet. The remainder of our portfolio was comprised of our full or partial ownership interests in 69 self-storage properties, 13 student housing development projects and two student housing operating properties, totaling 5.5 million square feet.

We operate in three reportable business segments: Net Lease, Self Storage, and Other Operating Properties. Our Net Lease segment includes our investments in net-leased properties, whether they are accounted for as operating leases or direct financing leases. Our Self Storage segment is comprised of our investments in self-storage properties. Our Other Operating Properties segment is comprised of our investments in student housing development projects, student housing operating properties and multi-family residential properties (our last property was sold in January 2019). In addition, we have an All Other category that includes our notes receivable investments, one of which was repaid during the three months ended June 30, 2019 (Note 13).

We raised aggregate gross proceeds in our initial public offering of approximately $1.2 billion through April 2, 2015, which is the date we closed our offering. We have fully invested the proceeds from our initial public offering. In addition, from inception through June 30, 2019, $167.2 million and $47.4 million of distributions to our shareholders were reinvested in our Class A and Class C common stock, respectively, through our Distribution Reinvestment Plan ("DRIP").

Note 2. Basis of Presentation

Basis of Presentation

Our interim condensed 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 condensed consolidated financial position, results of operations, and cash flows in accordance with generally accepted accounting principles in the United States ("GAAP"). The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by 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 condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2018, which are included in the 2018 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 condensed consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Basis of Consolidation

Our condensed consolidated financial statements reflect all of our accounts, including those of our controlled subsidiaries. The portions of equity in consolidated subsidiaries that are not attributable, directly or indirectly, to us are presented as noncontrolling interests. All significant intercompany accounts and transactions have been eliminated.

When we obtain an economic interest in an entity, we evaluate the entity to determine if it should be deemed a VIE and, if so, whether we are the primary beneficiary and are therefore required to consolidate the entity. There have been no significant changes in our VIE policies from what was disclosed in the 2018 Annual Report.

As of June 30, 2019, we considered 22 entities to be VIEs, 21 of which we consolidated as we are considered the primary beneficiary. As of December 31, 2018, we considered 21 entities to be VIEs, 20 of which we consolidated. The following table presents a summary of selected financial data of the consolidated VIEs included in the condensed consolidated balance sheets (in thousands):

	June 30, 2019	December 31, 2018
Real estate — Land, buildings and improvements	$ 363,424	$ 362,536
Operating real estate — Land, buildings and improvements	112,347	110,543
Real estate under construction	203,665	151,479
In-place lease and other intangible assets	109,437	103,234
Accumulated depreciation and amortization	(78,713)	(68,534)
Total assets	743,433	704,975
Non-recourse secured debt, net	$ 347,178	$ 341,922
Total liabilities	395,941	391,983

As of both June 30, 2019 and December 31, 2018, we had one unconsolidated VIE, which we account for under the equity method of accounting. We do not consolidate this entity because we are not the primary beneficiary and the nature of our involvement in the activities of the entity allows us to exercise significant influence on, but does not give us power over, decisions that significantly affect the economic performance of the entity. As of June 30, 2019 and December 31, 2018, the net carrying amount of this equity investment was $18.1 million and $18.8 million, respectively, and our maximum exposure to loss in this entity is limited to our investment.

Foreign Currencies

We are subject to fluctuations in exchange rates between foreign currencies and the U.S. dollar (primarily the euro and the Norwegian krone and, to a lesser extent, the British pound sterling). The following table reflects the end-of-period rate of the U.S. dollar in relation to foreign currencies:

	June 30, 2019	December 31, 2018	Percent Change
British Pound Sterling	$ 1.2693	$ 1.2800	(0.8)%
Euro	1.1380	1.1450	(0.6)%
Norwegian Krone	0.1174	0.1151	2.0 %

Reclassifications

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

In accordance with the SEC's adoption of certain rule and form amendments on August 17, 2018, we moved Gain on sale of real estate, net in the condensed consolidated statements of operations to be included within Other Income and Expenses.

In connection with our adoption of Accounting Standards Update ("ASU") *2016-02, Leases (Topic 842)*, effective January 1, 2019, as described below in *Recent Accounting Pronouncements*, reimbursable tenant costs (revenues), which were previously included in Other operating income, are now included within Lease revenues — net-leased in the condensed consolidated statements of income. Additionally, we previously presented Interest income from direct financing leases separately on the condensed consolidated statements of operations. We now present this item within Lease revenues — net-leased.

In addition, we previously presented Other operating income and Other interest income separately on the condensed consolidated statements of operations. We currently present these items as Other operating and interest income as a result of the reclassifications related to the adoption of ASU 2016-02 previously discussed. Additionally, non-lease operating real estate income is now included in Other operating and interest income, which was previously included in Lease revenues — operating real estate in the condensed consolidated statements of operations. Lastly, we reclassified Acquisition and other expenses to be included in General and administrative in the condensed consolidated statements of operations.

In the second quarter of 2019, we reclassified right-of-use ("ROU") and other intangible assets to be included within In-place lease and other intangible assets in our consolidated balance sheets. Additionally, we reclassified non-recourse mortgages, net and bonds payable, net to be included within Non-recourse secured debt, net in our consolidated balance sheets. Prior period balances have been reclassified to conform to the current period presentation.

Restricted Cash

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the condensed consolidated statements of cash flows (in thousands):

	June 30, 2019	December 31, 2018
Cash and cash equivalents	$ 160,161	$ 170,914
Restricted cash [(a)] [(b)]	21,317	19,924
Total cash and cash equivalents and restricted cash	$ 181,478	$ 190,838

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(a) Restricted cash is included within Accounts receivable and other assets, net on our condensed consolidated balance sheets.

(b) This amount includes $2.5 million related to a "cash trap" event for a non-financial covenant breach on one of our non-recourse mortgage loans. The amount was transferred to a reserve account with the lender and will be released once the non-financial covenant breach is cured.

Deferred Income Taxes

Our deferred tax liabilities were $50.2 million and $48.0 million at June 30, 2019 and December 31, 2018, respectively, and are included in Accounts payable, accrued expenses and other liabilities in the condensed consolidated financial statements. Our deferred tax assets, net of valuation allowances, were $3.3 million and $1.5 million at June 30, 2019 and December 31, 2018, respectively, and are included in Accounts receivable and other assets, net in the condensed consolidated financial statements.

Recent Accounting Pronouncements

Pronouncements Adopted through June 30, 2019

In February 2016, the Financial Accounting Standards Board ("FASB") issued *ASU 2016-02, Leases (Topic 842).* ASU 2016-02 modifies the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract: the lessee and the lessor. ASU 2016-02 provides new guidelines that change the accounting for leasing arrangements for lessees, whereby their rights and obligations under substantially all leases, existing and new, are capitalized and recorded on the balance sheet. For lessors, however, the new standard remains generally consistent with existing guidance, but has been updated to align with certain changes to the lessee model and *ASU 2014-09*, *Revenue from Contracts with Customers* (*Topic 606*).

We adopted this guidance for our interim and annual periods beginning January 1, 2019 using the modified retrospective method, applying the transition provisions at the beginning of the period of adoption rather than at the beginning of the earliest comparative period presented. We elected the package of practical expedients as permitted under the transition guidance, which allowed us to not reassess whether arrangements contain leases, lease classification, and initial direct costs. The adoption of the lease standard resulted in a cumulative effect adjustment recognized of $1.1 million in the opening balance of retained earnings as of January 1, 2019.

- *As a Lessee:* we recognized $36.7 million of operating lease ROU assets and $9.5 million of corresponding lease liabilities for certain operating land lease arrangements for which we were the lessee on January 1, 2019, which included reclassifying below market land lease intangible assets, above market land lease intangible liabilities, and prepaid rent as a component of the ROU asset (a net reclassification of $27.2 million). See Note 4 for additional disclosures on the presentation of these amounts in our condensed consolidated balance sheets.

  ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments under the lease. We determine if an arrangement contains a lease at contract inception and determine the classification of the lease at commencement. Operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. We do not include renewal options in the lease term when calculating the lease liability unless we are reasonably certain we will exercise the option. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. Our variable lease payments consist of increases as a result of the Consumer Price Index ("CPI") or other comparable indices, taxes and maintenance costs. Lease expense for lease payments is recognized on a straight-line basis over the term of the lease.

  The implicit rate within our operating leases is generally not determinable and, as a result, we use our incremental borrowing rate at the lease commencement date to determine the present value of lease payments. The determination of our incremental borrowing rate requires judgment. We determine our incremental borrowing rate for each lease using estimated baseline mortgage rates. These baseline rates are determined based on a review of current mortgage debt market activity for benchmark securities across domestic and international markets, utilizing a yield curve. The rates are then adjusted for various factors, including level of collateralization and lease term.

- *As a Lessor:* a practical expedient allows lessors to combine non-lease components (lease arrangements that include common area maintenance services) with related lease components (lease revenues), if both the timing and pattern of transfer are the same for the non-lease component and related lease component, the lease component is the predominant component, and the lease component would otherwise be classified as an operating lease. We elected the practical expedient. For (i) operating lease arrangements involving real estate that include common area maintenance services and (ii) all real estate arrangements that include real estate taxes and insurance costs, we present these amounts within Lease revenues — net-leased in our condensed consolidated statements of operations. We record amounts reimbursed by the lessee in the period that the applicable expenses are incurred.

Under ASU 2016-02, lessors are allowed to only capitalize incremental direct leasing costs. We will not be materially impacted by this change.

In August 2017, the FASB issued *ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. ASU 2017-12 makes more financial and nonfinancial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and eliminates the requirements to separately measure and disclose hedge effectiveness. It is intended to more closely align hedge accounting with companies' risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. We adopted this guidance for our interim and annual periods beginning January 1, 2019. The adoption of this standard impacted our condensed consolidated financial statements for both cash flow and net investment hedges. Changes in the fair value of our hedging instruments are no longer separated into effective and ineffective portions. The entire change in the fair value of these hedging instruments included in the assessment of effectiveness is now recorded in Accumulated other comprehensive loss. The impact to our condensed consolidated financial statements as a result of these changes was not material.

Pronouncements to be Adopted after June 30, 2019

In June 2016, the FASB issued *ASU 2016-13, Financial Instruments — Credit Losses.* ASU 2016-13 introduces a new model for estimating credit losses for certain types of financial instruments, including loans receivable, held-to-maturity debt securities, and net investments in direct financing leases, amongst other financial instruments. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 also modifies the impairment model for available-for-sale debt securities and expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for losses. ASU 2016-13 will be effective for public business entities in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early application of the guidance permitted. We are in the process of evaluating the impact of adopting ASU 2016-13 on our condensed consolidated financial statements.

Note 3. Agreements and Transactions with Related Parties

Transactions with Our Advisor

We have an advisory agreement with our Advisor whereby our Advisor performs certain services for us under a fee arrangement, including the identification, evaluation, negotiation, purchase, day-to-day management, and disposition of real estate and related assets and mortgage loans. We also reimburse our Advisor for general and administrative duties performed on our behalf. The advisory agreement has a term of one year and may be renewed for successive one-year periods. We may terminate the advisory agreement upon 60 days written notice without cause or penalty.

The following tables present a summary of fees we paid, expenses we reimbursed, and distributions we made to our Advisor and other affiliates in accordance with the terms of the relevant agreements (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Amounts Included in the Condensed Consolidated Statements of Operations				
Asset management fees	$ 2,859	$ 3,151	$ 5,727	$ 6,025
Available Cash Distributions	2,105	2,830	3,953	4,735
Personnel and overhead reimbursements	783	716	1,581	1,433
Interest expense on deferred acquisition fees and external joint venture loans	128	20	255	(42)
Disposition fees	—	—	1,117	—
	$ 5,875	$ 6,717	$ 12,633	$ 12,151
Acquisition Fees Capitalized				
Current acquisition fees	$ —	$ 2,379	$ 695	$ 3,100
Deferred acquisition fees	—	1,903	555	2,480
Capitalized personnel and overhead reimbursements	—	259	89	371
	$ —	$ 4,541	$ 1,339	$ 5,951

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

	June 30, 2019	December 31, 2018
Due to Affiliates		
Deferred acquisition fees, including accrued interest	$ 5,994	$ 8,720
External joint venture loans, accounts payable, and other	5,476	5,070
Asset management fees payable	951	972
Current acquisition fees	8	2,065
	$ 12,429	$ 16,827

Loans from WPC

In July 2016, our board of directors and the board of directors of WPC approved unsecured loans from WPC to us, at the sole discretion of WPC's management, of up to $50.0 million in the aggregate, at a rate equal to the rate at which WPC can borrow funds under its senior credit facility, for acquisition funding purposes.

As of June 30, 2019 and December 31, 2018, no such loans were outstanding.

Asset Management Fees

Pursuant to the advisory agreement, our Advisor is entitled to an annual asset management fee ranging from 0.5% to 1.5%, depending on the type of investment and based on the average market value or average equity value, as applicable, of our investments. Asset management fees are payable in cash and/or shares of our Class A common stock at our option, after consultation with our Advisor. If our Advisor receives all or a portion of its fees in shares, the number of shares issued is determined by dividing the dollar amount of fees by our most recently published estimated net asset value per share ("NAV") per Class A share, which was $8.73 as of March 31, 2019. Effective January 1, 2019, our Advisor elected to receive 50% of the asset management fees in shares of our Class A common stock and 50% in cash. During the year ended December 31, 2018, all asset management fees paid to our Advisor were in shares of our Class A common stock. As of June 30, 2019, our Advisor owned 5,424,232 shares, or 3.7%, of our outstanding Class A common stock. Asset management fees are included in Property expenses in the condensed consolidated financial statements.

Acquisition and Disposition Fees

Our Advisor receives acquisition fees, a portion of which is payable upon acquisition, while the remaining portion is subordinated to a preferred return of a non-compounded cumulative distribution of 5.0% per annum (based initially on our invested capital). The initial acquisition fee and subordinated acquisition fee are 2.5% and 2.0%, respectively, of the aggregate total cost of our portion of each investment for all investments, other than those in readily marketable real estate securities purchased in the secondary market, for which our Advisor will not receive any acquisition fees. Deferred acquisition fees are scheduled to be paid in three equal annual installments following the quarter in which a property was purchased and are subject to the preferred return described above. The preferred return was achieved as of the periods ended June 30, 2019 and December 31, 2018. The preferred return will continue to be assessed on a cumulative basis for the remainder of the fiscal year. Unpaid installments of deferred acquisition fees are included in Due to affiliates in the condensed consolidated financial statements and bear interest at an annual rate of 2.0%. The cumulative total acquisition costs, including acquisition fees paid to the advisor, may not exceed 6.0% of the aggregate contract purchase price of all investments, which is measured at the end of each year.

In addition, our Advisor may be entitled to receive a disposition fee equal to the lesser of (i) 50.0% of the competitive real estate commission (as defined in the advisory agreement) or (ii) 3.0% of the contract sales price of the investment being sold. These fees are paid at the discretion of our board of directors. During the six months ended June 30, 2019, a total of $1.1 million of disposition fees were approved and paid in connection with certain 2018 and 2019 dispositions, and are included in Gain on sale of real estate, net in the condensed consolidated financial statements.

Personnel and Overhead Reimbursements

Under the terms of the advisory agreement, our Advisor allocates a portion of its personnel and overhead expenses to us and the other entities that are managed by WPC and its affiliates, which as of June 30, 2019 included Carey Watermark Investors Incorporated, Carey Watermark Investors 2 Incorporated, and Carey European Housing Fund I L.P. (collectively with us, the “Managed Programs”). Our Advisor also allocated a portion of its personnel and overhead expenses to Corporate Property Associates 17 – Global Incorporated prior to October 31, 2018, the date at which that fund merged into a wholly-owned subsidiary of WPC. Our Advisor allocates these expenses to us on the basis of the percentage of our trailing four quarters of reported revenues in comparison to those of WPC and other entities managed by WPC and its affiliates.

We reimburse our Advisor for the allocated costs of personnel and overhead in managing our day-to-day operations, including accounting services, stockholder services, corporate management, and property management and operations. In addition, we reimburse our Advisor for various expenses it incurs in the course of providing services to us. We reimburse certain third-party expenses paid by our Advisor on our behalf, including property-specific costs, professional fees, office expenses, and business development expenses. We do not reimburse our Advisor for salaries and benefits paid to our named executive officers or for the cost of personnel that provide services for transactions for where our Advisor receives a fee (such as for acquisitions and dispositions). Under the advisory agreement, the amount of applicable personnel costs allocated to us is capped at 1.0% of our pro rata total revenues for each of 2019 and 2018. Costs related to our Advisor’s legal transactions group are based on a schedule of expenses relating to services performed for different types of transactions, such as financing, lease amendments, and dispositions, among other categories, and includes 0.25% of the total investment cost of an acquisition. In general, personnel and overhead reimbursements are included in General and administrative expenses in the condensed consolidated financial statements. However, we capitalize certain of the costs related to our Advisor’s legal transactions group if the costs relate to an asset acquisition.

Excess Operating Expenses

Our Advisor is obligated to reimburse us for the amount by which our operating expenses exceeds the “2%/25% guidelines” (the greater of 2% of average invested assets or 25% of net income) as defined in the advisory agreement for any 12-month period, subject to certain conditions. For the most recent trailing four quarters, our operating expenses were below this threshold.

Available Cash Distributions

WPC's interest in the Operating Partnership entitles it to receive distributions of up to 10.0% of the available cash generated by the Operating Partnership ("the Available Cash Distribution"), which is defined as cash generated from operations, excluding capital proceeds, as reduced by operating expenses and debt service, excluding prepayments and balloon payments. Available Cash Distributions are included in Net income attributable to noncontrolling interests in the condensed consolidated financial statements.

Jointly Owned Investments and Other Transactions with our Affiliates

As of June 30, 2019, we owned interests ranging from 50% to 100% in jointly owned investments, with the remaining interests held by affiliates or by third parties. Since no other parties hold any rights that supersede our control, we consolidate all of these joint ventures, with the exception of our sole equity investment (Note 4), which we account for under the equity method of accounting.

Note 4. Real Estate, Operating Real Estate, Real Estate Under Construction, and Equity Investment in Real Estate

Real Estate — Land, Buildings and Improvements

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

	June 30, 2019	December 31, 2018
Land	$ 190,860	$ 195,275
Buildings and improvements	990,657	1,015,501
Less: Accumulated depreciation	(122,461)	(112,061)
	$ 1,059,056	$ 1,098,715

The carrying value of our Real Estate — Land, buildings and improvements increased by $0.6 million from December 31, 2018 to June 30, 2019, reflecting the impact of exchange rate fluctuations during the same period (Note 2).

Depreciation expense, including the effect of foreign currency translation, on our real estate was $7.4 million and $7.9 million for the three months ended June 30, 2019 and 2018, respectively, and $14.9 million and $15.8 million for the six months ended June 30, 2019 and 2018, respectively.

Dispositions of Real Estate

During the six months ended June 30, 2019, we sold three properties in our United Kingdom portfolio (the "Truffle portfolio"). As a result, the carrying value of our real estate properties decreased by $4.9 million from December 31, 2018 to June 30, 2019 (Note 12).

Leases

Operating Lease Income

Lease income related to operating leases recognized and included within Lease revenues — net-leased and Lease revenues — operating real estate in the condensed consolidated statements of operations is as follows (in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Lease revenues — net-leased		
Lease income — fixed	$ 25,414	$ 50,801
Lease income — variable [(a)]	3,757	8,318
Total operating lease income [(b)]	$ 29,171	$ 59,119
Lease revenues — operating real estate		
Lease income — fixed	$ 16,639	$ 33,280
Lease income — variable [(c)]	659	1,284
Total operating lease income	$ 17,298	$ 34,564

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(a) Includes (i) rent increases based on changes in the CPI and other comparable indices and (ii) reimbursements for property taxes, insurance, and common area maintenance services.

(b) The three and six months ended June 30, 2019 excludes $0.9 million and $1.9 million, respectively, of interest income from direct financing leases that is included in Lease revenues — net-leased in the condensed consolidated statements of operations.

(c) Primarily comprised of late fees and administrative fees revenues.

Scheduled Future Lease Payments to be Received

Scheduled future lease payments to be received (exclusive of expenses paid by tenants, percentage rents, and future CPI-based adjustments) under non-cancelable operating leases at June 30, 2019 are as follows (in thousands):

Years Ending December 31,	Total
2019 (remainder)	$ 49,774
2020	98,059
2021	97,888
2022	98,253
2023	91,386
Thereafter	556,600
Total	$ 991,960

Scheduled future lease payments to be received (exclusive of expenses paid by tenants, percentage rents, and future CPI-based adjustments) under non-cancelable operating leases at December 31, 2018 are as follows (in thousands):

Years Ending December 31,	Total
2019	$ 101,618
2020	101,413
2021	101,261
2022	101,535
2023	94,502
Thereafter	590,636
Total	$ 1,090,965

Lease Cost

During the three and six months ended June 30, 2019 total lease cost for operating leases totaled $0.3 million and $0.5 million, respectively. Additionally, we recognized reimbursable ground rent totaling approximately $0.1 million and $0.2 million, respectively, which is included in Lease revenues — net-leased in the condensed consolidated statements of operations.

Other Information

Supplemental balance sheet information related to ROU assets and lease liabilities is as follows (dollars in thousands):

	Location on Condensed Consolidated Balance Sheets	June 30, 2019
Operating ROU assets — land leases	In-place lease and other intangible assets	$ 35,401
Operating lease liabilities — land leases	Accounts payable, accrued expenses and other liabilities	$ 9,392
Weighted-average remaining lease term — operating leases [(a)]		46.9 years
Weighted-average discount rate — operating leases		7.0%
Number of land lease arrangements		10
Lease term range		6 – 983 years

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(a) Excludes a $7.0 million ROU land lease asset related to the student housing development project located in Swansea, United Kingdom as it has no future obligation during the remaining 983 year lease term.

Cash paid for operating lease liabilities included in the Net cash provided by operating activities for the six months ended June 30, 2019 was $0.2 million. There are no land finance leases for which we are the lessee, therefore there are no related ROU assets or lease liabilities.

Undiscounted Cash Flows

A reconciliation of the undiscounted cash flows for operating leases recorded on the condensed consolidated balance sheet within Accounts payable, accrued expenses and other liabilities as of June 30, 2019 is as follows (in thousands):

Years Ending December 31,	Total
2019 (remainder)	$ 514
2020	736
2021	736
2022	736
2023	736
Thereafter	28,459
Total lease payments	31,917
Less: amount of lease payments representing interest	(22,525)
Present value of future lease payments/lease obligations	$ 9,392

Scheduled future lease payments (excluding amounts paid directly by tenants) for the five succeeding years subsequent to the year ended December 31, 2018 are $0.3 million each year, respectively, and $8.8 million thereafter.

Operating Real Estate — Land, Buildings and Improvements

Operating real estate, which consists of our self-storage, student housing, and multi-family residential properties (our last multi-family residential investment was sold on January 29, 2019), is summarized as follows (in thousands):

	June 30, 2019	December 31, 2018
Land	$ 77,916	$ 77,984
Buildings and improvements	428,151	425,165
Less: Accumulated depreciation	(49,494)	(41,969)
	$ 456,573	$ 461,180

The carrying value of our Operating real estate — land, buildings and improvements decreased by $1.0 million from December 31, 2018 to June 30, 2019, reflecting the impact of exchange rate fluctuations during the same period (Note 2).

Depreciation expense, including the effect of foreign currency translation, on our operating real estate was $3.8 million and $4.3 million for the three months ended June 30, 2019 and 2018, respectively, and $7.6 million and $8.7 million for the six months ended June 30, 2019 and 2018, respectively.

For the three and six months ended June 30, 2019, Lease revenues — operating real estate totaled $17.3 million and $34.6 million, respectively. For the three and six months ended June 30, 2018, Lease revenues — operating real estate totaled $19.5 million and $38.5 million, respectively.

Dispositions of Operating Real Estate

During the six months ended June 30, 2019, we sold our last multi-family residential property, which was previously classified as held for sale at December 31, 2018 (Note 12).

Real Estate Under Construction

The following table provides the activity of our Real estate under construction (in thousands):

	Six Months Ended June 30, 2019
Beginning balance	$ 152,106
Capitalized funds	52,346
Capitalized interest	3,375
Placed into service	(2,838)
Foreign currency translation adjustments	(701)
Ending balance	$ 204,288

Capitalized Funds

On February 8, 2019, we entered into a student housing development project located in Pamplona, Spain at a total cost of $11.1 million (amount is based on the exchange rate of the euro on the date of acquisition). This property is under construction and is currently projected to be completed in September 2021, at which point, our total investment is expected to be approximately $29.7 million. As there is insufficient equity at risk, the investment is considered to be a VIE (Note 2).

During the six months ended June 30, 2019, total capitalized funds primarily related to our student housing development projects, which were comprised principally of initial funding of $11.1 million and construction draws of $41.2 million. Capitalized funds include accrued costs of $1.9 million, which is a non-cash investing activity.

Capitalized Interest

Capitalized interest includes interest incurred during construction as well as amortization of the mortgage discount and deferred financing costs, which totaled $3.4 million during the six months ended June 30, 2019, which is a non-cash investing activity.

Placed into Service

During the six months ended June 30, 2019, a total of $2.8 million was placed into service, principally related to the remaining portion of two substantially completed student housing operating properties, which is a non-cash investing activity.

Ending Balance

At June 30, 2019, we had 13 open development projects, with aggregate unfunded commitments of approximately $326.5 million, excluding capitalized interest, accrued costs, and capitalized acquisition fees for our Advisor.

Assets and Liabilities Held for Sale

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

	June 30, 2019	December 31, 2018
Real estate — Land, buildings and improvements	$ 24,378	$ —
Operating real estate — Land, buildings and improvements	—	26,277
In-place lease and other intangible assets	5,011	1,090
Accumulated depreciation and amortization	(6,532)	(3,759)
Assets held for sale, net	$ 22,857	$ 23,608
Non-recourse secured debt, net	$ —	$ 24,250
Accounts payable, accrued expenses and other liabilities [a]	$ (1,018)	$ —

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(a) Amount at June 30, 2019 includes a $0.9 million lease liability which will be transferred to the buyer upon completion of the sale.

At June 30, 2019, the remaining eight real estate properties in our Truffle portfolio were classified as Assets held for sale, net, with an aggregate carrying value of $22.9 million. These properties are encumbered by a non-recourse mortgage loan totaling $18.7 million at June 30, 2019, which will not be assumed by the buyer (Note 12).

At December 31, 2018, we had one multi-family residential property classified as Assets held for sale, net, with a carrying value of $23.6 million, which was encumbered at that date by a non-recourse mortgage loan of $24.3 million. This property was sold in January 2019 and the debt was transferred to the buyer upon sale (Note 12).

Equity Investment in Real Estate

We classify distributions received from equity method investments using the cumulative earnings approach. Distributions received are considered returns on the investment and classified as cash inflows from operating activities. If, however, the investor's cumulative distributions received, less distributions received in prior periods determined to be returns of investment, exceeds cumulative equity in earnings recognized, the excess is considered a return of investment and is classified as cash inflows from investing activities.

We have an interest in an unconsolidated investment in our Self Storage segment that relates to a joint venture for the development of four self-storage facilities in Canada. This entity was jointly owned with a third party, which is also the general partner of the joint venture. On April 15, 2019, the joint-venture agreement was amended and our ownership interest in the joint venture increased from 90% to 100%. We continue to not consolidate this entity because we are not the primary beneficiary and the nature of our involvement in the activities of the entity allows us to exercise significant influence but does not give us power over decisions that significantly affect the economic performance of the entity.

At June 30, 2019 and December 31, 2018, our total equity investment balance for these self-storage properties was $18.1 million and $18.8 million, respectively, which is included in Accounts receivable and other assets, net in the condensed consolidated financial statements. At June 30, 2019 and December 31, 2018, the joint venture had total third-party recourse debt of $32.1 million and $28.7 million, respectively. As of June 30, 2019, the unfunded commitments for the development projects totaled approximately $11.9 million, related to our equity investment.

Note 5. 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 notes receivable (which are included in Accounts receivable and other assets, net in the condensed consolidated financial statements) and our Net investments in direct financing leases. Operating leases are not included in finance receivables. See Note 2 and Note 4 for information on ROU operating lease assets recognized on our condensed consolidated balance sheets.

Notes Receivable

At June 30, 2019, our notes receivable consisted of a $28.0 million mezzanine tranche of 10-year commercial mortgage-backed securities on the Cipriani banquet halls in New York, New York with a maturity date of July 2024. The mezzanine tranche is subordinated to a $60.0 million senior loan on the properties. We have received and will continue to receive interest-only payments at a rate of 10% per annum on this loan through its maturity date. At both June 30, 2019 and December 31, 2018, the balance for this note receivable remained $28.0 million.

On April 9, 2019, we received full repayment totaling $36.0 million on the Mills Fleet Farm Group LLC mezzanine loan (“Mills Fleet”), which was the balance that remained at December 31, 2018.

Net Investments in Direct Financing Leases

Net investments in our direct financing lease investments is summarized as follows (in thousands):

	June 30, 2019	December 31, 2018
Lease payments receivable	$ 56,882	$ 58,353
Unguaranteed residual value	39,401	39,402
	96,283	97,755
Less: unearned income	(54,403)	(56,010)
	$ 41,880	$ 41,745

Interest income from direct financing leases was $0.9 million for both three months ended June 30, 2019 and 2018, respectively, and $1.9 million and $1.8 million for the six months ended June 30, 2019 and 2018, respectively, and is included in Lease revenues — net-leased in our condensed consolidated statements of operations.

Scheduled Future Lease Payments to be Received

Scheduled future lease payments to be received (exclusive of expenses paid by tenants, percentage of rents, and future CPI-based adjustments) under non-cancelable direct financing leases as of June 30, 2019 were as follows (in thousands):

Years Ending December 31,	Total
2019 (remainder)	$ 1,710
2020	3,466
2021	3,533
2022	3,610
2023	3,688
Thereafter	40,875
Total undiscounted cash flows	$ 56,882

Scheduled future lease payments to be received (exclusive of expenses paid by tenants, percentage of rents, and future CPI-based adjustments) under non-cancelable direct financing leases as of December 31, 2018 were as follows (in thousands):

Years Ending December 31,	Total
2019	$ 3,375
2020	3,455
2021	3,523
2022	3,599
2023	3,677
Thereafter	40,724
Total undiscounted cash flows	$ 58,353

Credit Quality of Finance Receivables

As of both June 30, 2019 and December 31, 2018, we had no significant finance receivable balances that were past due and we had not established any allowances for credit losses. Additionally, there were no modifications of finance receivables during the six months ended June 30, 2019. 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 is updated quarterly.

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

	Number of Tenants/Obligors at		Carrying Value at	
Internal Credit Quality Indicator	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
1	—	—	$ —	$ —
2	2	2	15,666	15,705
3	2	2	29,768	29,751
4	1	2	24,446	60,243
5	—	—	—	—
			$ 69,880	$ 105,699

Note 6. Intangible Assets and Liabilities

In-place lease intangibles are included in In-place lease and other intangible assets in the condensed consolidated financial statements. Above-market rent intangibles are included in In-place lease and other intangible assets in the condensed consolidated financial statements. Below-market rent intangibles are included in Accounts payable, accrued expenses and other liabilities in the condensed consolidated financial statements.

Goodwill is included in our Net Lease segment and included in Accounts receivable and other assets, net in the condensed consolidated financial statements. As a result of foreign currency translation adjustments, goodwill increased from $26.4 million as of December 31, 2018 to $26.6 million as of June 30, 2019.

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

		June 30, 2019			December 31, 2018		
	Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-Lived Intangible Assets							
In-place lease	1 – 23	$ 248,042	$ (128,340)	$ 119,702	$ 252,316	$ (120,936)	$ 131,380
Below-market ground lease [(a)]	N/A	—	—	—	21,966	(1,719)	20,247
Above-market rent	5 – 30	10,361	(3,810)	6,551	11,178	(3,923)	7,255
		258,403	(132,150)	126,253	285,460	(126,578)	158,882
Indefinite-Lived Intangible Assets							
Goodwill		26,626	—	26,626	26,354	—	26,354
Total intangible assets		$ 285,029	$ (132,150)	$ 152,879	$ 311,814	$ (126,578)	$ 185,236
Finite-lived Intangible Liabilities							
Below-market rent	6 – 30	$ (15,208)	$ 6,201	$ (9,007)	$ (15,309)	$ 5,651	$ (9,658)
Above-market ground lease [(a)]	N/A	—	—	—	(105)	6	(99)
Total intangible liabilities		$ (15,208)	$ 6,201	$ (9,007)	$ (15,414)	$ 5,657	$ (9,757)

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(a) In connection with our adoption of ASU 2016-02 (Note 2), in the first quarter of 2019, we prospectively reclassified below-market ground lease intangible assets and above-market ground lease intangible liabilities to be a component of ROU assets. These amounts are included within In-place lease and other intangibles in our condensed consolidated balance sheets.

Net amortization of intangibles, including the effect of foreign currency translation, was $5.9 million and $4.6 million for the three months ended June 30, 2019 and 2018, respectively, and $9.9 million for both the six months ended June 30, 2019 and 2018, respectively. Amortization of below-market rent and above-market rent intangibles is recorded as an adjustment to Rental income; amortization of in-place lease intangibles is included in Depreciation and amortization expense; and amortization of below-market and above-market ground lease intangibles (now classified as ROU assets within In-place lease and other intangible assets, as described above) is included in Property expenses.

Note 7. Fair Value Measurements

The fair value of an asset is defined as the exit price, which is the amount that would either be received when an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance establishes a three-tier fair value hierarchy based on the inputs used in measuring fair value. These tiers are: Level 1, for which quoted market prices for identical instruments are available in active markets, such as money market funds, equity securities, and U.S. Treasury securities; Level 2, for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument, such as certain derivative instruments including interest rate caps, interest rate swaps, foreign currency forward contracts and foreign currency collars; and Level 3, for securities that do not fall into Level 1 or Level 2 and for which little or no market data exists, therefore requiring us to develop our own assumptions.

Items Measured at Fair Value on a Recurring Basis

The methods and assumptions described below were used to estimate the fair value of each class of financial instrument. For significant Level 3 items, we have also provided the unobservable inputs.

Derivative Assets and Liabilities — Our derivative assets and liabilities, which are included in Accounts receivable and other assets, net and Accounts payable, accrued expenses and other liabilities, respectively, in the condensed consolidated financial statements, are comprised of foreign currency forward contracts, interest rate swaps, interest rate caps, and foreign currency collars (Note 8).

The valuation of our derivative instruments is determined using a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, as well as observable market-based inputs, including interest rate curves, spot and forward rates, and implied volatilities. We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative instruments for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. These derivative instruments were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market.

We did not have any transfers into or out of Level 1, Level 2, and Level 3 measurements during the three and six months ended June 30, 2019 and 2018. Gains and losses (realized and unrealized) recognized on items measured at fair value on a recurring basis included in earnings are reported within Other gains and (losses) on our condensed consolidated financial statements.

Our other financial instruments had the following carrying values and fair values as of the dates shown (dollars in thousands):

		June 30, 2019		December 31, 2018	
	Level	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Non-recourse secured debt, net [(a)] [(b)]	3	$ 1,213,274	$ 1,253,540	$ 1,237,427	$ 1,257,032
Notes receivable [(c)]	3	28,000	30,200	63,954	66,154

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(a) As of June 30, 2019 and December 31, 2018, the carrying value of Non-recourse secured debt, net includes unamortized deferred financing costs of $6.1 million and $6.9 million, respectively. As of June 30, 2019 and December 31, 2018, the carrying value of Non-recourse secured debt, net, includes unamortized premium, net of $2.1 million and $1.3 million, respectively (Note 9).

(b) We determined the estimated fair value of our Non-recourse secured debt, net using a discounted cash flow model that estimates the present value of the future loan payments by discounting such payments at current estimated market interest rates. The estimated market interest rates take into account interest rate risk and the value of the underlying collateral, which includes quality of the collateral, the credit quality of the tenant/obligor, and the time until maturity.

(c) We determined the estimated fair value of our Notes receivable using a discounted cash flow model with rates that take into account the credit of the tenant/obligor, order of payment tranches, and interest rate risk. We also considered the value of the underlying collateral, taking into account the quality of the collateral, the credit quality of the tenant/obligor, the time until maturity, and the current market interest rate.

We estimated that our other financial assets and liabilities (excluding net investments in direct financing leases) had fair values that approximated their carrying values as of both June 30, 2019 and December 31, 2018.

Note 8. Risk Management and Use of Derivative Financial Instruments

Risk Management

In the normal course of our ongoing business operations, we encounter economic risk. There are four main components of economic risk that impact us: interest rate risk, credit risk, market risk, and foreign currency risk. We are primarily subject to interest rate risk on our interest-bearing liabilities. Credit risk is the risk of default on our operations and our tenants' inability or unwillingness to make contractually required payments. Market risk includes changes in the value of our properties and related loans, as well as changes in the value of our other investments due to changes in interest rates or other market factors. We own international investments, primarily in Europe, and are subject to risks associated with fluctuating foreign currency exchange rates.

Derivative Financial Instruments

When we use derivative instruments, it is generally to reduce our exposure to fluctuations in interest rates and foreign currency exchange rate movements. We have not entered into, and do not plan to enter into financial instruments for trading or speculative purposes. In addition to entering into derivative instruments on our own behalf, we may also be a party to derivative instruments that are embedded in other contracts. The primary risks related to our use of derivative instruments include: (i) a counterparty to a hedging arrangement defaulting on its obligation and (ii) a downgrade in the credit quality of a counterparty to such an extent that our ability to sell or assign our side of the hedging transaction is impaired. While we seek to mitigate these risks by entering into hedging arrangements with large financial institutions that we deem to be creditworthy, it is possible that our hedging transactions, which are intended to limit losses, could adversely affect our earnings. Furthermore, if we terminate a hedging arrangement, we may be obligated to pay certain costs, such as transaction or breakage fees. We have established policies and procedures for risk assessment, as well as the approval, reporting, and monitoring of derivative financial instrument activities.

We measure derivative instruments at fair value and record them as assets or liabilities, depending on our rights or obligations under the applicable derivative contract. Derivatives that are not designated as hedges must be adjusted to fair value through earnings. For derivatives designated and that qualify as cash flow hedges, the change in fair value of the derivative is recognized in Other comprehensive income (loss) until the hedged transaction affects earnings. Gains and losses on the cash flow hedges representing hedge components excluded from the assessment of effectiveness are recognized in earnings over the life of the hedge on a systematic and rational basis, as documented at hedge inception in accordance with the Company's accounting policy election. Such gains and losses are recorded within Other gains and (losses) or Interest expense in our condensed consolidated statements of operations. The earnings recognition of excluded components is presented in the same line item as the hedged transactions. For derivatives designated and that qualify as a net investment hedge, the change in the fair value and/or the net settlement of the derivative is reported in Other comprehensive income (loss) as part of the cumulative foreign currency translation adjustment. Amounts are reclassified out of Other comprehensive income (loss) into earnings when the hedged net investment is either sold or substantially liquidated.

All derivative transactions with an individual counterparty are governed by a master International Swap and Derivatives Association agreement, which can be considered as a master netting arrangement; however, we report all our derivative instruments on a gross basis on our condensed consolidated financial statements. As of both June 30, 2019 and December 31, 2018, no cash collateral had been posted or received for any of our derivative positions.

The following table sets forth certain information regarding our derivative instruments (in thousands):

Derivatives Designated as Hedging Instruments	Balance Sheet Location	Derivative Assets Fair Value at		Derivative Liabilities Fair Value at	
		June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Foreign currency forward contracts	Accounts receivable and other assets, net	$ 1,493	$ 2,011	$ —	$ —
Foreign currency collars	Accounts receivable and other assets, net	944	750	—	—
Interest rate swaps	Accounts receivable and other assets, net	89	808	—	—
Interest rate swaps	Accounts payable, accrued expenses and other liabilities	—	—	(2,213)	(529)
Foreign currency collars	Accounts payable, accrued expenses and other liabilities	—	—	(192)	(622)
		2,526	3,569	(2,405)	(1,151)
Derivatives Not Designated as Hedging Instruments					
Foreign currency collars	Accounts payable, accrued expenses and other liabilities	—	—	(16)	(115)
		—	—	(16)	(115)
Total derivatives		$ 2,526	$ 3,569	$ (2,421)	$ (1,266)

The following tables present the impact of our derivative instruments in the condensed consolidated financial statements (in thousands):

	Amount of Gain (Loss) Recognized on Derivatives in Other Comprehensive Income (Loss)			
	Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives in Cash Flow Hedging Relationships	2019	2018	2019	2018
Interest rate swaps	$ (1,528)	$ 363	$ (2,415)	$ 1,520
Foreign currency forward contracts	(361)	427	(518)	(202)
Foreign currency collars	(84)	2,626	721	1,421
Interest rate cap	2	2	3	20
Derivatives in Net Investment Hedging Relationship [(a)]				
Foreign currency collars	(19)	80	(18)	(46)
Foreign currency forward contracts	15	23	15	—
Total	$ (1,975)	$ 3,521	$ (2,212)	$ 2,713

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(a) The changes in fair value and the settlement of these contracts are reported in the foreign currency translation adjustment section of Other comprehensive income (loss).

		Amount of Gain (Loss) on Derivatives Reclassified from Other Comprehensive Income (Loss) into Income			
		Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives in Cash Flow Hedging Relationships	**Location of Gain (Loss) Recognized in Income**	2019	2018	2019	2018
Foreign currency forward contracts	Other gains and (losses)	$ 338	$ 237	$ 684	$ 459
Foreign currency collars	Other gains and (losses)	39	(26)	50	(180)
Interest rate swaps	Interest expense	22	(76)	49	(159)
Interest rate cap	Interest expense	(3)	(8)	(6)	(39)
Total		$ 396	$ 127	$ 777	$ 81

Amounts reported in Other comprehensive income (loss) related to our interest derivative contracts will be reclassified to Interest expense as interest is incurred on our variable-rate debt. Amounts reported in Other comprehensive income (loss) related to foreign currency derivative contracts will be reclassified to Other gains and (losses) when the hedged foreign currency contracts are settled. As of June 30, 2019, we estimated that an additional $0.4 million and $1.1 million will be reclassified as Interest expense and Other gains and (losses), respectively, during the next 12 months.

The following table presents the impact of our derivative instruments in the condensed consolidated financial statements (in thousands):

		Amount of Gain (Loss) on Derivatives Recognized in Income			
		Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives Not in Cash Flow Hedging Relationships	**Location of Gain (Loss) Recognized in Income**	**2019**	**2018**	**2019**	**2018**
Foreign currency collars	Other gains and (losses)	$ (5)	$ 56	$ 113	$ (95)
Interest rate swaps	Interest expense	—	(41)	—	(47)
Derivatives in Cash Flow Hedging Relationships					
Interest rate swaps	Interest expense	13	(1)	12	5
Foreign currency collars	Other gains and (losses)	—	(5)	7	(15)
Total		$ 8	$ 9	$ 132	$ (152)

Interest Rate Swaps and Caps

We are exposed to the impact of interest rate changes primarily through our borrowing activities. To limit this exposure, we attempt to obtain mortgage financing on a long-term, fixed-rate basis. However, from time to time, we or our joint investment partners have obtained, and may in the future obtain, variable-rate non-recourse secured debt and, as a result, we have entered into, and may continue to enter into interest rate swap agreements or interest rate cap agreements with counterparties. Interest rate swaps, which effectively convert the variable-rate debt service obligations of a loan to a fixed rate, are agreements in which one party exchanges a stream of interest payments for a counterparty's stream of cash flow over a specific period. The notional, or face, amount on which the swaps are based is not exchanged. Interest rate caps limit the effective borrowing rate of variable-rate debt obligations while allowing participants to share in downward shifts in interest rates. Our objective in using these derivatives is to limit our exposure to interest rate movements.

The interest rate swaps and caps that our consolidated subsidiaries had outstanding as of June 30, 2019 are summarized as follows (currency in thousands):

Interest Rate Derivatives	**Number of Instruments**	**Notional Amount**		**Fair Value at June 30, 2019** [a]
Interest rate swaps	10	98,593	USD	$ (2,065)
Interest rate swap	1	9,544	EUR	(59)
Interest rate cap	1	5,700	USD	—
				$ (2,124)

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(a) Fair value amount is based on the exchange rate of the euro as of June 30, 2019, as applicable.

Foreign Currency Contracts

We are exposed to foreign currency exchange rate movements, primarily in the euro and, to a lesser extent, the Norwegian krone. We manage foreign currency exchange rate movements by generally placing our debt service obligation on an investment in the same currency as the tenant's rental obligation to us. This reduces our overall exposure to the net cash flow from that investment. However, we are subject to foreign currency exchange rate movements to the extent that there is a difference in the timing and amount of the rental obligation and the debt service. Realized and unrealized gains and losses recognized in earnings related to foreign currency transactions are included in Other gains and (losses) in the condensed consolidated financial statements.

In order to hedge certain of our foreign currency cash flow exposures, we enter into foreign currency forward contracts and collars. A foreign currency forward contract is a commitment to deliver a certain amount of currency at a certain price on a specific date in the future. By entering into forward contracts and holding them to maturity, we are locked into a future currency exchange rate for the term of the contract. A foreign currency collar guarantees that the exchange rate of the currency will not fluctuate beyond the range of the options' strike prices. Our foreign currency forward contracts and foreign currency collars have maturities of 74 months or less.

The following table presents the foreign currency derivative contracts we had outstanding and their designations as of June 30, 2019 (currency in thousands):

Foreign Currency Derivatives	Number of Instruments	Notional Amount		Fair Value at June 30, 2019
Designated as Cash Flow Hedging Instruments				
Foreign currency forward contracts	11	4,312	EUR	$ 1,205
Foreign currency collars	31	21,180	EUR	451
Foreign currency forward contracts	5	7,277	NOK	235
Foreign currency collars	20	40,150	NOK	217
Designated as Net Investment Hedging Instruments				
Foreign currency collars	2	9,350	NOK	84
Foreign currency forward contracts	1	2,568	NOK	53
Not Designated as Hedging Instruments				
Foreign currency collars	1	1,500	EUR	(16)
				$ 2,229

Credit Risk-Related Contingent Features

We measure our credit exposure on a counterparty basis as the net positive aggregate estimated fair value of our derivatives, net of any collateral received. No collateral was received as of June 30, 2019. At June 30, 2019, our total credit exposure was $2.2 million and the maximum exposure to any single counterparty was $1.6 million.

Some of the agreements we have with our derivative counterparties contain cross-default provisions that could trigger a declaration of default on our derivative obligations if we default, or are capable of being declared in default, on certain of our indebtedness. As of June 30, 2019, we had not been declared in default on any of our derivative obligations. The estimated fair value of our derivatives in a net liability position was $2.4 million and $1.3 million as of June 30, 2019 and December 31, 2018, respectively, which included accrued interest and any nonperformance risk adjustments. If we had breached any of these provisions as of June 30, 2019 or December 31, 2018, we could have been required to settle our obligations under these agreements at their aggregate termination value of $2.5 million and $1.4 million, respectively.

Note 9. Non-Recourse Secured Debt, Net

Non-recourse secured debt, net is collateralized by the assignment of real estate properties. As of June 30, 2019, our debt bore interest at fixed annual rates ranging from 1.7% to 5.8% and variable contractual annual rates ranging from 1.6% to 8.2%, with maturity dates ranging from 2019 to 2039.

Financing Activity During 2019

On March 4, 2019, we obtained a construction loan of $51.7 million for a student housing development project located in Austin, Texas. The loan bears a variable interest rate on outstanding drawn balances (4.6% at June 30, 2019), and is scheduled to mature in March 2023. We have the option to extend this loan one year from the original maturity date to March 2024. As of June 30, 2019, we had drawn $5.0 million on the construction loan.

Scheduled Debt Principal Payments

Scheduled debt principal payments during the remainder of 2019, each of the next four calendar years following December 31, 2019, and thereafter are as follows (in thousands):

Years Ending December 31,	**Total**
2019 (remainder)	$ 81,312
2020	87,142
2021	163,897
2022	119,067
2023	161,215
Thereafter through 2039	604,628
Total principal payments	1,217,261
Unamortized deferred financing costs	(6,084)
Unamortized premium, net	2,097
Total	$ 1,213,274

Certain amounts in the table above are based on the applicable foreign currency exchange rate at June 30, 2019.

The carrying value of our Non-recourse secured debt, net increased by $0.1 million in the aggregate from December 31, 2018 to June 30, 2019, reflecting the impact of the weakening of the U.S. dollar relative to certain foreign currencies (primarily the Norwegian krone) during the same period (Note 2).

Debt Covenants

As of June 30, 2019, we remained in breach of the debt service coverage ratio covenant on our Fortenova (formerly Agrokor) mortgage loan, given historical rent collection issues. During the second quarter, we restructured the lease agreement with Fortenova to reduce contractual rents and entered into a payment plan to collect approximately 50% of unpaid back rents plus VAT, which will be paid in ten monthly installments beginning in July 2019. Although we were in compliance with the debt service coverage ratio requirement in June 2019, the breach will be cured once rental receipts are received for six consecutive months.

Note 10. Commitments and Contingencies

As of June 30, 2019, we were not involved in any material litigation. Various claims and lawsuits arising in the normal course of business are pending against us. The results of these proceedings are not expected to have a material adverse effect on our condensed consolidated financial position or results of operations.

See Note 4 for unfunded construction commitments.

Note 11. Earnings Per Share and Equity

Basic and Diluted Earnings Per Share

The following table presents earnings per share (in thousands, except share and per share amounts):

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Basic and Diluted Weighted-Average Shares Outstanding	Allocation of Net Income	Basic and Diluted Earnings Per Share	Basic and Diluted Weighted-Average Shares Outstanding	Allocation of Net Loss	Basic and Diluted Earnings Per Share
Class A common stock	116,210,773	$ 2,442	$ 0.02	113,010,970	$ (213)	$ —
Class C common stock	32,058,663	636	0.02	31,593,597	(121)	—
Net income (loss) attributable to CPA:18 – Global		$ 3,078			$ (334)	

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Basic and Diluted Weighted-Average Shares Outstanding	Allocation of Net Income	Basic and Diluted Earnings Per Share	Basic and Diluted Weighted-Average Shares Outstanding	Allocation of Net Income	Basic and Diluted Earnings Per Share
Class A common stock	115,855,895	$ 14,095	$ 0.12	112,564,943	$ 7,901	$ 0.07
Class C common stock	31,969,341	3,810	0.12	31,517,919	2,092	0.07
Net income attributable to CPA:18 – Global		$ 17,905			$ 9,993	

The allocation of Net income (loss) attributable to CPA:18 – Global is calculated based on the basic and diluted weighted-average shares outstanding for Class A and Class C common stock for each respective period. The Class C common stock allocation includes interest expense related to accretion of interest on the annual distribution and shareholder servicing fee liability of less than or equal to $0.1 million for both the three and six months ended June 30, 2019 and 2018, respectively (Note 3).

Distributions

For the three months ended June 30, 2019, our board of directors declared quarterly distributions of $0.1563 per share for our Class A common stock and $0.1376 per share for our Class C common stock, which was paid on July 15, 2019 to stockholders of record on June 28, 2019, in the amount of $22.5 million.

Reclassifications Out of Accumulated Other Comprehensive Loss

The following tables present a reconciliation of changes in Accumulated other comprehensive loss by component for the periods presented (in thousands):

	Three Months Ended June 30, 2019		
	Gains and (Losses) on Derivative Instruments	Foreign Currency Translation Adjustments	Total
Beginning balance	$ 1,977	$ (56,892)	$ (54,915)
Other comprehensive income before reclassifications	(1,575)	3,658	2,083
Amounts reclassified from accumulated other comprehensive loss to:			
Other gains and (losses)	(377)	—	(377)
Interest expense	(19)	—	(19)
Net current-period other comprehensive income	(1,971)	3,658	1,687
Net current-period other comprehensive income attributable to noncontrolling interests	—	(331)	(331)
Ending balance	$ 6	$ (53,565)	$ (53,559)

	Three Months Ended June 30, 2018		
	Gains and (Losses) on Derivative Instruments	Foreign Currency Translation Adjustments	Total
Beginning balance	$ (1,741)	$ (22,170)	$ (23,911)
Other comprehensive loss before reclassifications	3,545	(22,582)	(19,037)
Amounts reclassified from accumulated other comprehensive loss to:			
Other gains and (losses)	(211)	—	(211)
Interest expense	84	—	84
Net current-period other comprehensive loss	3,418	(22,582)	(19,164)
Net current-period other comprehensive loss attributable to noncontrolling interests	—	2,326	2,326
Ending balance	$ 1,677	$ (42,426)	$ (40,749)

	Six Months Ended June 30, 2019		
	Gains and (Losses) on Derivative Instruments	Foreign Currency Translation Adjustments	Total
Beginning balance	$ 2,215	$ (52,808)	$ (50,593)
Other comprehensive loss before reclassifications	(1,432)	(584)	(2,016)
Amounts reclassified from accumulated other comprehensive loss to:			
Other gains and (losses)	(734)	—	(734)
Interest expense	(43)	—	(43)
Net current-period other comprehensive loss	(2,209)	(584)	(2,793)
Net current-period other comprehensive income attributable to noncontrolling interests	—	(173)	(173)
Ending balance	$ 6	$ (53,565)	$ (53,559)

	Six Months Ended June 30, 2018		
	Gains and (Losses) on Derivative Instruments	Foreign Currency Translation Adjustments	Total
Beginning balance	$ (1,082)	$ (32,130)	$ (33,212)
Other comprehensive loss before reclassifications	2,840	(11,005)	(8,165)
Amounts reclassified from accumulated other comprehensive loss to:			
Other gains and (losses)	(279)	—	(279)
Interest expense	198	—	198
Net current-period other comprehensive loss	2,759	(11,005)	(8,246)
Net current-period other comprehensive loss attributable to noncontrolling interests	—	709	709
Ending balance	$ 1,677	$ (42,426)	$ (40,749)

See Note 8 for additional information on our derivative activity recognized within Other comprehensive income (loss) for the periods presented.

Note 12. Property Dispositions

We have an active capital recycling program, with a goal of extending the average lease term of our portfolio through reinvestment, improving portfolio credit quality through dispositions and acquisitions of assets, increasing the asset criticality factor in our portfolio, and/or executing strategic dispositions of our net-leased and operating assets. We may decide to dispose of a property due to vacancy, tenants electing not to renew their leases, tenant insolvency, or lease rejection in the bankruptcy process. In such cases, we assess whether we can obtain the highest value from the property by selling it, as opposed to re-leasing it. We may also sell a property when we receive an unsolicited offer or negotiate a price for an investment that is consistent with our strategy for that investment. When it is appropriate to do so, we classify the property as an asset held for sale on our condensed consolidated balance sheet.

Operating Real Estate — Land, Buildings and Improvements

On January 29, 2019, we sold our 97% interest that we held in our last multi-family residential property, located in Fort Walton Beach, Florida, to one of our joint venture partners for total proceeds of $13.1 million, net of closing costs, and recognized a gain on sale of $15.4 million (which includes a $2.9 million gain attributable to noncontrolling interests). The buyer assumed the related non-recourse mortgage loan outstanding on this property totaling $24.2 million.

Real Estate — Land, Buildings and Improvements

During the six months ended June 30, 2019, we sold three properties in our Truffle portfolio, for total proceeds of $7.3 million, net of closing costs, and recognized a gain on sale of $1.9 million. Additionally, we repaid $4.4 million at closing towards the non-recourse mortgage loan encumbering our Truffle portfolio (amounts are based on the exchange rate of the British pound sterling at the date of sale).

Additionally, at June 30, 2019, the remaining eight properties in our Truffle portfolio were classified as Assets held for sale, net, with an aggregate carrying value of $22.9 million. These properties are encumbered by a non-recourse mortgage loan totaling $18.7 million at June 30, 2019, which will not be assumed by the buyer.

Note 13. Segment Reporting

We operate in three reportable business segments: Net Lease, Self Storage, and Other Operating Properties. Our Net Lease segment includes our investments in net-leased properties, whether they are accounted for as operating leases or direct financing leases. Our Self Storage segment is comprised of our investments in self-storage properties. Our Other Operating Properties segment is comprised of our investments in student housing development projects, student housing operating properties and multi-family residential properties (our last property was sold in January 2019). In addition, we have an All Other category that includes our notes receivable investments. The following tables present a summary of comparative results and assets for these business segments (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Lease				
Revenues (a) (b)	$ 30,731	$ 33,299	$ 61,723	$ 66,291
Operating expenses (b)	(18,638)	(19,307)	(35,949)	(38,426)
Interest expense	(8,694)	(9,002)	(17,430)	(17,860)
Gain on sale of real estate, net	650	—	1,547	—
Other gains and (losses)	503	1,555	546	5,906
Benefit from income taxes	1,366	88	1,006	233
Net income attributable to noncontrolling interests	(45)	(485)	(254)	(579)
Net income attributable to CPA:18 – Global	$ 5,873	$ 6,148	$ 11,189	$ 15,565
Self Storage				
Revenues	$ 15,167	$ 14,398	$ 30,006	$ 28,371
Operating expenses	(8,872)	(8,762)	(17,617)	(18,111)
Interest expense	(3,450)	(3,288)	(6,876)	(6,382)
Other gains and (losses) (c)	(607)	(266)	(1,275)	(745)
Provision for income taxes	(11)	(28)	(44)	(55)
Net income attributable to CPA:18 – Global	$ 2,227	$ 2,054	$ 4,194	$ 3,078
Other Operating Properties				
Revenues	$ 2,307	$ 5,911	$ 4,929	$ 11,601
Operating expenses	(1,544)	(4,194)	(3,178)	(8,356)
Interest expense	166	(923)	46	(1,828)
Gain on sale of real estate, net	—	—	14,514	—
Other gains and (losses)	(5)	151	(44)	152
(Provision for) benefit from income taxes	(356)	47	(379)	60
Net loss (income) attributable to noncontrolling interests	50	—	(2,739)	8
Net income attributable to CPA:18 – Global	$ 618	$ 992	$ 13,149	$ 1,637
All Other				
Revenues	$ 822	$ 1,795	$ 2,655	$ 3,575
Operating expenses	—	(1)	(1)	(2)
Net income attributable to CPA:18 – Global	$ 822	$ 1,794	$ 2,654	$ 3,573
Corporate				
Unallocated Corporate Income and Expenses (d)	$ (4,357)	$ (8,492)	$ (9,328)	$ (9,125)
Net income attributable to noncontrolling interests — Available Cash Distributions	$ (2,105)	$ (2,830)	$ (3,953)	$ (4,735)
Total Company				
Revenues	$ 49,027	$ 55,403	$ 99,321	$ 109,838
Operating expenses	(34,021)	(37,119)	(66,293)	(74,389)
Interest expense	(12,044)	(13,294)	(24,401)	(26,224)
Gain on sale of real estate, net	650	—	16,058	—
Other gains and (losses) (c)	699	(2,307)	223	5,361
Benefit from (provision for) income taxes	867	298	(57)	713
Net income attributable to noncontrolling interests	(2,100)	(3,315)	(6,946)	(5,306)
Net income (loss) attributable to CPA:18 – Global	$ 3,078	$ (334)	$ 17,905	$ 9,993

	Total Assets	
	June 30, 2019	December 31, 2018
Net Lease	$ 1,436,469	$ 1,461,385
Self Storage	377,486	386,682
Other Operating Properties	338,179	313,925
Corporate	81,486	78,099
All Other	28,219	64,462
Total Company	$ 2,261,839	$ 2,304,553

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(a) We recognized straight-line rent adjustments of $0.8 million and $1.2 million for the three months ended June 30, 2019 and 2018, respectively, and $1.7 million and $2.5 million for the six months ended June 30, 2019 and 2018, respectively, which increased Lease revenues — net-leased within our condensed consolidated financial statements for each period.

(b) For the six months ended June 30, 2018, we recorded bad debt expense of $2.1 million to Property expenses in the condensed consolidated statements of operations as a result of financial difficulties and uncertainty regarding future rent collections from our tenant Fortenova. As part of our adoption of ASU 2016-02 in the first quarter of 2019, any lease payments that are not determined to be probable of collection were recognized within lease revenues (Note 2). In addition, we restructured the lease with the tenant during the three months ended June 30, 2019 (Note 9).

(c) Includes Equity in losses of equity method investment in real estate.

(d) Included in unallocated corporate income and expenses are expenses and other gains and (losses) that are calculated and reported at the portfolio level and not evaluated as part of any segment's operating performance. Such items include asset management fees, general and administrative expenses, and gains and losses on foreign currency transactions and derivative instruments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide the reader with information that will assist in understanding our financial statements and the reasons for changes in certain key components of our financial statements from period to period. Management's Discussion and Analysis of Financial Condition and Results of Operations also provides the reader with our perspective on our financial position and liquidity, as well as certain other factors that may affect our future results. Our Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the 2018 Annual Report and subsequent reports filed under the Securities Exchange Act of 1934.

Business Overview

As described in more detail in Item 1 of the 2018 Annual Report, we are a publicly owned, non-traded REIT that invests in a diversified portfolio of income-producing commercial properties leased to companies, and other real estate-related assets, both domestically and outside the United States. In addition, our portfolio includes self-storage, student housing, and multi-family residential investment. Our last multi-family residential investment was sold on January 29, 2019. and after that date we no longer earn any revenue from multi-family residential properties. As a REIT, we are not subject to U.S. federal income taxation as long as we satisfy certain requirements, principally relating to the nature of our income, the level of our distributions, and other factors. We earn revenue principally by leasing the properties we own to single corporate tenants, primarily on a triple-net lease basis, which requires the tenant to pay substantially all of the costs associated with operating and maintaining the property. We derive self-storage revenue from rents received from customers who rent storage space primarily under month-to-month leases for personal or business use. We earn student housing and multi-family residential revenue primarily from leases of one year or less with the individual students and tenants, respectively. Revenue is subject to fluctuation because of the timing of new transactions, completion of build-to-suit and development projects, lease terminations, lease expirations, contractual rent adjustments, tenant defaults, sales of properties, and foreign currency exchange rates. We commenced operations in May 2013 and are managed by our Advisor. We hold substantially all of our assets and conduct substantially all of our business through our Operating Partnership. We are the general partner of, and own 99.97% of the interests in, the Operating Partnership. The remaining interest in the Operating Partnership is held by a subsidiary of WPC.

Significant Developments

Net Asset Values

Our Advisor calculates our NAVs as of each quarter-end by relying in part on rolling update appraisals covering approximately 25% of our real estate portfolio each quarter, adjusted to give effect to the estimated fair value of our debt (all provided by an independent third party) and for other relevant factors. Since our quarterly NAVs are not based on an appraisal of our full portfolio, to the extent any new quarterly NAV adjustments are within 1% of our previously disclosed NAVs, our quarterly NAVs will remain unchanged. We monitor properties not appraised during the quarter to identify any that may have experienced a significant event and obtain updated third-party appraisals for such properties. Our NAVs are based on a number of variables, including individual tenant credits, lease terms, lending credit spreads, foreign currency exchange rates, share counts, tenant defaults, and development projects that are not yet generating income, among others. We do not control all of these variables and, as such, cannot predict how they will change in the future. Costs associated with our development projects (which are not yet generating income) are not appraised quarterly and carried at cost. These costs are included in Real estate under construction in our condensed consolidated financial statements. Our NAVs as of March 31, 2019 were $8.73 for both our Class A and Class C common stock. Please see our Current Report on Form 8-K dated May 22, 2019 for additional information regarding the calculation of our NAVs. Our Advisor currently intends to determine our quarterly NAVs as of June 30, 2019 during the third quarter of 2019.

The accrued distribution and shareholder servicing fee payable has been valued using a hypothetical liquidation value and, as a result, the NAVs do not reflect any obligation to pay future distribution and shareholder servicing fees. As of June 30, 2019, the liability balance for the distribution and shareholder servicing fee was $2.9 million.

Financial Highlights

During the six months ended June 30, 2019, we completed the following, as further described in the condensed consolidated financial statements.

Acquisition Activity

We entered into a new student-housing development project transaction for an aggregate amount of $29.7 million (amount based on the exchange rate of the euro on the acquisition date), inclusive of unfunded future commitments and acquisition related costs and fees (Note 4).

Disposition Activity

Operating Real Estate — During the six months ended June 30, 2019, we sold our 97% interest in our last multi-family residential property to one of our joint venture partners for total proceeds of $13.1 million, net of closing costs, and recognized a gain on sale of $15.4 million (which includes a $2.9 million gain attributable to noncontrolling interests). The buyer assumed the related mortgage loan outstanding on this property totaling $24.2 million (Note 12).

Real Estate — During the six months ended June 30, 2019, we sold three properties in our Truffle portfolio for total proceeds of $7.3 million, net of closing costs, and recognized a gain on sale of $1.9 million (amounts based on the exchange rate of the British pound sterling at the date of sale). At closing we repaid $4.4 million towards the non-recourse mortgage loan encumbering our Truffle portfolio. In addition, at June 30, 2019, the remaining eight properties in our Truffle portfolio have been classified as Assets held for sale, net with a carrying value of $22.9 million (Note 12).

Financing Activity

On March 4, 2019, we obtained a construction loan of $51.7 million for a student housing development project located in Austin, Texas. The loan bears a variable interest rate on outstanding drawn balances (4.6% at June 30, 2019) and is scheduled to mature in March 2023. We have the option to extend this loan one year from the original maturity date to March 2024. As of June 30, 2019, we had drawn $5.0 million on the construction loan (Note 9).

Consolidated Results

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Total revenues	$ 49,027	$ 55,403	$ 99,321	$ 109,838
Net income (loss) attributable to CPA:18 – Global	3,078	(334)	17,905	9,993
Cash distributions paid	22,415	21,844	44,679	43,530
Net cash provided by operating activities			42,029	44,960
Net cash used in investing activities			(7,449)	(81,716)
Net cash (used in) provided by financing activities			(43,881)	63,940
Supplemental financial measures [(a)]:				
FFO attributable to CPA:18 – Global	17,876	15,153	34,304	41,573
MFFO attributable to CPA:18 – Global	16,607	16,392	32,283	33,959
Adjusted MFFO attributable to CPA:18 – Global	16,134	15,995	32,151	33,090

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(a) We consider the performance metrics listed above, including Funds from operations ("FFO"), MFFO, and Adjusted modified funds from operations ("Adjusted MFFO"), which are supplemental measures that are not defined by GAAP ("non-GAAP measures"), to be important measures in the evaluation of our operating performance. See Supplemental Financial Measures below for our definitions of these non-GAAP measures and reconciliations to their most directly comparable GAAP measures.

Revenues and Net Income (Loss) Attributable to CPA:18 – Global

Total revenues decreased for the three and six months ended June 30, 2019 as compared to the same periods in 2018, primarily as a result of our dispositions and the impact of foreign currency exchange rates, partially offset by two student housing operating properties placed into service, subsequent to June 30, 2018.

Net income (loss) attributable to CPA:18 – Global increased for the three months ended June 30, 2019 compared to the same period in 2018, primarily due to reduced property expenses resulting from our properties sold or transferred subsequent to June 30, 2018. Also contributing to the increase were foreign currency transaction losses recognized during the three months ended June 30, 2018. Lastly, there was a decrease in interest expense during the three months ended June 30, 2019, as well as an increase in benefit from income taxes.

Net income attributable to CPA:18 – Global increased for the six months ended June 30, 2019 compared to the same period in 2018, primarily due to the gain on sale of real estate recognized during the current period (Note 12). This increase was partially offset by the gain recognized during the six months ended June 30, 2018 as a result of excess insurance proceeds received for a rebuild of a property that was damaged by a tornado in 2017. Additionally, there was an increase in net income attributable to noncontrolling interests, primarily due to the sale of our joint venture multi-family residential property, located in Fort Walton Beach, Florida (Note 12).

FFO, MFFO, and Adjusted MFFO Attributable to CPA:18 – Global

FFO increased for the three months ended June 30, 2019 as compared to the same period in 2018, primarily due to a decrease in foreign currency losses related to our international investments recognized during the three months ended June 30, 2019, partially offset by excess insurance proceeds received for a rebuild of a property that was damaged by a tornado in 2017 during the three months ended June 30, 2018.

FFO decreased for the six months ended June 30, 2019 as compared to the same period in 2018, primarily due to a decrease in revenue as a result of the property dispositions subsequent to June 30, 2018, as well as excess insurance proceeds recognized during 2018. These decreases were partially offset by a decrease in property expenses resulting from our properties sold or transferred subsequent to June 30, 2018, as well as the capitalization of interest expense on development projects.

MFFO and Adjusted MFFO increased for the three months ended June 30, 2019 as compared to the same period in 2018, primarily due to capitalization of interest expense on development projects and lower property expenses as a result of properties sold or transferred, offset by the foreign currency impact as a result of the weakening of the euro in relation to the U.S. dollar.

MFFO and Adjusted MFFO decreased for the six months ended June 30, 2019 as compared to the same period in 2018, primarily due to the impact of properties sold subsequent to June 30, 2018, and the foreign currency impact as a result of the weakening of the euro in relation to the U.S. dollar, partially offset by the capitalization of interest expense on development projects.

Portfolio Overview

We hold a diversified portfolio of income-producing commercial real estate properties and other real estate-related assets. We make investments both domestically and internationally. In addition, our portfolio includes self-storage, student housing, and multi-family residential (our last multi-family residential investment was sold on January 29, 2019) investments for the periods presented below. Portfolio information is provided on a pro rata basis, unless otherwise noted below, to better illustrate the economic impact of our various net-leased and operating, jointly owned investments. See Terms and Definitions below for a description of pro rata amounts.

Portfolio Summary

	June 30, 2019	December 31, 2018
Number of net-leased properties [(a)]	54	57
Number of operating properties [(b)]	84	84
Number of tenants [(a)]	87	93
Total square footage (in thousands)	15,488	15,660
Occupancy — Single-tenant	97.9%	98.3%
Occupancy — Multi-tenant	95.2%	96.1%
Weighted-average lease term — Single-tenant properties (in years)	9.6	10.2
Weighted-average lease term — Multi-tenant properties (in years)	5.6	6.6
Number of countries	12	12
Total assets (consolidated basis in thousands)	$ 2,261,839	$ 2,304,553
Net investments in real estate (consolidated basis in thousands)	1,946,308	1,936,236
Debt, net — pro rata (in thousands)	1,137,828	1,156,060

	Six Months Ended June 30,	
(dollars in thousands, except exchange rates)	2019	2018
Acquisition volume — consolidated [(c)]	$ 29,736	$ 123,996
Acquisition volume — pro rata [(d)]	29,736	123,218
Financing obtained — consolidated	16,096	129,616
Financing obtained — pro rata	17,652	128,406
Average U.S. dollar/euro exchange rate	1.1297	1.2108
Average U.S. dollar/Norwegian krone exchange rate	0.1161	0.1262
Average U.S. dollar/British pound sterling exchange rate	1.2931	1.3764
Change in the U.S. CPI [(e)]	1.9%	2.2%
Change in the Harmonized Index of Consumer Prices [(e)]	1.3%	1.2%
Change in the Norwegian CPI [(e)]	0.7%	2.2%

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(a) Represents our single-tenant and multi-tenant properties, and, accordingly, excludes all operating properties. We consider a property to be multi-tenant if it does not have a single tenant that comprises more than 75% of the contractual minimum annualized base rent ("ABR") for the property. See Terms and Definitions below for a description of ABR.

(b) As of June 30, 2019, our operating portfolio consisted of 69 self-storage properties, 13 student housing development projects and two student housing operating properties, all of which are managed by third parties. Our operating portfolio also includes a self-storage development project.

(c) Includes development project transactions and related budget amendments, which are reflected as the total commitment for the development project funding, and excludes investments in unconsolidated joint ventures.

(d) Includes development project transactions and related budget amendments, which are reflected as the total commitment for the development project funding, and includes investments in unconsolidated joint ventures, which include our equity investment in real estate (Note 4).

(e) Many of our lease agreements include contractual increases indexed to changes in the U.S. CPI or similar indices in the jurisdictions where the properties are located.

The tables below present information about our portfolio on a pro rata basis as of June 30, 2019. See Terms and Definitions below for a description of pro rata metrics, stabilized net operating income (“Stabilized NOI”), and ABR.

Portfolio Diversification by Property Type
(dollars in thousands)

Property Type		Stabilized NOI	Percent
Net-Leased			
Office	$	19,346	32%
Hospitality		7,111	12%
Warehouse		6,496	10%
Industrial		5,725	9%
Retail		4,173	7%
Net-Leased Total	$	42,851	70%
Operating			
Self Storage		18,430	30%
Operating Total	$	18,430	30%
Total	$	61,281	100%

Portfolio Diversification by Geography
(dollars in thousands)

Region		Stabilized NOI	Percent
United States			
South	$	14,737	24%
Midwest		12,058	20%
West		6,182	10%
East		4,771	8%
U.S. Total	$	37,748	62%
International			
Norway		5,771	9%
Germany		5,146	8%
Netherlands		3,728	6%
Mauritius		2,526	5%
Poland		2,131	3%
Croatia		1,638	3%
United Kingdom		1,189	2%
Slovakia		1,124	2%
Canada		280	—%
International Total	$	23,533	38%
Total	$	61,281	100%

Top Ten Tenants by Total Stabilized NOI
(dollars in thousands)

Tenant/Lease Guarantor	Property Type	Tenant Industry	Location	Stabilized NOI	Percent
Fentonir Trading & Investments Limited [(a)]	Hotel	Hotel, Gaming, and Leisure	Munich and Stuttgart, Germany	$ 3,738	6%
Sweetheart Cup Company, Inc.	Warehouse	Containers, Packaging and Glass	University Park, Illinois	3,106	5%
Rabobank Groep NV [(a)]	Office	Banking	Eindhoven, Netherlands	2,760	5%
Albion Resorts (Club Med) [(a)]	Hotel	Hotel, Gaming, and Leisure	Albion, Mauritius	2,525	4%
Siemens AS [(a)]	Office	Capital Equipment	Oslo, Norway	2,201	4%
Bank Pekao S.A. [(a)]	Office	Banking	Warsaw, Poland	2,131	3%
State Farm Automobile Co.	Office	Insurance	Austin, Texas	1,933	3%
Orbital ATK, Inc.	Office	Metals and Mining	Plymouth, Minnesota	1,926	3%
COOP Ost AS [(a)]	Retail	Grocery	Oslo, Norway	1,778	3%
State of Iowa Board of Regents	Office	Sovereign and Public Finance	Coralville and Iowa City, Iowa	1,729	3%
Total				$ 23,827	39%

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(a) Stabilized NOI amounts for these properties are subject to fluctuations in foreign currency exchange rates.

Net-Leased Portfolio

The tables below represent information about our net-leased portfolio on a pro rata basis and, accordingly, exclude all operating properties as of June 30, 2019. See Terms and Definitions below for a description of pro rata metrics, Stabilized NOI and ABR.

Portfolio Diversification by Tenant Industry
(dollars in thousands)

Industry Type	Stabilized NOI	Percent
Hotel, Gaming, and Leisure	$ 7,111	17%
Banking	4,892	11%
Grocery	4,173	11%
Containers, Packaging, and Glass	3,106	8%
Insurance	2,200	5%
Retail	2,148	5%
Capital Equipment	2,099	5%
Metals and Mining	1,926	4%
Utilities: Electric	1,895	4%
Media: Advertising, Printing, and Publishing	1,835	4%
Sovereign and Public Finance	1,729	4%
Automotive	1,418	3%
Business Services	1,354	3%
Healthcare and Pharmaceuticals	1,124	3%
High Tech Industries	1,108	3%
Oil and Gas	968	2%
Construction and Building	762	2%
Non-Durable Consumer Goods	570	1%
Telecommunications	537	1%
Electricity	525	1%
Wholesale	500	1%
Cargo Transportation	483	1%
Other [(a)]	388	1%
Total	$ 42,851	100%

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(a) Includes Stabilized NOI from tenants in the following industries: durable consumer goods and environmental industries.

Lease Expirations
(dollars in thousands)

Year of Lease Expiration [(a) (b)]	Number of Leases Expiring	ABR	Percent
Remaining 2019	6	$ 1,785	2%
2020	6	967	1%
2021	5	1,211	1%
2022	3	220	—%
2023	17	16,028	17%
2024	11	5,368	6%
2025	8	5,410	6%
2026	8	6,973	8%
2027	8	6,269	7%
2028	5	5,323	6%
2029	4	9,052	10%
2030	5	4,194	4%
2031	4	4,792	5%
2032	3	8,177	9%
Thereafter (>2032)	12	16,840	18%
Total	105	$ 92,609	100%

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(a) Assumes tenant does not exercise renewal option.

(b) These maturities also include our multi-tenant properties, which generally have a shorter duration than our single-tenant properties, and on a combined basis represent pro rata ABR of $2.9 million.

Lease Composition and Leasing Activities

As of June 30, 2019, approximately 50.7% of our leases (based on ABR) provided for adjustments based on formulas indexed to changes in the U.S. CPI (or similar indices for the jurisdiction in which the property is located), some of which are subject to caps and/or floors. In addition, 45.2% of our leases (based on ABR) have fixed rent adjustments, for a scheduled average ABR increase of 2.2% over the next 12 months. Lease revenues from our international investments are subject to exchange rate fluctuations, primarily from the euro.

Operating Properties

As of June 30, 2019, our operating portfolio consisted of 69 self-storage properties, 13 student housing development projects and two student housing operating properties. As of June 30, 2019, our operating portfolio was comprised as follows (square footage in thousands):

Location	Number of Properties	Square Footage
Florida	21	1,779
Texas [(a)]	13	843
California	10	859
Nevada	3	243
Delaware	3	241
Georgia	3	171
Illinois	2	100
Hawaii	2	95
Kentucky	1	121
North Carolina	1	121
Washington DC	1	67
South Carolina	1	63
New York	1	61
Louisiana	1	59
Massachusetts	1	58
Missouri	1	41
Oregon	1	40
U.S. Total	66	4,962
Spain [(b)]	9	—
Canada [(c)]	4	316
United Kingdom [(a)]	3	215
Portugal [(d)]	2	—
International Total	18	531
Total	84	5,493

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(a) Includes one student housing development project.

(b) Comprised of nine student housing development projects.

(c) Includes one self-storage facility development project that is an unconsolidated investment and is included in Accounts receivable and other assets, net in the condensed consolidated financial statements.

(d) Comprised of two student housing development projects.

Build-to-Suit and Development Projects

As of June 30, 2019, we had the following consolidated development projects, including joint ventures, which remain under construction (dollars in thousands):

Estimated Completion Date	Property Type	Location	Ownership Percentage [a]	Number of Buildings	Square Footage	Estimated Project Totals [b] [c]	Amount Funded [b] [c]
Q3 2019	Student Housing	Barcelona, Spain	98.7%	1	112,980	$ 26,389	$ 25,899
Q3 2020	Student Housing	Malaga, Spain	100.0%	2	230,329	39,644	6,931
Q3 2020	Student Housing	Austin, Texas	90.0%	1	185,720	74,469	27,411
Q3 2020	Student Housing	Coimbra, Portugal	98.5%	1	135,076	25,143	9,168
Q3 2020	Student Housing	San Sebastian, Spain	100.0%	1	126,075	34,440	12,143
Q3 2020	Student Housing	Porto, Portugal	98.5%	1	102,112	23,256	5,607
Q3 2020	Student Housing	Barcelona, Spain	100.0%	3	77,504	29,857	13,055
Q1 2021	Student Housing	Seville, Spain	75.0%	1	163,477	41,881	12,406
Q3 2021	Student Housing	Bilbao, Spain	100.0%	1	179,279	49,747	10,096
Q3 2021	Student Housing	Swansea, United Kingdom [d]	97.0%	1	176,496	64,482	21,122
Q3 2021	Student Housing	Valencia, Spain	98.7%	1	100,423	25,528	6,538
Q3 2021	Student Housing	Pamplona, Spain	100.0%	1	91,363	28,428	9,438
Q3 2021	Student Housing	Granada, Spain	98.5%	1	75,557	22,025	3,993
				16	1,756,391	$ 485,289	163,807
Third-party contributions [e]							(7,120)
Total							$ 156,687

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(a) Represents our expected ownership percentage upon the completion of each respective development project.

(b) Amounts related to our 12 international development projects are denominated in a foreign currency. For these projects, amounts are based on their applicable exchange rates as of June 30, 2019.

(c) Amounts exclude capitalized interest, accrued costs, and capitalized acquisition fees for our Advisor, which are all included in Real estate under construction.

(d) Amount funded for the project includes a $7.0 million ROU land lease asset that is included in In-place lease and other intangible assets on our condensed consolidated balance sheets.

(e) Amount represents the funds contributed from our joint-venture partners.

Terms and Definitions

Pro Rata Metrics — The portfolio information above contains certain metrics prepared under the pro rata consolidation method. We refer to these metrics as pro rata metrics. We have a number of investments in which our economic ownership is less than 100%. Under the full consolidation method, 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 (loss) from that investment. Under the pro rata consolidation method, we generally present our proportionate share, based on our economic ownership of these jointly owned investments, of the portfolio metrics 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, net of receivable reserves as determined by GAAP, and reflects exchange rates as of June 30, 2019. 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.

NOI — Net operating income ("NOI") is a non-GAAP measure intended to reflect the performance of our entire portfolio of properties. We define NOI as rental revenues minus non-reimbursable property expenses as determined by GAAP. We believe that NOI is a helpful measure that both investors and management can use to evaluate the financial performance of our properties and it allows for comparison of our portfolio performance between periods and to other REITs. While we believe that NOI is a useful supplemental measure, it should not be considered as an alternative to Net income as an indication of our operating performance.

Stabilized NOI — We use stabilized NOI, a non-GAAP measure, as a metric to evaluate the performance of our entire portfolio of properties. Stabilized NOI for development projects and newly acquired operating properties that are not yet substantially leased up are not included in our portfolio information until one year after the project has been substantially completed and placed into service, or the property has been substantially leased up, respectively (and the project or property has not been disposed of during or prior to the current period). In addition, any newly acquired stabilized operating property is included in our portfolio of stabilized NOI information upon acquisition. Stabilized NOI for a net-leased property is included in our portfolio information upon acquisition or in the period when it is placed into service (as the property will already have a lease in place). We believe that Stabilized NOI is a helpful measure that both investors and management can use to evaluate the financial performance of our properties and it allows for comparison of our portfolio performance between periods and to other REITs. While we believe that Stabilized NOI is a useful supplemental measure, it should not be considered as an alternative to Net income (loss) as an indication of our operating performance.

Reconciliation of Net Income (GAAP) to Net Operating Income Attributable to CPA:18 – Global (non-GAAP) (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Income (GAAP)	$ 5,178	$ 2,981	$ 24,851	$ 15,299
Adjustments:				
Depreciation and amortization	17,180	16,892	32,552	34,524
Interest expense	12,044	13,294	24,401	26,224
Other gains and (losses)	(1,302)	2,072	(1,474)	(5,920)
Gain on sale of real estate, net	(650)	—	(16,058)	—
Equity in losses of equity method investment in real estate	603	235	1,251	559
(Benefit from) provision for income taxes	(867)	(298)	57	(713)
NOI related to noncontrolling interests (1)	(3,247)	(3,273)	(6,341)	(6,461)
NOI related to equity method investment in real estate (2)	48	132	187	236
Net Operating Income Attributable to CPA:18 – Global (Non-GAAP)	$ 28,987	$ 32,035	$ 59,426	$ 63,748
(1) NOI related to noncontrolling interests:				
Net income attributable to noncontrolling interests (GAAP)	$ (2,100)	$ (3,315)	$ (6,946)	$ (5,306)
Available Cash Distributions to a related party	2,105	2,830	3,953	4,735
Depreciation and amortization	(2,006)	(1,681)	(3,616)	(3,409)
Interest expense	(1,176)	(1,220)	(2,432)	(2,446)
Other gains and (losses)	(105)	9	(215)	(131)
Gain on sale of real estate, net	—	—	2,874	—
Benefit from income taxes	35	104	41	96
NOI related to noncontrolling interests	$ (3,247)	$ (3,273)	$ (6,341)	$ (6,461)
(2) NOI related to equity method investment in real estate:				
Equity in losses of equity method investment in real estate (GAAP)	$ (603)	$ (235)	$ (1,251)	$ (559)
Depreciation and amortization	190	118	503	281
Interest expense	407	261	848	531
Other gains and (losses)	(9)	1	(15)	9
Benefit from (provision for) income taxes	63	(13)	102	(26)
NOI related to equity method investment in real estate	$ 48	$ 132	$ 187	$ 236

Reconciliation of Stabilized NOI to Net Operating Income Attributable to CPA:18 – Global (Non-GAAP) (pro rata, in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net-leased	$ 21,607	$ 22,071	$ 42,851	$ 44,144
Self storage	9,330	9,057	18,430	17,741
Other operating properties	—	3,145	—	6,078
Stabilized NOI	30,937	34,273	61,281	67,963
Other NOI:				
Corporate [a]	(5,099)	(5,212)	(9,715)	(10,061)
Straight-line rent adjustments	926	1,293	1,900	2,469
Notes receivable	822	1,794	2,654	3,573
Disposed properties	(109)	—	240	—
	(3,460)	(2,125)	(4,921)	(4,019)
Recently-opened operating properties [b]	1,669	—	3,319	—
Build-to-Suit and Development Projects [c]	(159)	(113)	(253)	(196)
Net Operating Income Attributable to CPA:18 – Global (Non-GAAP)	$ 28,987	$ 32,035	$ 59,426	$ 63,748

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(a) Includes expenses such as asset management fees and cash distributions to the Special General Partner, as well as other gains and (losses) that are calculated and reported at the portfolio level and not evaluated as part of any property's operating performance.

(b) Includes NOI for the student housing properties located in Portsmouth and Cardiff, United Kingdom, which were completed during the third quarter of 2018, as well as phases of the Canadian self-storage properties that were placed into service during the year ended December 31, 2018.

(c) Includes NOI for our ongoing student housing and Canadian self-storage development projects. Refer to the Build-to-Suit and Development Projects table above for a listing of all current projects.

Results of Operations

We evaluate our results of operations with a focus on: (i) our ability to generate the cash flow necessary to meet our objectives of funding distributions to stockholders and (ii) increasing the value of our real estate investments. As a result, our assessment of operating results gives less emphasis to the effect of unrealized gains and losses, which may cause fluctuations in net income for comparable periods but have no impact on cash flows, and to other non-cash charges, such as depreciation and impairment charges.

Property Level Contribution

The following table presents the property level contribution for our consolidated net-leased and operating properties, as well as a reconciliation to net income (loss) attributable to CPA:18 – Global (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
Existing Net-Leased Properties						
Lease revenues	$ 29,295	$ 31,004	$ (1,709)	$ 59,304	$ 61,743	$ (2,439)
Depreciation and amortization	(13,104)	(11,480)	(1,624)	(24,274)	(22,938)	(1,336)
Reimbursable tenant costs	(3,155)	(3,445)	290	(7,078)	(6,550)	(528)
Property expenses	(1,803)	(2,457)	654	(3,401)	(5,350)	1,949
Property level contribution	11,233	13,622	(2,389)	24,551	26,905	(2,354)
Existing Operating Properties						
Operating property revenues	15,166	14,399	767	30,004	28,372	1,632
Operating property expenses	(5,883)	(5,542)	(341)	(11,698)	(11,035)	(663)
Depreciation and amortization	(2,984)	(3,067)	83	(5,895)	(6,864)	969
Property level contribution	6,299	5,790	509	12,411	10,473	1,938
Recently Acquired Operating Properties						
Operating property revenues	2,306	—	2,306	4,574	—	4,574
Depreciation and amortization	(769)	—	(769)	(1,694)	—	(1,694)
Operating property expenses	(727)	(116)	(611)	(1,320)	(116)	(1,204)
Property level contribution	810	(116)	926	1,560	(116)	1,676
Properties Sold, Held for Sale, or Transferred						
Lease revenues	814	2,088	(1,274)	1,719	4,146	(2,427)
Operating property revenues	—	5,911	(5,911)	355	11,601	(11,246)
Depreciation and amortization	(323)	(2,345)	2,022	(689)	(4,722)	4,033
Property expenses	(234)	(859)	625	(419)	(1,603)	1,184
Reimbursable tenant costs	(75)	(278)	203	(175)	(496)	321
Operating property expenses	(5)	(2,562)	2,557	(63)	(5,228)	5,165
Property level contribution	177	1,955	(1,778)	728	3,698	(2,970)
Property Level Contribution	18,519	21,251	(2,732)	39,250	40,960	(1,710)
Add other income:						
Interest income and other	1,446	2,001	(555)	3,365	3,976	(611)
Less other expenses:						
Asset management fees	(2,859)	(3,151)	292	(5,728)	(6,025)	297
General and administrative	(2,100)	(1,817)	(283)	(3,859)	(3,462)	(397)
	15,006	18,284	(3,278)	33,028	35,449	(2,421)
Other Income and Expenses						
Interest expense	(12,044)	(13,294)	1,250	(24,401)	(26,224)	1,823
Other gains and (losses)	1,302	(2,072)	3,374	1,474	5,920	(4,446)
Gain on sale of real estate, net	650	—	650	16,058	—	16,058
Equity in losses of equity method investment in real estate	(603)	(235)	(368)	(1,251)	(559)	(692)
	(10,695)	(15,601)	4,906	(8,120)	(20,863)	12,743
Income before income taxes	4,311	2,683	1,628	24,908	14,586	10,322
Benefit from (provision for) income taxes	867	298	569	(57)	713	(770)
Net Income	5,178	2,981	2,197	24,851	15,299	9,552
Net income attributable to noncontrolling interests	(2,100)	(3,315)	1,215	(6,946)	(5,306)	(1,640)
Net Income (Loss) Attributable to CPA:18 – Global	$ 3,078	$ (334)	$ 3,412	$ 17,905	$ 9,993	$ 7,912

Property level contribution is a non-GAAP measure that we believe to be a useful supplemental measure for management and investors in evaluating and analyzing the financial results of our net-leased and operating properties over time. Property level contribution presents the lease and operating property revenues, less property expenses, reimbursable tenant costs, and depreciation and amortization. Reimbursable tenant costs (revenues) are now included within Lease revenues in the condensed consolidated statements of operations (Note 2). We believe that Property level contribution allows for meaningful comparison between periods of the direct costs of owning and operating our net-leased assets and operating properties. When a property is leased on a net lease basis, reimbursable tenant costs are recorded as both income and property expense and, therefore, have no impact on the Property level contribution. While we believe that Property level contribution is a useful supplemental measure, it should not be considered as an alternative to Net income attributable to CPA:18 – Global as an indication of our operating performance.

Existing Net-Leased Properties

Existing net-leased properties are those we acquired or placed into service prior to January 1, 2018 and were not sold during the periods presented. For the periods presented, there were 46 existing net-leased properties.

For both the three and six months ended June 30, 2019 compared to the same periods in 2018, property level contribution from existing net-leased properties decreased by $2.4 million, primarily due to an increase in depreciation and amortization expense and a decrease in lease revenues, partially offset by a decrease in property expenses. The increase in depreciation and amortization is due to accelerated amortization of in-place lease intangibles as a result of a lease restructuring at one of our properties. The decrease in lease revenues is primarily due to foreign currency impact, whereas the decrease in property expenses is due to reduced reserves related to our Fortenova investment.

Existing Operating Properties

Existing operating properties are those we acquired or placed into service prior to January 1, 2018 and were not sold during the periods presented. For the periods presented, there were 65 existing operating properties.

For the three months ended June 30, 2019 compared to the same period in 2018, property level contribution from existing operating properties increased by $0.5 million. Both operating revenues and operating expenses increased by $0.8 million and $0.3 million, respectively, with the increase in revenues primarily due to increased market rents.

For the six months ended June 30, 2019 compared to the same period in 2018, property level contribution from existing operating properties increased by $1.9 million. Both operating revenues and operating expenses increased by $1.6 million and $0.7 million, respectively, with the increase in revenues primarily due to increased market rents. In addition, depreciation and amortization expense decreased $1.0 million, primarily due to certain in-place lease intangible assets becoming fully amortized subsequent to June 30, 2018.

Recently Acquired Operating Properties

Recently acquired operating properties are those that were acquired or placed into service subsequent to December 31, 2017. For the periods presented, there were 13 student housing development projects under construction and two student housing operating properties that were placed into service during 2018. As a result of the two student housing operating properties being placed into service subsequent to June 30, 2018, operating revenues for recently acquired operating properties exceeded operating expenses by $1.6 million and $3.3 million for the three and six months ended June 30, 2019, respectively, and depreciation and amortization expense totaled $0.8 million and $1.7 million, respectively.

Properties Sold, Held for Sale, or Transferred

During the three months ended June 30, 2019, we sold two properties in our Truffle portfolio. During the six months ended June 30, 2019, we sold our last multi-family residential property located in Fort Walton Beach, Florida, as well as a retail building located in Edinburgh, United Kingdom (which was included in our Truffle portfolio (Note 12)).

In addition, at June 30, 2019, we classified the remaining eight properties in our Truffle portfolio as Assets held for sale, net (Note 4).

In 2018, we sold five domestic multi-family residential properties, as well as an office building located in Utrecht, the Netherlands. In addition, as a result of a settlement agreement with our political risk insurer related to a development project in Accra, Ghana, we transferred the right to collect for tenant default damages to the insurer.

Interest Income and Other

For both the three and six months ended June 30, 2019 as compared to the same periods in 2018, interest income and other decreased by $0.6 million, primarily due to the Mills Fleet loan repayment during the three months ended June 30, 2019 (Note 5).

Asset Management Fees

For both the three and six months ended June 30, 2019 as compared to the same periods in 2018, asset management fees decreased by $0.3 million, primarily due to a decrease in the asset base from which our Advisor earns a fee as a result of the dispositions subsequent to June 30, 2018 (Note 3).

General and Administrative

For the three and six months ended June 30, 2019 as compared to the same periods in 2018, general and administrative expenses increased by $0.3 million and $0.4 million, respectively, primarily due to an increase in professional fees and reimbursable costs allocated from our Advisor (Note 3).

Other Income and Expenses

Interest Expense

Our interest expense is directly impacted by the mortgage loans or other financings obtained, assumed, or extinguished in connection with our investing and disposition activity (Note 9). For the three and six months ended June 30, 2019 as compared to 2018, interest expense decreased by $1.3 million and $1.8 million, respectively, primarily due to an increase in capitalized interest associated with our development projects and an overall decrease in debt primarily driven by our properties sold subsequent to June 30, 2018. As a result of these dispositions, our average outstanding debt balance decreased by $208.3 million and $197.2 million, respectively, compared to the same periods in 2018. Our average outstanding debt balance was $1.1 billion for both the three and six months ended June 30, 2019, respectively, and $1.3 billion for both the three and six months ended June 30, 2018, respectively, with a weighted-average annual interest rate of 4.4% and 4.5% for the three and six months ended June 30, 2019, respectively, and 3.9% for both the three and six months ended June 30, 2018, respectively.

Other Gains and (Losses)

Other gains and (losses) primarily consists of gains and losses on foreign currency transactions and derivative instruments. We make intercompany loans to a number of our foreign subsidiaries, most of which do not have the U.S. dollar as their functional currency. Remeasurement of foreign currency intercompany transactions that are scheduled for settlement, consisting primarily of accrued interest and short-term loans, are included in the determination of net income. We also recognize gains or losses on foreign currencies held by entities with the U.S. dollar as their functional currency due to fluctuations in foreign exchange rates. The timing and amount of such gains or losses cannot always be estimated and are subject to fluctuation.

For the three months ended June 30, 2019 as compared to the same period in 2018, net other gains and (losses) increased $3.4 million primarily due to foreign currency transaction fluctuations, impacting the remeasurement of our short-term intercompany loans and cash, as a result of the appreciation of the U.S. dollar relative to the euro.

For the six months ended June 30, 2019, as compared to the same period in 2018, net other gains decreased $4.4 million primarily due to the gain recognized as a result of the insurance proceeds received for the rebuild of a property that was damaged by a tornado in 2017, partially offset by an increase in gains on derivatives as well as foreign currency transaction fluctuations.

Gain on Sale of Real Estate, Net

During the three months ended June 30, 2019, we sold two industrial properties in our Truffle portfolio for total proceeds of $3.0 million, net of closing costs, and recorded an aggregate gain on sale of $0.7 million (Note 12).

In addition to the above, during the six months ended June 30, 2019, we sold our last domestic multi-family residential property and a property in the Truffle portfolio for total proceeds of $17.4 million, net of closing costs, and recorded an aggregate gain on sale of $16.6 million (which includes a $2.9 million gain attributable to noncontrolling interest (Note 12)). The gain on sale of real estate recognized as a result of these dispositions were partially offset by the $1.1 million of disposition fees incurred during the six months ended June 30, 2019 in connection with certain 2018 and 2019 dispositions (Note 3).

Equity in Losses of Equity Method Investment in Real Estate

For both the three and six months ended June 30, 2019, as compared to the same periods in 2018, equity in losses of equity method investment in real estate increased by $0.4 million, primarily due to the third Canadian self-storage facility being fully placed into service subsequent to June 30, 2018.

Benefit from (Provision for) Income Taxes

Our benefit from (provision for) income taxes is primarily related to our international properties.

During the three months ended June 30, 2019, we recorded a benefit from income taxes of $0.9 million, which is primarily comprised of deferred tax benefits. During the six months ended June 30, 2019, we recorded a provision for income taxes of $0.1 million, which is comprised of a provision for current taxes of $1.2 million, partially offset by a benefit from deferred taxes of $1.1 million.

During the three and six months ended June 30, 2018, we recorded a benefit from income taxes of $0.3 million and $0.7 million, respectively, comprised of a provision for current taxes of $0.3 million and $0.5 million, respectively, and a benefit from deferred taxes of $0.6 million and $1.2 million, respectively.

Net Income Attributable to Noncontrolling Interests

For the three months ended June 30, 2019 compared to the same period in 2018, net income attributable to noncontrolling interests decreased by $1.2 million, primarily due to a decrease in the available cash generated by the Operating Partnership, which we refer to as the Available Cash Distribution (Note 3).

For the six months ended June 30, 2019 compared to the same period in 2018, net income attributable to noncontrolling interests increased by $1.6 million, primarily due to the gain on sale of our joint venture real estate disposal in 2019 (Note 12).

Liquidity and Capital Resources

We use the cash flow generated from our investments primarily to meet our operating expenses, service debt, and fund distributions to stockholders. We currently expect that, for the short-term, the aforementioned cash requirements will be funded by our cash on hand, cash flow from operations, financings, and sales of real estate. We may also use proceeds from financings and asset sales for the acquisition of real estate and real estate-related investments.

Our liquidity would be adversely affected by unanticipated costs and greater-than-anticipated operating expenses. To the extent that our working capital reserve is insufficient to satisfy our cash requirements, additional funds may be provided from cash generated from operations or through short-term borrowings. In addition, we may incur indebtedness in connection with the acquisition of real estate, refinance debt on existing properties, or arrange for the leveraging of any previously unfinanced property.

Sources and Uses of Cash During the Period

Our cash flows will fluctuate periodically due to a number of factors, which may include, among other things: the timing of purchases and sales of real estate; the timing of the receipt of proceeds from, and the repayment of, non-recourse secured debt, and the receipt of lease revenues; whether our Advisor receives fees in shares of our common stock or cash, which our board of directors must elect after consultation with our Advisor; the timing and characterization of distributions received from equity investments in real estate; the timing of payments of the Available Cash Distributions to our Advisor; and changes in foreign currency exchange rates. Despite these fluctuations, we believe our investments will generate sufficient cash from operations to meet our normal recurring short-term and long-term liquidity needs. We may also use existing cash resources, the proceeds of non-recourse secured debt, sales of assets, and distributions reinvested in our common stock through our DRIP to meet these needs. We assess our ability to access capital on an ongoing basis. Our sources and uses of cash during the period are described below.

Operating Activities — Net cash provided by operating activities decreased by $2.9 million during the six months ended June 30, 2019 as compared to the same period in 2018, primarily due to decreased operating cash flow resulting from the dispositions of properties subsequent to June 30, 2018 (Note 12), as well as decreased working capital due to less prepaid rents received during 2019.

Investing Activities — Our investing activities are generally comprised of real estate purchases, funding of build-to-suit and development projects, payment of deferred acquisition fees to our Advisor for asset acquisitions, and capitalized property-related costs.

Net cash used in investing activities totaled $7.4 million for the six months ended June 30, 2019. This was primarily the result of cash outflows of $44.7 million to fund construction costs of our development projects (Note 4), $12.9 million for our real estate investments (Note 4), $3.5 million of VAT paid in connection with acquisitions of real estate, $3.0 million in payments of deferred acquisition fees to our Advisor (Note 3), and $1.6 million for capital expenditures on our owned real estate. These cash outflows were partially offset by cash inflows of $36.0 million of proceeds from repayment of the Mills Fleet note receivable (Note 5), $19.3 million for proceeds from sale of real estate (Note 12), and $2.1 million in VAT refunded in connection with acquisitions of real estate.

Financing Activities — Net cash used in financing activities totaled $43.9 million for the six months ended June 30, 2019. This was primarily due to cash outflows of $44.7 million related to distributions paid to our stockholders, $26.1 million for scheduled payments and prepayments of mortgage loan principal, $11.7 million for distributions to noncontrolling interests, and $9.3 million for the repurchase of shares of our common stock pursuant to our redemption program described below. These cash outflows were primarily offset by $25.1 million from non-recourse mortgage financings (Note 9), $20.9 million of distributions that were reinvested by stockholders in shares of our common stock through our DRIP, and $2.5 million of contributions from noncontrolling interests.

Distributions

Our objectives are to generate sufficient cash flow over time to provide stockholders with distributions. For the six months ended June 30, 2019, we declared distributions to stockholders of $45.0 million, which were comprised of $23.1 million of cash distributions and $21.9 million reinvested by stockholders in shares of our common stock pursuant to our DRIP. From inception through June 30, 2019, we declared distributions to stockholders totaling $435.3 million, which were comprised of cash distributions of $209.8 million and $225.5 million reinvested by stockholders in shares of our common stock pursuant to our DRIP.

We believe that FFO, a non-GAAP measure, is an appropriate metric to evaluate our ability to fund distributions to stockholders. For a discussion of FFO, see Supplemental Financial Measures below. Over the life of our company, the regular quarterly cash distributions we pay are expected to be principally sourced from our FFO or cash flow from operations. However, we have funded a portion of our cash distributions to date using net proceeds from our initial public offering and there can be no assurance that our FFO or cash flow from operations will be sufficient to cover our future distributions. Our distribution coverage using FFO was approximately 76.3% of total distributions declared for the six months ended June 30, 2019. We funded 93.5% of total distributions declared for the six months ended June 30, 2019 from Net cash provided by operating activities, with the remainder funded from other investing and financing cash flows.

Redemptions

We maintain a quarterly redemption program pursuant to which we may, at the discretion of our board of directors, redeem shares of our common stock from stockholders seeking liquidity. For the six months ended June 30, 2019, we received requests to redeem 867,537 and 229,884 shares of Class A and Class C common stock, respectively, comprised of 222 and 57 redemption requests, respectively, which we fulfilled at an average price of $8.49 and $8.43 per share for the Class A and Class C common stock, respectively. As of the date of this Report, we have fulfilled all of the valid redemption requests that we received for the six months ended June 30, 2019. Except for redemptions sought in certain defined special circumstances, the redemption price of the shares listed above was 95% of our most recently published quarterly NAV. For shares redeemed under such special circumstances, the redemption price was the greater of the price paid to acquire the shares from us or 95% of our most recently published quarterly NAV.

Summary of Financing

The table below summarizes our non-recourse secured debt, net (dollars in thousands):

	June 30, 2019	December 31, 2018
Carrying Value [(a)]		
Fixed rate	$ 979,931	$ 1,007,020
Variable rate:		
Amount subject to floating interest rate	118,930	115,156
Amount subject to interest rate swaps and caps	114,413	115,251
	233,343	230,407
	$ 1,213,274	$ 1,237,427
Percent of Total Debt		
Fixed rate	81%	81%
Variable rate	19%	19%
	100%	100%
Weighted-Average Interest Rate at End of Period		
Fixed rate	3.9%	4.0%
Variable rate [(b)]	5.1%	5.1%

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(a) Aggregate debt balance includes unamortized deferred financing costs totaling $6.1 million and $6.9 million as of June 30, 2019 and December 31, 2018, respectively, and unamortized premium, net of $2.1 million and $1.3 million as of June 30, 2019 and December 31, 2018, respectively (Note 9).

(b) The impact of our derivative instruments is reflected in the weighted-average interest rates.

Cash Resources

As of June 30, 2019, our cash resources consisted of cash and cash equivalents totaling $160.2 million. Of this amount, $39.7 million (at then-current exchange rates) was held in foreign subsidiaries, which may be subject to restrictions or significant costs should we decide to repatriate these funds. As of June 30, 2019, we had $49.9 million available to borrow under our third-party financing arrangements for funding of construction of certain development projects (Note 9). Our cash resources may be used for future investments and can be used for working capital needs, other commitments, and distributions to our stockholders. In addition, our unleveraged properties had an aggregate carrying value of $146.2 million as of June 30, 2019, although there can be no assurance that we would be able to obtain financing for these properties.

In July 2016, our board of directors and the board of directors of WPC approved unsecured loans from WPC to us for acquisition funding purposes, at the sole discretion of WPC's management, of up to $50.0 million in the aggregate, at a rate equal to the rate at which WPC can borrow funds under its senior credit facility. As of June 30, 2019, no such loans were outstanding (Note 3).

Cash Requirements

During the next 12 months, we expect that our cash requirements will include making payments to fund capital commitments such as development projects, acquiring new investments, paying distributions to our stockholders and to our affiliates that hold noncontrolling interests in entities we control, making share repurchases pursuant to our redemption plan, and making scheduled debt service payments, as well as other normal recurring operating expenses. Balloon payments totaling $111.3 million on our consolidated mortgage loan obligations are due during the next 12 months. Our Advisor is actively seeking to refinance these loans, although there can be no assurance that it will be able to do so on favorable terms, or at all. We expect to fund $254.2 million related to capital and other lease commitments during the next 12 months. We expect to fund future investments, capital commitments, any capital expenditures on existing properties, and scheduled and unscheduled debt payments on our mortgage loans through the use of our cash reserves, cash generated from operations, and proceeds from financings and asset sales.

Off-Balance Sheet Arrangements and Contractual Obligations

The table below summarizes our debt, off-balance sheet arrangements, and other contractual obligations (primarily our capital commitments) as of June 30, 2019 and the effect that these arrangements and obligations are expected to have on our liquidity and cash flow in the specified future periods (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt — principal [a]	$ 1,217,261	$ 118,630	$ 270,330	$ 319,135	$ 509,166
Capital commitments [b]	338,422	254,244	84,178	—	—
Interest on borrowings	208,712	47,051	76,639	59,213	25,809
Deferred acquisition fees [c]	5,984	3,481	2,503	—	—
	$ 1,770,379	$ 423,406	$ 433,650	$ 378,348	$ 534,975

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(a) Represents the non-recourse secured debt, net that we obtained in connection with our investments and excludes $6.1 million of deferred financing costs and $2.1 million of unamortized premium, net (Note 9).

(b) Capital commitments include our current development projects totaling $333.4 million (Note 4) and $5.0 million of outstanding commitments on development projects that have been placed into service.

(c) Represents deferred acquisition fees due to our Advisor as a result of our acquisitions. These fees are scheduled to be paid in three equal annual installments following the quarter in which a property was purchased.

Amounts in the table above that relate to our foreign operations are based on the exchange rate of the local currencies as of June 30, 2019, which consisted primarily of the euro and Norwegian krone and, to a lesser extent, the British pound sterling. As of June 30, 2019, we had no material capital lease obligations for which we were the lessee, either individually or in the aggregate.

Supplemental Financial Measures

In the real estate industry, analysts and investors employ certain non-GAAP supplemental financial measures in order to facilitate meaningful comparisons between periods and among peer companies. Additionally, in the formulation of our goals and in the evaluation of the effectiveness of our strategies, we use FFO, MFFO, and Adjusted MFFO, which are non-GAAP measures. We believe that these measures are useful to investors to consider because they may assist them to better understand and measure the performance of our business over time and against similar companies. A description of FFO, MFFO, and Adjusted MFFO and reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are provided below.

FFO, MFFO, and Adjusted MFFO

Due to certain unique operating characteristics of real estate companies, as discussed below, the National Association of Real Estate Investment Trusts, Inc. ("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 sales of property, impairment charges on 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. Our FFO calculation complies with NAREIT's policy described above. However, NAREIT's definition of FFO does not distinguish between the conventional method of equity accounting and the hypothetical liquidation at book value method of accounting for unconsolidated partnerships and jointly owned investments.

The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements. We believe that, since real estate values historically rise and fall with market conditions, including inflation, interest rates, the business cycle, unemployment, and consumer spending, presentations of operating results for a REIT using historical accounting for depreciation may be less informative. Historical accounting for real estate involves the use of GAAP. Any other method of accounting for real estate such as the fair value method cannot be construed to be any more accurate or relevant than the comparable methodologies of real estate valuation found in GAAP. Nevertheless, we believe that the use of FFO, which excludes the impact of real estate-related depreciation and amortization, as well as impairment charges of real estate-related assets, provides a more complete understanding of our performance to investors and to management; and when compared year over year, reflects the impact on our operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses, and interest costs, which may not be immediately apparent from net income. In particular, we believe it is appropriate to disregard impairment charges, as this is a fair value adjustment that is largely based on market fluctuations and assessments regarding general market conditions, which can change over time. While impairment charges are excluded from the calculation of FFO, it could be difficult to recover any impairment charges. However, FFO, MFFO, and Adjusted MFFO, as described below, should not be construed to be more relevant or accurate than the current GAAP methodology in calculating net income or in its applicability in evaluating the operating performance of the company. The method utilized to evaluate the value and performance of real estate under GAAP should be construed as a more relevant measure of operational performance and considered more prominently than the non-GAAP measures FFO, MFFO, and Adjusted MFFO and the adjustments to GAAP in calculating FFO, MFFO, and Adjusted MFFO.

Changes in the accounting and reporting promulgations under GAAP (for acquisition fees and expenses from a capitalization/depreciation model to an expensed-as-incurred model) were put into effect subsequent to the establishment of NAREIT's definition of FFO. Management believes these cash-settled expenses, such as acquisition fees that are typically accounted for as operating expenses, do not affect our overall long-term operating performance. Publicly registered, non-traded REITs typically have a significant amount of acquisition activity and are substantially more dynamic during their initial years of investment and operation. While other start-up entities may also experience significant acquisition activity during their initial years, we believe that non-traded REITs are unique in that they have a limited life with targeted exit strategies within a relatively limited time frame after acquisition activity ceases. We currently intend to begin the process of achieving a liquidity event (i.e., listing of our common stock on a national exchange, a merger or sale of our assets, or another similar transaction) beginning in April 2022, which is seven years following the closing of our initial public offering. Due to the above factors and other unique features of publicly registered, non-traded REITs, the Institute for Portfolio Alternatives (formerly known as the Investment Program Association) (the "IPA"), an industry trade group, has standardized a measure known as MFFO, which the IPA has recommended as a supplemental measure for publicly registered non-traded REITs and which we believe to be another appropriate non-GAAP measure to reflect the operating performance of a non-traded REIT. MFFO is not equivalent to our net income or loss as determined under GAAP, and MFFO may not be a useful measure of the impact of long-term operating performance on value if we do not continue to operate with a limited life and targeted exit strategy, as currently intended. We believe that, because MFFO excludes costs that we consider more reflective of investing activities and other non-operating items included in FFO, and also excludes acquisition fees and expenses that affect our operations only in periods in which properties are acquired, MFFO can provide, on a going forward basis, an indication of the sustainability (that is, the capacity to continue to be maintained) of our operating performance after the period in which we are acquiring properties and once our portfolio is in place. By providing MFFO, we believe we are presenting useful information that assists investors and analysts to

better assess the sustainability of our operating performance now that our initial public offering has been completed and once essentially all of our properties have been acquired. We also believe that MFFO is a recognized measure of sustainable operating performance by the non-traded REIT industry. Further, we believe MFFO is useful in comparing the sustainability of our operating performance, with the sustainability of the operating performance of other real estate companies that are not as involved in acquisition activities. MFFO should only be used to assess the sustainability of a company's operating performance after a company's offering has been completed and properties have been acquired, as it excludes acquisition costs that have a negative effect on a company's operating performance during the periods in which properties are acquired.

We define MFFO, a non-GAAP measure, consistent with the IPA's Practice Guideline 2010-01, Supplemental Performance Measure for Publicly Registered, Non-Traded REITs: Modified Funds from Operations (the "Practice Guideline"), issued by the IPA in November 2010. The Practice Guideline defines MFFO as FFO further adjusted for the following items, included in the determination of GAAP net income, as applicable: acquisition fees and expenses; amounts relating to deferred rent receivables and amortization of above- and below-market leases and liabilities (which are adjusted in order to reflect such payments from a GAAP accrual basis to a cash basis of disclosing the rent and lease payments); accretion of discounts and amortization of premiums on debt investments; nonrecurring impairments of real estate-related investments (i.e., infrequent or unusual, not reasonably likely to recur in the ordinary course of business); mark-to-market adjustments included in net income; nonrecurring gains or losses included in net income from the extinguishment or sale of debt, hedges, foreign exchange, derivatives, or securities holdings where trading of such holdings is not a fundamental attribute of the business plan, unrealized gains or losses resulting from consolidation from, or deconsolidation to, equity accounting, and after adjustments for consolidated and unconsolidated partnerships and jointly owned investments, with such adjustments calculated to reflect MFFO on the same basis. The accretion of discounts and amortization of premiums on debt investments, unrealized gains and losses on hedges, foreign exchange, derivatives or securities holdings, unrealized gains and losses resulting from consolidations, as well as other listed cash flow adjustments are adjustments made to net income in calculating the cash flows provided by operating activities and, in some cases, reflect gains or losses that are unrealized and may not ultimately be realized.

Our MFFO calculation complies with the IPA's Practice Guideline described above. In calculating MFFO, we exclude acquisition-related expenses, amortization of above- and below-market leases, fair value adjustments of derivative financial instruments, deferred rent receivables, and the adjustments of such items related to noncontrolling interests. Under GAAP, acquisition fees and expenses are characterized as operating expenses in determining operating net income. These expenses are paid in cash by a company. All paid and accrued acquisition fees and expenses will have negative effects on returns to investors, the potential for future distributions, and cash flows generated by the company, unless earnings from operations or net sales proceeds from the disposition of other properties are generated to cover the purchase price of the property, these fees and expenses, and other costs related to such property. Further, under GAAP, certain contemplated non-cash fair value and other non-cash adjustments are considered operating non-cash adjustments to net income in determining cash flow from operating activities.

Our management uses MFFO and the adjustments used to calculate it in order to evaluate our performance against other non-traded REITs, which have limited lives with short and defined acquisition periods and targeted exit strategies shortly thereafter. As noted above, MFFO may not be a useful measure of the impact of long-term operating performance on value if we do not continue to operate in this manner. We believe that MFFO and the adjustments used to calculate it allow us to present our performance in a manner that takes into account certain characteristics unique to non-traded REITs, such as their limited life, defined acquisition period, and targeted exit strategy, and is therefore a useful measure for investors. For example, acquisition costs are generally funded from the proceeds of our offering and other financing sources and not from operations. By excluding expensed acquisition costs, the use of MFFO provides information consistent with management's analysis of the operating performance of the properties. Additionally, fair value adjustments, which are based on the impact of current market fluctuations and underlying assessments of general market conditions, but can also result from operational factors such as rental and occupancy rates, may not be directly related or attributable to our current operating performance. By excluding such changes that may reflect anticipated and unrealized gains or losses, we believe MFFO provides useful supplemental information.

In addition, our management uses Adjusted MFFO as another measure of sustainable operating performance. Adjusted MFFO adjusts MFFO for deferred income tax expenses and benefits, which are non-cash items that may cause short-term fluctuations in net income but have no impact on current period cash flows. Additionally, we adjust MFFO to reflect the realized gains/losses on the settlement of foreign currency derivatives to arrive at Adjusted MFFO. Foreign currency derivatives are a fundamental part of our operations in that they help us manage the foreign currency exposure we have associated with cash flows from our international investments.

Presentation of this information is intended to provide useful information to investors as they compare the operating performance of different REITs, although it should be noted that not all REITs calculate FFO, MFFO, and Adjusted MFFO the same way, so comparisons with other REITs may not be meaningful. Furthermore, FFO, MFFO, and Adjusted MFFO are not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income as an indication of our performance, as an alternative to cash flows from operations as an indication of our liquidity, or indicative of funds available to fund our cash needs including our ability to make distributions to our stockholders. FFO, MFFO, and Adjusted MFFO should be reviewed in conjunction with other GAAP measurements as an indication of our performance.

Neither the SEC, NAREIT, nor any other regulatory body has passed judgment on the acceptability of the adjustments that we use to calculate FFO, MFFO, and Adjusted MFFO. In the future, the SEC, NAREIT, or another regulatory body may decide to standardize the allowable adjustments across the non-traded REIT industry and we would have to adjust our calculation and characterization of FFO, MFFO, or Adjusted MFFO accordingly.

FFO, MFFO, and Adjusted MFFO were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income (loss) attributable to CPA:18 – Global	$ 3,078	$ (334)	$ 17,905	$ 9,993
Adjustments:				
Depreciation and amortization of real property	17,264	17,070	32,720	34,748
Proportionate share of adjustments for noncontrolling interests (a)	(2,006)	(1,701)	(766)	(3,449)
Gain on sale of real estate, net	(650)	—	(16,058)	—
Proportionate share of adjustments to equity in net income of partially owned entities	190	118	503	281
Total adjustments	14,798	15,487	16,399	31,580
FFO (as defined by NAREIT) attributable to CPA:18 – Global	17,876	15,153	34,304	41,573
Adjustments:				
Straight-line and other rent adjustments (b)	(960)	(1,407)	(2,007)	(2,707)
Amortization of premium/discount on debt investments and fair market value adjustments, net	563	367	937	720
Unrealized (gains) losses on foreign currency, derivatives, and other	(473)	3,780	(92)	5,320
Realized gains on foreign currency, derivatives, and other (c)	(389)	(1,570)	(787)	(11,014)
Above- and below-market rent intangible lease amortization, net (d)	(87)	(32)	(172)	(58)
Acquisition and other expenses	76	17	76	17
Proportionate share of adjustments for noncontrolling interests	1	82	24	106
Loss on extinguishment of debt	—	2	—	2
Total adjustments	(1,269)	1,239	(2,021)	(7,614)
MFFO attributable to CPA:18 – Global	16,607	16,392	32,283	33,959
Adjustments:				
Deferred taxes	(850)	(386)	(887)	(926)
Hedging gains (losses)	377	(11)	755	57
Total adjustments	(473)	(397)	(132)	(869)
Adjusted MFFO attributable to CPA:18 – Global	$ 16,134	$ 15,995	$ 32,151	$ 33,090

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(a) The six months ended June 30, 2019 includes a gain on sale with regard to our joint venture real estate disposal (Note 12).

(b) Under GAAP, rental receipts are recorded on a straight-line basis over the life of the lease. This may result in timing of income recognition that is significantly different than an accrual basis. By adjusting for these items (to reflect changes from a straight-line basis to an accrual basis), management believes that MFFO and Adjusted MFFO provides useful supplemental information on the realized economic impact of lease terms and debt investments, provides insight on the contractual cash flows of such lease terms and debt investments, and aligns results with management's analysis of operating performance.

(c) During three and six months ended June 30, 2018, there was a $0.9 million and $5.3 million gain recognized as a result of excess insurance proceeds received for the rebuild of a property that was damaged by a tornado in 2017, respectively.

(d) Under GAAP, certain intangibles are accounted for at cost and reviewed at least annually for impairment, and certain intangibles are assumed to diminish predictably in value over time and amortized, similar to depreciation and amortization of other real estate related assets that are excluded from FFO. However, because real estate values and market lease rates historically rise or fall with market conditions, management believes that by excluding charges relating to amortization of these intangibles, MFFO, and Adjusted MFFO provides useful supplemental information on the performance of the real estate.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, and equity prices. The primary risks that we are exposed to are interest rate risk and foreign currency exchange risk. We are also exposed to further market risk as a result of tenant concentrations in certain industries and/or geographic regions, since adverse market factors can affect the ability of tenants in a particular industry/region to meet their respective lease obligations. In order to manage this risk, our Advisor views our collective tenant roster as a portfolio and attempts to diversify such portfolio so that we are not overexposed to a particular industry or geographic region.

Generally, we do not use derivative instruments to hedge credit/market risks or for speculative purposes. However, from time to time, we may enter into foreign currency forward contracts and collars to hedge our foreign currency cash flow exposures.

Interest Rate Risk

The values of our real estate, related fixed-rate debt obligations, and notes receivable investments are subject to fluctuations based on changes in interest rates. The value of our real estate is also subject to fluctuations based on local and regional economic conditions and changes in the creditworthiness of lessees, which may affect our ability to refinance property-level mortgage debt when balloon payments are scheduled (if we do not choose to repay the debt when due). Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political conditions, and other factors beyond our control. An increase in interest rates would likely cause the fair value of our assets to decrease. Increases in interest rates may also have an impact on the credit profile of certain tenants.

We are exposed to the impact of interest rate changes primarily through our borrowing activities. To limit this exposure, we have historically attempted to obtain non-recourse secured debt financing on a long-term, fixed-rate basis. However, from time to time, we or our joint investment partners have obtained, and may in the future obtain, variable-rate non-recourse secured debt, and, as a result, we have entered into, and may continue to enter into, interest rate swap agreements or interest rate cap agreements with counterparties. See Note 8 for additional information on our interest rate swaps and caps.

As of June 30, 2019, our outstanding debt either bore interest at fixed rates, was swapped or capped to a fixed rate or, in the case of one of our Norwegian investments, inflation-linked to the Norwegian CPI. Our debt obligations are more fully described in Note 9 and Liquidity and Capital Resources — Summary of Financing in Item 2 above. The following table presents principal cash outflows for the remainder of 2019, each of the next four calendar years following December 31, 2019, and thereafter, based upon expected maturity dates of our debt obligations outstanding as of June 30, 2019 (in thousands):

	2019 (Remainder)	2020	2021	2022	2023	Thereafter	Total	Fair value
Fixed-rate debt [(a)]	$ 2,073	$ 79,545	$ 118,690	$ 101,266	$ 155,110	$ 530,733	$ 987,417	$ 1,007,516
Variable rate debt [(a)]	$ 79,239	$ 7,597	$ 45,207	$ 17,801	$ 6,105	$ 73,895	$ 229,844	$ 246,024

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(a) Amounts are based on the exchange rate as of June 30, 2019, as applicable.

The estimated fair value of our fixed-rate debt and variable-rate debt (which either have effectively been converted to a fixed rate through the use of interest rate swaps or, in the case of one our Norwegian investments, is inflation-linked to the Norwegian CPI) is marginally affected by changes in interest rates. A decrease or increase in interest rates of 1% would change the estimated fair value of this debt as of June 30, 2019 by an aggregate increase of $37.1 million or an aggregate decrease of $46.0 million, respectively. Annual interest expense on our unhedged variable-rate debt as of June 30, 2019 would increase or decrease by $1.2 million for each respective 1% change in annual interest rates.

As more fully described under Liquidity and Capital Resources — Summary of Financing in Item 2 above, a portion of our variable-rate debt in the table above bore interest at fixed rates as of June 30, 2019, but has interest rate reset features that will change the fixed interest rates to then-prevailing market fixed rates at certain points during their term. This debt is generally not subject to short-term fluctuations in interest rates.

Foreign Currency Exchange Rate Risk

We own international investments, primarily in Europe and, as a result, are subject to risk from the effects of exchange rate movements in various foreign currencies, primarily the euro and the Norwegian krone, which may affect future costs and cash flows. Although most of our foreign investments through the second quarter of 2019 were conducted in these currencies, we may conduct business in other currencies in the future. We manage foreign currency exchange rate movements by generally placing both our debt service obligation to the lender and the tenant's rental obligation to us in the same currency. This reduces our overall exposure to the actual equity that we have invested and the equity portion of our cash flow. In addition, we may use currency hedging to further reduce the exposure to our equity cash flow. We are generally a net receiver of these currencies (we receive more cash than we pay out), therefore our foreign operations benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar, relative to the foreign currency.

As noted above, we have obtained, and may in the future obtain, non-recourse secured debt financing in local currencies. To the extent that currency fluctuations increase or decrease rental revenues, as translated to U.S. dollars, the change in debt service, as translated to U.S. dollars, will partially offset the effect of fluctuations in revenue and, to some extent, mitigate the risk from changes in foreign currency exchange rates.

Scheduled future lease payments to be received, exclusive of renewals, under non-cancelable operating leases for our consolidated foreign operations as of June 30, 2019 during the remainder of 2019, each of the next four calendar years following December 31, 2019, and thereafter, are as follows (in thousands):

Lease Revenues [a]	**2019 (Remainder)**	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Euro [c]	$ 21,615	$ 42,425	$ 42,476	$ 42,669	$ 37,088	$ 339,294	$ 525,567
Norwegian krone [d]	6,620	12,630	11,963	11,539	11,539	41,511	95,802
British pound sterling [e]	1,449	2,638	2,444	2,288	1,970	6,015	16,804
	$ 29,684	$ 57,693	$ 56,883	$ 56,496	$ 50,597	$ 386,820	$ 638,173

Scheduled debt service payments (principal and interest) for mortgage notes for our foreign operations as of June 30, 2019, during the remainder of 2019, each of the next four calendar years following December 31, 2019, and thereafter, are as follows (in thousands):

Debt Service [a] [b]	**2019 (Remainder)**	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Euro [c]	$ 5,692	$ 64,611	$ 75,379	$ 42,080	$ 67,962	$ 97,851	$ 353,575
Norwegian krone [d]	3,508	5,973	48,001	4,124	4,124	108,834	174,564
British pound sterling [e]	74,796	19,284	—	—	—	—	94,080
	$ 83,996	$ 89,868	$ 123,380	$ 46,204	$ 72,086	$ 206,685	$ 622,219

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(a) Amounts are based on the applicable exchange rates as of June 30, 2019. Contractual rents and debt obligations are denominated in the functional currency of the country where each property is located.

(b) Interest on unhedged variable-rate debt obligations was calculated using the applicable annual interest rates and balances outstanding as of June 30, 2019.

(c) We estimate that, for a 1% increase or decrease in the exchange rate between the euro and the U.S. dollar, there would be a corresponding change in the projected estimated property-level cash flow as of June 30, 2019 of $1.7 million.

(d) We estimate that, for a 1% increase or decrease in the exchange rate between the Norwegian krone and the U.S. dollar, there would be a corresponding change in the projected estimated property-level cash flow as of June 30, 2019 of $0.8 million.

(e) We estimate that, for a 1% increase or decrease in the exchange rate between the British pound sterling and the U.S. dollar, there would be a corresponding change in the projected estimated property-level cash flow as of June 30, 2019 of $0.8 million.

Concentration of Credit Risk

Concentrations of credit risk arise when a number of tenants are engaged in similar business activities or have similar economic risks or conditions that could cause them to default on their lease obligations to us. We regularly monitor our portfolio to assess potential concentrations of credit risk. While we believe our portfolio is well-diversified, it does contain concentrations in certain areas. There have been no material changes in our concentration of credit risk from what was disclosed in the 2018 Annual Report.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our disclosure controls and procedures include internal controls and other procedures designed to provide reasonable assurance that information required to be disclosed in this and other reports filed under the Securities Exchange Act of 1934, as amended, ("the Exchange Act"), is recorded, processed, summarized, and reported within the required time periods specified in the SEC's rules and forms; and that such information is accumulated and communicated to management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosures. It should be noted that no system of controls can provide complete assurance of achieving a company's objectives and that future events may impact the effectiveness of a system of controls.

Our chief executive officer and chief financial officer, after conducting an evaluation, together with members of our management, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2019, have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of June 30, 2019 at a reasonable level of assurance.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities.

Unregistered Sales of Equity Securities

During the three months ended June 30, 2019, we issued 164,709 shares of our Class A common stock to our Advisor as consideration for asset management fees. These shares were issued at our most recently published NAV of $8.73 per share. In acquiring our shares, our Advisor represented that such interests were being acquired by it for investment purposes and not with a view to the distribution thereof. Since none of these transactions were considered to have involved a “public offering” within the meaning of Section 4(a)(2) of the Securities Act of 1933, the shares issued were deemed to be exempt from registration.

All other prior sales of unregistered securities have been reported in our previously filed quarterly and annual reports on Form 10-Q and Form 10-K, respectively.

Issuer Purchases of Equity Securities

The following table provides information with respect to repurchases of our common stock pursuant to our redemption plan during the three months ended June 30, 2019:

	Class A		Class C			
2019 Period	Total number of Class A shares purchased [(a)]	Average price paid per share	Total number of Class C shares purchased [(a)]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or program [(a)]	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or program [(a)]
April 1-30	—	$ —	—	$ —	N/A	N/A
May 1-31	—	—	—	—	N/A	N/A
June 1-30	536,876	8.53	131,697	8.49	N/A	N/A
Total	536,876		131,697			

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(a) Represents shares of our Class A and Class C common stock requested to be repurchased under our redemption plan, pursuant to which we may elect to redeem shares at the request of our stockholders, subject to certain exceptions, conditions, and limitations. The maximum amount of shares purchasable by us in any period depends on a number of factors and is at the discretion of our board of directors. For the three months ended June 30, 2019, we received 126 and 30 redemption requests for Class A and Class C common stock, respectively. As of the date of this Report, we have fulfilled all of the valid redemption requests that we received for the three months ended June 30, 2019. We generally receive fees in connection with share redemptions. The average price paid per share will vary depending on the number of redemption requests that were made during the period, the number of redemption requests that qualify for special circumstances, and the most recently published quarterly NAV.

Item 6. Exhibits.

The following exhibits are filed with this Report. Documents other than those designated as being filed herewith are incorporated herein by reference.

Exhibit No.	Description	Method of Filing
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

			Corporate Property Associates 18 – Global Incorporated
Date:	August 7, 2019		
		By:	/s/ Mallika Sinha
			Mallika Sinha
			Chief Financial Officer
			(Principal Financial Officer)
Date:	August 7, 2019		
		By:	/s/ Arjun Mahalingam
			Arjun Mahalingam
			Chief Accounting Officer
			(Principal Accounting Officer)

EXHIBIT INDEX

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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith

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Section 2: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jason E. Fox, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Corporate Property Associates 18 – Global Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to

the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ Jason E. Fox
Jason E. Fox
Chief Executive Officer

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Section 3: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mallika Sinha, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Corporate Property Associates 18 – Global Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ Mallika Sinha
Mallika Sinha

Chief Financial Officer

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Section 4: EX-32 (EXHIBIT 32)

Exhibit 32

Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Corporate Property Associates 18 – Global Incorporated on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of Corporate Property Associates 18 – Global Incorporated, does hereby certify, to the best of such officer’s knowledge and belief, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Corporate Property Associates 18 – Global Incorporated.

Date: August 7, 2019

/s/ Jason E. Fox
Jason E. Fox
Chief Executive Officer

Date: August 7, 2019

/s/ Mallika Sinha
Mallika Sinha
Chief Financial Officer

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report as a separate disclosure document of Corporate Property Associates 18 – Global Incorporated or the certifying officers.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Corporate Property Associates 18 – Global Incorporated and will be retained by Corporate Property Associates 18 – Global Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

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