

Carey Watermark Investors was declared effective by the SEC in 2010 and invests in lodging and lodging-related properties located primarily in the United States. As of year-end 2011, the REIT had \$41.8 million in assets and had invested in two joint ventures with three total properties with 623 rooms. The REIT is advised by an affiliate of W.P. Carey & Co. and subadvised by an affiliate of Watermark Capital Partners, LLC. The REIT is in the Emerging LifeStage for Effective REITs, which is typified by high levels of debt, not meaningful distribution payout levels, and limited distributions. The investment style of this REIT is considered to be “Core,” which is typically defined as a REIT that generates a high percentage of its total return from income and a modest percentage from asset appreciation. REITs in this category are also expected to exhibit low volatility in asset values.

Key Highlights

- With only two joint ventures, Carey Watermark is at the early stages of its development.
- Relatively high cash on hand and continued capital raise will allow the REIT to make additional purchases in the future.

Capital Stack Review

- Capital raised – \$47.7 million since inception and \$8.3 million in the fourth quarter.
- Debt – Not applicable at the REIT level. Both ventures have debt on the hotels at the property level totaling \$69.3 million and maturing between 2014 and 2017.
- Debt Maturity – Not applicable since the Company has no debt at the portfolio level.
- Loan Activity – A \$6 million loan from a subsidiary of the advisor was repaid in 2011.
- Cash on Hand – The REIT had a Cash to Total Assets ratio of 19.2% at year-end.

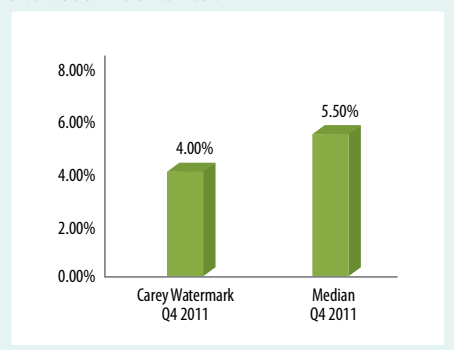
Metrics

- Distribution – 4%, consistent with the previous two quarters.
- Distribution Source – 100% of distributions paid were funded by proceeds from the public offering.
- MFFO Payout Ratio – 219% for the year ended 2011 and above median compared to other Emerging LifeStage REITs.
- Fee Waivers and Deferrals – None reported.
- Interest Coverage Ratio – N/A.
- Impairments – None reported.

Real Estate

- Acquisitions – Two joint ventures totaling \$33.5 million were completed in 2011.
 - In May 2011, a 49% interest was purchased in a venture that owns two waterfront properties in Long Beach, Calif., the Hotel Maya and a Residence Inn.
 - An 80% interest was purchased in a venture that owns the Chateau Bourbon Hotel in New Orleans, La. in September 2011.
- Occupancy – Not reported.
- Dispositions – None reported.
- Diversification – Two joint venture interests in three total properties.

Distribution Yield vs. Median



Cash to Total Assets vs. Median

