NNN Healthcare/Office REIT, Inc.
Form 424B3
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NNN HEALTHCARE/OFFICE REIT, INC.

SUPPLEMENT NO. 12 DATED AUGUST 17, 2007
TO THE PROSPECTUS DATED APRIL 23, 2007

This document supplements, and should be read in conjunction with, our prospectus dated April 23, 2007, as supplemented by Supplement No. 7 dated May 9, 2007, Supplement No. 8 dated May 25, 2007, Supplement No. 9 dated June 20, 2007, Supplement No. 10 dated July 17, 2007 and Supplement No. 11 dated August 8, 2007 relating to our offering of 221,052,632 shares of common stock. The purpose of this Supplement No. 12 is to disclose:

the status of our initial public offering;

our acquisition of 1 and 4 Market Exchange located in Columbus, Ohio;

an update to our Risk Factors disclosure;

Management s Discussion and Analysis of Financial Condition and Results of Operations as of June 30, 2007 and for the three months ended June 30, 2007, for the period from April 28, 2006 (Date of Inception) through June 30, 2006 and for the six months ended June 30, 2007; and

our unaudited financial statements as of June 30, 2007 and for the three months ended June 30, 2007, for the period from April 28, 2006 (Date of Inception) through June 30, 2006 and for the six months ended June 30, 2007.

Status of Our Initial Public Offering

As of August 10, 2007, we had received and accepted subscriptions in our offering for 12,922,662 shares of common stock, or approximately $129,067,000, excluding shares issued under our distribution reinvestment plan.

Acquisition of 1 and 4 Market Exchange

On August 15, 2007, we, through our wholly-owned subsidiary, NNN Healthcare/Office REIT Market Exchange, LLC, acquired a fee simple interest in 1 Market Exchange, 4 Market Exchange and a vacant parcel of land, each located in Columbus, Ohio, or collectively, 1 and 4 Market Exchange, from unaffiliated third parties for a total purchase price of $21,900,000, plus closing costs.

Financing and Fees

We financed the purchase price of 1 and 4 Market Exchange with funds raised through this offering. An acquisition fee of $657,000, or 3.0% of the aggregate purchase price, was paid to our advisor and its affiliate.

Description of the Property

1 and 4 Market Exchange consists of two multi-tenant Class A medical office buildings and a vacant parcel of land to be developed as a parking lot. 1 Market Exchange is a five-story building constructed in 2001 located at 515 East Main Street. 1 Market Exchange was awarded the 2002 Columbus Chapter American Institute of Architecture

Sustainability Award due to its Green design which maximizes natural day-lighting while screening out unwanted solar gain during the summer months. 4 Market Exchange is a three-story building constructed in 2003 located at 500 Main Street. Combined, they comprise approximately 116,000 square feet and are 92.6% leased. Both buildings are located less than one mile from Columbus Children s Hospital, just east of the Columbus Central Business District and are an integral part of the Market Exchange redevelopment taking place along East Main Street. Additionally, the property is located at the I-70 and I-71 interchange and just south of I-670, allowing easy access to all parts of Columbus and its surrounding communities. The principal businesses and professions of the tenants occupying the buildings are healthcare providers. The vacant parcel of land is a 28,000 square foot unimproved parcel of land that, once developed, shall serve as a parking lot for 1 and 4 Market Exchange which will provide 85 additional parking spaces.

The most significant tenants of 1 and 4 Market Exchange are Columbus Children s Hospital, OhioHealth and Design Group. Columbus Children s Hospital leases approximately 27,000 square feet pursuant to leases

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that expire in 2009-2011, approximately 2,400 square feet of which have one five-year renewal options. Columbus Children s Hospital, the nation s 5th largest children s hospital, is the primary pediatric health care provider for 37 counties, with more than 800 medical staff members and 4,500 employees. The rental rate per annum for Columbus Children s Hospital is approximately $378,000 or $13.77 per square foot. OhioHealth leases approximately 22,000 square feet pursuant to leases that expire between 2007 and 2012, some of which have five-year renewal options. OhioHealth is a nationally recognized, not-for-profit, charitable healthcare organization consisting of 15 hospitals, 20 health and surgery centers, home-health providers, and medical equipment and health service suppliers throughout a 46-coutny area. The rental rate per annum for OhioHealth is approximately $358,000 or $16.25 per square foot. Design Group leases approximately 28,000 square feet pursuant to a lease that expires in October 2010 with one ten-year renewal option. Design Group, a firm that provides expertise in planning, architecture, interior design, graphics and sustainable design, was responsible for designing 1 and 4 Market Exchange. The rental rate per annum for Design Group is approximately $473,000 or $16.71 per square foot.

Triple Net Properties Realty, Inc. will serve as the property manager and will provide services and receive certain fees and expense reimbursements in connection with the operation and management of 1 and 4 Market Exchange as provided in our advisory agreement.

1 and 4 Market Exchange faces competition from other nearby medical office buildings that provide comparable services. Most of the medical office buildings with which 1 and 4 Market Exchange competes are located on either the campuses of nearby hospitals or in surrounding suburban areas.

Management currently has no renovation plans for the property other than the development of the vacant parcel of land into a parking lot, and believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in 1 and 4 Market Exchange will be approximately $20.3 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. For 2006, 1 and 4 Market Exchange paid real estate taxes of approximately $121,000 at a rate of 6.65%.

The following table sets forth the lease expirations of 1 and 4 Market Exchange for the next ten years, including the number of tenants whose leases will expire in the applicable year, the total area in square feet covered by such leases and the percentage of gross annual rent represented by such leases.

Year	No. of Leases Expiring	Total Square Feet of Expiring Leases	Gross Annual Rent of Expiring Leases	% of Gross Annual Rent Represented by Expiring Leases
2007	2	7,488	$ 123,987	7.09%
2008	2	4,251	$ 73,194	4.18%
2009	4	10,627	$ 176,439	10.08%
2010	5	65,382	$ 1,042,361	59.57%
2011	2	5,873	$ 91,993	5.26%
2012	2	13,510	$ 241,800	13.82%
2013				
2014				
2015				

2016

The following table shows the average occupancy rate for 1 and 4 Market Exchange for the last five years.

Year	Average Occupancy Rate
2002	90%
2003	90%
2004	90%
2005	91%
2006	93%

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Update to Risk Factors

The Risk Factors section of the prospectus is hereby supplemented by the following additional risk factor:

We may not have sufficient cash available from operations to pay distributions, and, therefore, distributions may be paid with offering proceeds or borrowed funds.

The amount of the distributions to our stockholders will be determined by our board of directors and is dependent on a number of factors, including funds available for payment of distributions, our financial condition, capital expenditure requirements and annual distribution requirements needed to maintain our status as a REIT. On February 14, 2007, our board of directors approved a 7.25% per annum distribution to be paid to stockholders beginning with our February 2007 monthly distribution which was paid in March 2007. For the six months ended June 30, 2007, we paid distributions of $470,000 from cash flow from operations of $388,000 for the period. The distributions paid in excess of our cash flow from operations was paid using proceeds from this offering. However, as of June 30, 2007, we owed $95,000 to our advisor and its affiliates for operating expenses. Our advisor and its affiliates have no obligations to defer or forgive amounts due to them, and if our advisor or its affiliates had required such amounts to be paid, our cash flow from operations would have been less. In the future, if our advisor or its affiliates do not defer or forgive amounts due to them and if such amounts exceed our cash flow from operations plus the distributions to be paid, we would be required to pay our distributions, or a portion thereof, with proceeds from this offering or borrowed funds. As a result, the amount of proceeds available for investment and operations would be reduced, or we may incur additional interest expense as a result of borrowed funds. In addition, for the six months ended June 30, 2007, our funds from operations, or FFO, was $466,000. We paid the $4,000 of distributions in excess of FFO with proceeds from this offering.

Management s Discussion and Analysis of Financial Condition and Results of Operations

The use of the words we, us or our refers to NNN Healthcare/Office REIT, Inc. and our subsidiaries, including NNN Healthcare/Office REIT Holdings, L.P., except where the context otherwise requires.

The following discussion should be read in conjunction with our interim unaudited condensed consolidated financial statements and notes appearing elsewhere in this supplement. Such consolidated financial statements and information have been prepared to reflect our financial position as of June 30, 2007, together with our results of operations for the three months ended June 30, 2007, for the period from April 28, 2006 (Date of Inception) through June 30, 2006 and for the six months ended June 30, 2007 and cash flows for the six months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006.

Forward-Looking Statements

Historical results and trends should not be taken as indicative of future operations. Our statements contained in this supplement that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Actual results may differ materially from those included in the forward-looking statements. We intend those forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of us, are generally identifiable by use of the words believe, expect, intend, anticipate, estimate, project, prospects, or similar expressions. Our ability to predict results or actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on

our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions generally and the real estate market specifically; legislative/regulatory changes, including changes to laws governing the taxation of real estate investment trusts, or REITs; the availability of capital; changes in interest

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rates; competition in the real estate industry; the supply and demand for operating properties in our proposed market areas; changes in accounting principles generally accepted in the United States of America, or GAAP, policies and guidelines applicable to REITs; the availability of properties to acquire; the availability of financing; our ongoing relationship with NNN Realty Advisors, Inc., or NNN Realty Advisors, or our Sponsor; and litigation, including without limitation, the investigation of Triple Net Properties, LLC, or Triple Net Properties, by the Securities and Exchange Commission, or the SEC. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning us and our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

Overview and Background

NNN Healthcare/Office REIT, Inc., a Maryland corporation, was incorporated on April 20, 2006. We were initially capitalized on April 28, 2006, and therefore we consider that our date of inception. We intend to provide investors the potential for income and growth through investment in a diversified portfolio of real estate properties, focusing primarily on medical office buildings, healthcare-related facilities and quality commercial office properties that produce current income. We may also invest in real estate related securities. We intend to qualify as a real estate investment trust, or REIT, for federal income tax purposes for our taxable year ending December 31, 2007.

We are conducting a best efforts initial public offering, or our Offering, in which we are offering a minimum of 200,000 shares of our common stock aggregating at least $2,000,000, or the minimum offering, and a maximum of 200,000,000 shares of our common stock for $10.00 per share and 21,052,632 shares of our common stock pursuant to our distribution reinvestment plan, or the DRIP, at $9.50 per share, aggregating up to $2,200,000,000, or the maximum offering. Shares purchased by our executive officers and directors, by NNN Capital Corp., or our Dealer Manager, by NNN Healthcare/Office REIT Advisor, LLC, or our Advisor, or its affiliates did not count toward the minimum offering. As of August 10, 2007, we had received and accepted subscriptions in our Offering for 12,922,662 shares of our common stock, or $129,067,000, excluding shares issued under the DRIP.

We conduct substantially all of our operations through NNN Healthcare/Office REIT Holdings, L.P., or our Operating Partnership. We are externally advised by our Advisor, pursuant to an advisory agreement, or the Advisory Agreement, between us, our Advisor and Triple Net Properties, LLC, the managing member of our Advisor. The Advisory Agreement has a one year term that expires on September 19, 2007, and is subject to successive one-year renewals. Our Advisor supervises and manages our day-to-day operations and will select the properties and securities we acquire, subject to oversight by our board of directors. Our Advisor will also provide marketing, sales and client services on our behalf. Our Advisor is affiliated with us in that we and our Advisor have common officers, some of whom also own an indirect equity interest in our Advisor. Our Advisor engages affiliated entities, including Triple Net Properties Realty, Inc., or Realty, an affiliate of our Advisor, to provide various services to us.

In the fourth quarter of 2006, NNN Realty Advisors, Inc., or NNN Realty Advisors, or our Sponsor, acquired all of the outstanding ownership interests of Triple Net Properties, NNN Capital Corp. and Realty. As a result, we consider NNN Realty Advisors to be our Sponsor. On May 22, 2007, NNN Realty Advisors entered into a definitive merger agreement with Grubb & Ellis Company, or Grubb & Ellis. The merger has been approved by the Boards of Directors of both NNN Realty Advisors and Grubb & Ellis. The combined company will retain the Grubb & Ellis name and will continue to be listed on the New York Stock Exchange under the ticker symbol GBE. The transaction is expected to close in the third or fourth quarter of 2007, subject to approval by stockholders of both companies and other customary closing conditions of transactions of this type.

As of June 30, 2007, we had purchased eight properties comprising 753,000 square feet of gross leasable area, or GLA.

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Critical Accounting Policies

The complete listing of our Critical Accounting Policies was previously disclosed in our prospectus dated April 23, 2007.

Interim Financial Data

Our accompanying interim unaudited condensed consolidated financial statements have been prepared by us in accordance with GAAP in conjunction with the rules and regulations of the SEC. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, our accompanying interim unaudited condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Our accompanying interim unaudited condensed consolidated financial statements reflect all adjustments, which are, in our opinion, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim period. Interim results of operations are not necessarily indicative of the results to be expected for the full year; such results may be less favorable. Our accompanying interim unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our prospectus dated April 23, 2007.

Recently Issued Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board, or the FASB, issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN No. 48. This interpretation, among other things, creates a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN No. 48 specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions, and it has expanded disclosure requirements. FIN No. 48 was effective for fiscal years beginning after December 15, 2006, in which the impact of adoption should be accounted for as a cumulative-effect adjustment to the beginning balance of retained earnings in the year of adoption. Our adoption of FIN No. 48 as of the beginning of the first quarter of 2007 did not have any impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement*, or SFAS No. 157. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007. We will adopt SFAS No. 157 on January 1, 2008. We are evaluating SFAS No. 157 and have not yet determined the impact the adoption, if any, will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, or SFAS No. 159. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the fiscal year beginning on or before November 15, 2007, provided the provisions of SFAS No. 157 are applied. We will adopt SFAS No. 159 on January 1, 2008. We are evaluating SFAS No. 159 and have not yet determined the impact the adoption, if any, will have on our consolidated financial statements.

In June 2007, the American Institute of Certified Public Accountants, or the AICPA, issued Statement of Position, or SOP, 07-01, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies*

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and Accounting for Parent Companies and Equity Method Investors for Investments in Investment Companies, or SOP 07-01. SOP 07-01 provides guidance for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide Investment Companies, or the Guide. Entities that are within the scope of the Guide are required, among other things, to carry their investments at fair value, with changes in fair value included in earnings. The provisions of SOP 07-01 are effective for the first fiscal year beginning on January 1, 2008. We are currently evaluating SOP 07-01 and have not determined whether we will be required to apply the provisions of the Guide in presenting our consolidated financial statements.

Acquisitions in 2007

Affiliate Transactions

As a result of acquiring the NNN Southpointe, LLC, NNN Crawfordsville, LLC, NNN Gallery Medical, LLC, NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC membership interests from affiliates, as described below, an independent appraiser was engaged to value the properties and the transactions were approved and determined by a majority of our board of directors, including a majority of our independent directors, as fair and reasonable to us, and at prices no greater than the cost of the investments to our affiliate or the properties appraised values.

Southpointe Office Parke and Epler Parke I Indianapolis, Indiana

On January 22, 2007, we acquired all of the membership interests of NNN Southpointe, LLC from an affiliate, for a total purchase price of $14,800,000, plus closing costs. NNN Southpointe, LLC has a fee simple ownership interest in Southpointe Office Parke and Epler Parke I, or the Southpointe property, located in Indianapolis, Indiana. We primarily financed the purchase price through the assumption of an existing mortgage loan of $9,146,000 on the property with LaSalle Bank National Association, or LaSalle, and approximately $5,115,000 of the proceeds from a $7,500,000 unsecured loan from our Sponsor. The balance was provided by funds raised through our Offering. An acquisition fee of $444,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

Crawfordsville Medical Office Park and Athens Surgery Center Crawfordsville, Indiana

On January 22, 2007, we acquired all of the membership interests of NNN Crawfordsville, LLC from an affiliate, for a total purchase price of $6,900,000, plus closing costs. NNN Crawfordsville, LLC has a fee simple ownership interest in Crawfordsville Medical Office Park and Athens Surgery Center, or the Crawfordsville property, located in Crawfordsville, Indiana. We primarily financed the purchase price through the assumption of an existing mortgage loan of $4,264,000 on the property with LaSalle and approximately $2,385,000 of the proceeds from a $7,500,000 unsecured loan from our Sponsor. The balance was provided by funds raised through our Offering. An acquisition fee of $207,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

The Gallery Professional Building St. Paul, Minnesota

On March 9, 2007, we acquired all of the membership interests of NNN Gallery Medical, LLC from an affiliate, for a purchase price of $8,800,000, plus closing costs. NNN Gallery Medical, LLC has fee simple ownership of The Gallery Professional Building, or the Gallery property, located in downtown St. Paul, Minnesota. We primarily financed the purchase price through the assumption of an existing mortgage loan of $6,000,000 on the property with LaSalle and a $1,000,000 unsecured loan from our Sponsor. The balance of the purchase price was provided by funds raised through our Offering. An acquisition fee of $264,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

Lenox Office Park, Building G Memphis, Tennessee

On March 23, 2007, we acquired all of the membership interests of NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC from an affiliate, for a total purchase price of $18,500,000, plus closing costs. NNN Lenox Medical, LLC holds a leasehold interest in Lenox Office Park, Building G, and NNN Lenox

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Medical Land, LLC holds a fee simple interest in two vacant parcels of land within Lenox Office Park, located in Memphis, Tennessee, which we collectively refer to as the Lenox property. We primarily financed the purchase price of the property and land parcels through the assumption of an existing mortgage loan of $12,000,000 on the property with LaSalle. The balance of the purchase price was provided by funds raised through our Offering. An acquisition fee of $555,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

Commons V Medical Office Building Naples, Florida

On April 24, 2007, we acquired Commons V Medical Office Building, or Commons V, located in Naples, Florida, from an unaffiliated third party, for a purchase price of $14,100,000, plus closing costs. We financed the purchase price using funds raised through our Offering. An acquisition fee of $423,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate. In addition, a real estate commission of $300,000, or approximately 2.0% of the purchase price, was paid to Grubb & Ellis. On May 14, 2007, we entered into a loan, secured by the Commons V property, with Wachovia, evidenced by a promissory note in the principal amount of $10,000,000. The proceeds from this loan were used to purchase the Thunderbird Medical Plaza as described below. See Capital Resources Financing Mortgage Loan Payables for a further discussion.

Yorktown Medical Center and Shakerag Medical Center Fayetteville and Peachtree City, Georgia

On May 2, 2007, we acquired Yorktown Medical Center and Shakerag Medical Center, located in Fayetteville, Georgia and Peachtree City, Georgia, respectively, which we refer to collectively as the Peachtree property, for a total purchase price of $21,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price through a secured loan with Wachovia as evidenced by a promissory note in the principal amount of $13,530,000 and by funds raised through our Offering. An acquisition fee of $645,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate. See Capital Resources Financing Mortgage Loan Payables for a further discussion.

Thunderbird Medical Plaza Glendale, Arizona

On May 15, 2007, we acquired Thunderbird Medical Plaza in Glendale, Arizona from an unaffiliated third party for a total purchase price of $25,000,000, plus closing costs. Thunderbird Medical Plaza consists of real property located at 5422 and 5410 West Thunderbird Road, or T-Bird 5422/5410, and real property located at 5310 West Thunderbird Road, or T-Bird 5310, which we refer to collectively as the Thunderbird property. Of the total purchase price of $25,000,000, $11,500,000 was allocated to T-Bird 5422/5410 and $13,500,000 was allocated to T-Bird 5310. We acquired the property from an unaffiliated third party. We financed the purchase price using a combination of $9,651,000 in net proceeds from the $10,000,000 loan from Wachovia secured by our Commons V property (described above) and funds raised through our Offering. An acquisition fee of $750,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate. On June 8, 2007, we entered into a loan, secured by the Thunderbird property, with Wachovia, evidenced by a promissory note in the principal amount of $14,000,000. The proceeds from this loan were used to purchase Triumph Hospital Northwest and Triumph Hospital Southwest as described below. See Capital Resources Financing Mortgage Loan Payables for a further discussion.

Triumph Hospital Northwest and Triumph Hospital Southwest Houston and Sugarland, Texas

On June 8, 2007, we acquired Triumph Hospital Northwest and Triumph Hospital Southwest, which we collectively refer to as the Triumph Hospital Portfolio, located in suburban Houston, Texas, for a total purchase price of $36,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a combination of $12,605,000 in net proceeds from the loan from Wachovia secured by the Thunderbird property (described above), $20,975,000 from funds raised through our Offering and the balance of $4,000,000 from

an unsecured loan from our Sponsor. See Capital Resources Unsecured Note Payables to Affiliate for a further discussion. An acquisition fee of $1,095,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

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Leverage

In accordance with our charter, a majority of our directors, including a majority of our independent directors, approved our leverage exceeding 300.0% in connection with our first four acquisitions. The board of directors determined that the excess leverage was justified because it enabled us to purchase the properties during the initial stages of our Offering, thereby improving our ability to meet our goal of acquiring a diversified portfolio of properties to generate current income for investors and preserve investor capital. As of August 10, 2007, our leverage does not exceed 300.0%. We may, with a majority of our independent directors authority, exceed our charter s leverage guidelines again during the early stages of our operations. We will take action to reduce any such excess as soon as practicable. Net assets for purposes of this calculation are defined as our total assets (other than intangibles), valued at cost prior to deducting depreciation, reserves for bad debts and other non-cash reserves, less total liabilities. The preceding calculation is generally expected to approximate 75.0% of the sum of (1) the aggregate cost of our properties before non-cash reserves and depreciation and (2) the aggregate cost of our securities assets.

Proposed Acquisitions

Gwinnett Professional Center Lawrenceville, Georgia

On June 8, 2007, our board of directors approved the acquisition of the Gwinnett Professional Center located in Lawrenceville, Georgia. On July 27, 2007, we purchased the Gwinnett Professional Center. See Subsequent Events Property Acquisitions.

Kokomo Medical Office Park Kokomo, Indiana

On June 8, 2007, our board of directors approved the acquisition of Kokomo Medical Office Park, located in Kokomo, Indiana. We anticipate purchasing the Kokomo Medical Office Park for a purchase price of $13,350,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through a combination of debt financing and funds raised through our Offering. We expect to pay our Advisor and its affiliate an acquisition fee of $400,500, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the third quarter of 2007.

St. Mary s Physician Center Long Beach, California

On June 8, 2007, our board of directors approved the acquisition of St. Mary s Physicians Center, located in Long Beach, California. We anticipate purchasing the St. Mary s Physicians Center for a purchase price of $13,800,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through a combination of seller financed debt and funds raised through our Offering. We expect to pay our Advisor and its affiliate an acquisition fee of $414,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the third quarter of 2007.

Factors Which May Influence Results of Operations

Rental Income

The amount of rental income generated by our properties depends principally on our ability to maintain the occupancy rates of currently leased space, to lease currently available space and space available from unscheduled lease terminations at the existing rental rates and the timing of the disposition of the properties. Negative trends in one or more of these factors could adversely affect our rental income in future periods.

Scheduled Lease Expirations

As of June 30, 2007, our consolidated properties were 89.0% leased. 4.9% of the leased GLA expires during the remainder of 2007. Our leasing strategy for 2007 focuses on negotiating renewals for leases scheduled to expire during the year. If we are unable to negotiate such renewals, we will try to identify new tenants or collaborate with existing tenants who are seeking additional space to occupy. Of the leases expiring in 2007, we anticipate, but cannot assure, that all of the tenants will renew for another term. At the time the

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leases expire and the tenants do not renew the lease, we write-off all tenant relationship intangible assets associated with such tenants.

Sarbanes-Oxley Act

The Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, and related laws, regulations and standards relating to corporate governance and disclosure requirements applicable to public companies, have increased the costs of compliance with corporate governance, reporting and disclosure practices which are now required of us. These costs may have a material adverse effect on our results of operations and could impact our ability to continue to pay distributions at current rates to our stockholders. Furthermore, we expect that these costs will increase in the future due to our continuing implementation of compliance programs mandated by these requirements. Any increased costs may affect our ability to distribute funds to our stockholders. As part of our compliance with the Sarbanes-Oxley Act, we will have to provide management s assessment of our internal control over financial reporting as of December 31, 2007.

In addition, these laws, rules and regulations create new legal bases for potential administrative enforcement, civil and criminal proceedings against us in the event of non-compliance, thereby increasing the risks of liability and potential sanctions against us. We expect that our efforts to comply with these laws and regulations will continue to involve significant, and potentially increasing costs and, our failure to comply could result in fees, fines, penalties or administrative remedies against us.

Results of Operations

Our operating results are primarily comprised of income derived from our portfolio of properties.

We are not aware of any material trends or uncertainties, other than national economic conditions affecting real estate generally, that may reasonably be expected to have a material impact, favorable or unfavorable, on revenues or income from the acquisition, management and operation of properties.

If we fail to raise significant proceeds above our minimum offering, we will not have enough proceeds to invest in a diversified real estate portfolio. Our real estate portfolio would be concentrated in a small number of properties, resulting in increased exposure to local and regional economic downturns and the poor performance of one or more of our properties and, therefore, expose our stockholders to increased risk. In addition, many of our expenses are fixed regardless of the size of our real estate portfolio. Therefore, depending on the amount of offering proceeds we raise, we would expend a larger portion of our income on operating expenses. This would reduce our profitability and, in turn, the amount of net income available for distribution to our stockholders.

We did not have any results from operations for the period from April 28, 2006 (Date of inception) through June 30, 2006.

For the three and six months ended June 30, 2007, we had a net loss of $1,203,000 and $1,736,000, respectively, or $0.18 and $0.46 per share, respectively, due to revenue of $3,183,000 and $3,924,000, respectively, offset by rental expenses of $1,205,000 and $1,503,000, respectively, general and administrative expenses of $659,000 and $1,022,000, respectively, depreciation and amortization of $1,862,000 and $2,204,000, respectively, and interest expense of $744,000 and $1,016,000, respectively. We expect all amounts to increase in the future based on a full year of operations as well as increased activity as we make additional real estate investments. Our results of operations are not indicative of those expected in future periods.

For the three and six months ended June 30, 2007, revenue was comprised of $3,183,000 and $3,924,000 in rental income, respectively. The increases were primarily related to a full quarter of rental income at the Southpointe property, the Crawfordsville property, the Gallery property and the Lenox property. In addition to the increase, we received rental income from the Commons V property for 66 days, the Peachtree property for 59 days, the Thunderbird property for 45 days and the Triumph Hospital Portfolio for 22 days.

For the three and six months ended June 30, 2007, rental expense was $1,205,000 and $1,503,000, respectively. Rental expense represents expense for a full quarter at the Southpointe property, the

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Crawfordsville property, the Gallery property and the Lenox property. In addition to the increase, rental expense was comprised from the Commons V property for 66 days, the Peachtree property of 59 days, the Thunderbird property for 45 days and the Triumph Hospital Portfolio for 22 days.

For the three and six months ended June 30, 2007, depreciation and amortization expense was comprised primarily of depreciation on the properties of $780,000 and $900,000, respectively, and amortization of identified intangible assets of $1,081,000 and $1,302,000, respectively. The increase from prior quarter is due to the increase in the number of properties. Depreciation and amortization is calculated based on our depreciation and amortization policies as set forth in our prospectus dated April 23, 2007.

For the three and six months ended June 30, 2007, interest expense was related to interest expense primarily on our seven mortgage loan payables of $725,000 and $922,000, respectively, interest expense on the unsecured note payables to NNN Realty Advisors of $6,000 and $77,000, respectively, and amortization of loan fees associated with acquiring the mortgage loan payables of $13,000 and $17,000, respectively, that are being amortized to interest expense over the terms of the related mortgage note payables.

Liquidity and Capital Resources

We are dependent upon the net proceeds to be received from our Offering to conduct our proposed activities. The capital required to purchase real estate and real estate related securities will be obtained from our Offering and from any indebtedness that we may incur.

Our principal demands for funds will be for acquisitions of real estate and real estate related securities, to pay operating expenses and interest on our outstanding indebtedness and to make distributions to our stockholders. In addition, we will require resources to make certain payments to our Advisor and our Dealer Manager, which during our Offering include payments to our Advisor and its affiliates for reimbursement of certain organizational and offering expenses and to our Dealer Manager and its affiliates for selling commissions, non-accountable marketing support fees and due diligence expense reimbursements.

Generally, cash needs for items other than acquisitions of real estate and real estate related securities will be met from operations, future borrowings, and the net proceeds of our Offering. However, there may be a delay between the sale of shares of our common stock and our investments in properties and real estate related securities, which could result in a delay in the benefits to our stockholders, if any, of returns generated from our investment operations. We believe that these cash resources will be sufficient to satisfy our cash requirements for the foreseeable future, and we do not anticipate a need to raise funds from other than these sources within the next 12 months.

We currently anticipate that we will require up to $3,062,000 for the next 12 months for capital expenditures. We have reserves with lenders for such capital expenditures of $1,975,000 as of June 30, 2007. To the extent we purchase additional properties in the future, we may require funds for capital expenditures. To the extent funds from operations are not sufficient to fund these expenditures, we would be required to borrow amounts.

Our Advisor will evaluate potential additional investments and will engage in negotiations with real estate sellers, developers, brokers, investment managers, lenders and others on our behalf. Until we invest the proceeds of our Offering in properties and real estate related securities, we may invest in short-term, highly liquid or other authorized investments. Such short-term investments will not earn significant returns, and we cannot predict how long it will take to fully invest the proceeds in properties and real estate related securities. The number of properties we may acquire and other investments we will make will depend upon the number of shares sold in our Offering and the resulting amount of net proceeds available for investment.

When we acquire a property, our Advisor will prepare a capital plan that contemplates the estimated capital needs of that investment. In addition to operating expenses, capital needs may also include costs of refurbishment, tenant improvements or other major capital expenditures. The capital plan will also set forth the anticipated sources of the necessary capital, which may include a line of credit or other loans established with respect to the investment, operating cash generated by the investment, additional equity investments from us or joint venture partners or, when necessary, capital reserves. Any capital reserve would be established from the

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gross proceeds of our Offering, proceeds from sales of other investments, operating cash generated by other investments or other cash on hand. In some cases, a lender may require us to establish capital reserves for a particular investment. The capital plan for each investment will be adjusted through ongoing, regular reviews of our portfolio or as necessary to respond to unanticipated additional capital needs.

Cash Flows

Cash flows from operating activities for the six months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, were $388,000 and $0, respectively. Such cash flows related primarily to operations from the properties. We anticipate cash flows from operating activities to continue to increase as we purchase more properties and have a full year of operations.

Cash flows used in investing activities for the six months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, were $121,505,000 and $0, respectively. Such cash flows related primarily to the acquisition, including closing costs, of the Crawfordsville property and the Southpointe property on January 22, 2007 in the amount of $8,761,000, the Gallery property on March 9, 2007 in the amount of $3,028,000, the Lenox property on March 23, 2007 in the amount of $6,511,000, the Commons V property on April 24, 2007 in the amount of $14,993,000, the Peachtree property on May 2, 2007 in the amount of $22,276,000, the Thunderbird property on May 15, 2007 in the amount of $25,683,000 and the Triumph Hospital Portfolio on June 8, 2007 in the amount of $37,459,000. We anticipate cash flows used in investing activities to continue to increase as we purchase more properties.

Cash flows from financing activities for the six months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, were $131,669,000 and $202,000, respectively. Such cash flows related primarily to funds raised from investors in the amount of $104,953,000 and borrowings of mortgage payables of $50,030,000 related to the Commons V property, the Thunderbird property and the Triumph property partially offset by principal repayments of $12,500,000 on unsecured loans, offering costs of $9,771,000 and distributions of $470,000. Additional cash outflows related to debt financing costs of $585,000 in relation to the acquisitions. We anticipate cash flows from financing activities to increase in the future as we raise additional funds from investors and incur additional debt to purchase properties.

Distributions

The amount of the distributions to our stockholders will be determined by our board of directors and are dependent on a number of factors, including funds available for payment of distributions, our financial condition, capital expenditure requirements and annual distribution requirements needed to maintain our status as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or the Code.

We paid our first monthly distribution on February 15, 2007 for the period ended January 31, 2007.

On February 14, 2007, our board of directors approved a 7.25% per annum distribution to be paid to stockholders beginning with our February 2007 monthly distribution which was paid in March 2007. Distributions are paid monthly.

If distributions are in excess of our taxable income, such distributions will result in a return of capital to our stockholders.

For the six months ended June 30, 2007, we paid distributions of $470,000 from cash flow from operations of $388,000 for the period. However, as of June 30, 2007, we owed $95,000 to our Advisor and its affiliates for

operating expenses. Our Advisor and its affiliates have no obligations to defer or forgive amounts due to them, and if our Advisor or its affiliates had required such amounts to be paid, our cash flow from operations would have been negative. In the future, if our Advisor or its affiliates do not defer or forgive amounts due to them and if such amounts exceed our cash flow from operations plus the distributions to be paid, we would be required to pay our distributions, or a portion thereof, with proceeds from our Offering or borrowed funds. As a result, the amount of proceeds available for investment and operations would be reduced, or we may incur additional interest expense as a result of borrowed funds.

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For the six months ended June 30, 2007, our funds from operations, or FFO, was $466,000. We paid the $4,000 of distributions in excess of FFO with proceeds from our Offering. See our disclosure regarding FFO below.

Capital Resources

Financing

We anticipate that aggregate borrowings, both secured and unsecured, will not exceed 60.0% of all of our properties combined fair market values, as determined at the end of each calendar year beginning with our first full year of operations. For these purposes, the fair market value of each asset will be equal to the purchase price paid for the asset or, if the asset was appraised subsequent to the date of purchase, then the fair market value will be equal to the value reported in the most recent independent appraisal of the asset. Our policies do not limit the amount we may borrow with respect to any individual investment.

Our charter precludes us from borrowing in excess of 300.0% of the value of our net assets, unless approved by our independent directors and the justification for such excess borrowing is disclosed to our stockholders in our next quarterly report. In accordance with our charter, a majority of our directors, including a majority of our independent directors, approved our leverage exceeding 300.0% in connection with our first four acquisitions. The board of directors determined that the excess leverage was justified because it enabled us to purchase the properties during the initial stages of our Offering, thereby improving our ability to meet our goal of acquiring a diversified portfolio of properties to generate current income for investors and preserve investor capital. As of August 10, 2007, our leverage does not exceed 300.0%. We may, with a majority of our independent directors authority, exceed our charter s leverage guidelines during the early stages of our operations. We will take action to reduce any such excess as soon as practicable. Net assets for purposes of this calculation are defined as our total assets (other than intangibles), valued at cost prior to deducting depreciation, reserves for bad debts and other non-cash reserves, less total liabilities.

Mortgage Loan Payables

Mortgage loan payables were $68,940,000 and $0 as of June 30, 2007 and December 31, 2006, respectively. As of June 30, 2007, we had seven fixed rate mortgage loans with a weighted-average effective interest rate of 5.75% per annum. As of June 30, 2007, our mortgage loans have interest-only monthly payments. We are required by the terms of the applicable loan documents to meet certain reporting requirements. As of June 30, 2007, we were in compliance with all such requirements.

Mortgage loan payables consisted of the following as of June 30, 2007 and December 31, 2006:

Property	Interest Rate	Maturity Date	Mortgage Loan Payables as of June 30, 2007	Mortgage Loan Payables as of December 31, 2006
Southpointe Office Parke and Epler Parke I	6.11%	9/1/2016	$ 9,146,000	$
Crawfordsville Medical Office Park and Athens Surgery Center	6.12	10/1/2016	4,264,000	
The Gallery Professional Building	5.76	3/1/2017	6,000,000	
Lenox Office Park, Building G	5.88	2/1/2017	12,000,000	

Commons V Medical Office Building	5.54	6/11/2017	10,000,000	
Yorktown Medical Center and Shakerag Medical Center	5.52	5/11/2017	13,530,000	
Thunderbird Medical Plaza	5.67	6/11/2017	14,000,000	
			$ 68,940,000	$

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Unsecured Note Payables to Affiliate

On January 22, 2007 and March 9, 2007, we entered into unsecured loans with NNN Realty Advisors, evidenced by unsecured promissory notes in the principal amounts of $7,500,000 and $1,000,000, respectively. The unsecured notes provided for maturity dates of July 22, 2007 and September 9, 2007, respectively. The $7,500,000 and $1,000,000 unsecured notes bore interest at a fixed rate of 6.86% and 6.84% per annum, respectively, and required monthly interest-only payments for the terms of the unsecured notes. The unsecured notes provided for default interest rates in an event of default equal to 8.86% and 8.84% per annum, respectively. On March 28, 2007, we repaid all outstanding principal and accrued interest on both unsecured notes.

On June 8, 2007, we entered into an unsecured loan with NNN Realty Advisors, evidenced by unsecured promissory note in the principal amount of $4,000,000. The unsecured note provided for a maturity date of December 8, 2007. The $4,000,000 unsecured note bore interest at a fixed rate of 6.82% per annum and required monthly interest-only payments for the term of the unsecured note. The unsecured note provided for a default interest rate in an event of default equal to 8.82% per annum. On June 28, 2007, we repaid all outstanding principal and accrued interest on the unsecured note.

Because these loans were related party loans, the terms of the loans and the unsecured notes, were approved by our board of directors, including a majority of our independent directors, and deemed fair, competitive and commercially reasonable by our board of directors.

REIT Requirements

In order to qualify as a REIT for federal income tax purposes, we are required to make distributions to our stockholders of at least 90.0% of REIT taxable income. In the event that there is a shortfall in net cash available due to factors including, without limitation, the timing of such distributions or the timing of the collections of receivables, we may seek to obtain capital to pay distributions by means of debt financing through one or more third parties. We may also pay distributions from cash from capital transactions including, without limitation, the sale of one or more of our properties.

Commitments and Contingencies

Our organizational, offering and related expenses are being paid by our Advisor, our Dealer Manager and their affiliates on our behalf. These organizational, offering and related expenses include all expenses (other than selling commissions and the marketing support fee which generally represent 7.0% and 2.5% of our gross offering proceeds, respectively) to be paid by us in connection with our Offering. These expenses will only become our liability to the extent selling commissions, the marketing support fee and due diligence expense reimbursement and other organizational and offering expenses do not exceed 11.5% of the gross proceeds of our Offering. As of June 30, 2007 and December 31, 2006, our Advisor or its affiliates have incurred $1,181,000 and $1,728,000, respectively, in excess of 11.5% of the gross proceeds of our Offering, and therefore these expenses are not recorded in our accompanying condensed consolidated financial statements as of June 30, 2007 and December 31, 2006. To the extent we raise additional proceeds from our Offering, these amounts may become our liability. See Note 9, Related Party Transactions Offering Stage for a further discussion of these amounts during our offering stage.

Debt Service Requirements

One of our principal liquidity needs is the payment of interest on outstanding indebtedness. As of June 30, 2007, we had seven mortgage loan payables outstanding secured by our properties, in the principal amount of $68,940,000. As of June 30, 2007, the weighted-average interest rate on our outstanding debt was 5.75% per annum. Our mortgage

loans have interest-only monthly payments.

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Contractual Obligations

The following table provides information with respect to the maturities and scheduled principal repayments of our secured mortgage loan payables as of June 30, 2007. The table does not reflect any available extension options.

	Payments Due by Period				
	Less Than 1 Year (2007)	1-3 Years (2008-2009)	3-5 Years (2010-2011)	More Than 5 Years (After 2011)	Total
Principal payments fixed rate debt	$	$	$	$ 68,940,000	$ 68,940,000
Interest payments fixed rate debt	3,086,000	7,988,000	7,904,000	19,715,000	38,693,000
Total	$ 3,086,000	$ 7,988,000	$ 7,904,000	$ 88,655,000	$ 107,633,000

Off-Balance Sheet Arrangements

As of June 30, 2007, we had no off-balance sheet transactions, nor do we currently have any such arrangements or obligations.

Inflation

We will be exposed to inflation risk as income from future long-term leases is expected to be the primary source of our cash flows from operations. We expect that there will be provisions in the majority of our tenant leases that would protect us from the impact of inflation. These provisions include rent steps, reimbursement billings for operating expense pass-through charges, real estate tax and insurance reimbursements on a per square foot allowance. However, due to the anticipated long-term nature of the leases, among other factors, the leases may not re-set frequently enough to cover inflation.

Funds from Operations

One of our objectives is to provide cash distributions to our stockholders from cash generated by our operations. FFO is not equivalent to our net income or loss as determined under GAAP. Due to certain unique operating characteristics of real estate companies, the National Association of Real Estate Investment Trusts, or NAREIT, an industry trade group, has promulgated a measure known as FFO which it believes more accurately reflects the operating performance of a REIT such as us.

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 revised in February 2004. The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding gains or losses from sales of property but including asset impairment writedowns, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO.

We are disclosing FFO and intend to disclose FFO in future filings because we consider FFO to be an appropriate supplemental measure of a REIT s operating performance as it is based on a net income analysis of property portfolio

performance that excludes non-cash items such as depreciation. The historical accounting convention used for real estate assets requires straight-line depreciation of buildings and improvements, which implies that the value of real estate assets diminishes predictably over time. Since real estate values historically rise and fall with market conditions, presentations of operating results for a REIT, using historical accounting for depreciation, could be less informative. The use of FFO is recommended by the REIT industry as a supplemental performance measure.

Presentation of this information is intended to assist the reader in comparing the operating performance of different REITs, although it should be noted that not all REITs calculate FFO the same way, so comparisons with other REITs may not be meaningful. Furthermore, FFO is 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. Our FFO reporting complies with NAREIT s policy described above.

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The following is the calculation of FFO for the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006 and six months ended June 30, 2007:

	Three Months Ended June 30, 2007	Period from April 28, 2006 (Date of Inception) through June 30, 2006	Six Months Ended June 30, 2007
Net loss	$ (1,203,000)	$	$ (1,736,000)
Add:			
Depreciation and amortization consolidated properties	1,861,000		2,202,000
FFO	$ 658,000	$	$ 466,000
Weighted-average number of shares outstanding basic and diluted	6,727,995	200	3,745,793

Subsequent Events

Status of our Offering

As of August 10, 2007, we had received and accepted subscriptions in our Offering for 12,922,662 shares of our common stock, or $129,067,000 excluding shares issued under the DRIP.

Property Acquisition

Gwinnett Professional Center Lawrenceville, Georgia

On July 27, 2007, we purchased the Gwinnett Professional Center for a purchase price of $9,300,000, plus closing costs, from an unaffiliated third party. We financed the purchase price using a combination of debt financing consisting of a $6,000,000 loan assumed with a current principal balance of $5,734,000 secured by the property from La Salle National Bank and funds raised through our Offering. We paid our Advisor and its affiliate an acquisition fee of $279,000, or 3.0% of the purchase price, in connection with the acquisition.

1 and 4 Market Exchange Columbus, Ohio

On August 15, 2007, we purchased 1 Market Exchange, 4 Market Exchange and a vacant parcel of land, each located in Columbus, Ohio, or collectively, 1 and 4 Market Exchange, for a total purchase price of $21,900,000, plus closing costs, from unaffiliated third parties. We financed the purchase price using funds raised through our Offering. We paid our Advisor and its affiliate an acquisition fee of $657,000, or 3.0% of the purchase price, in connection with the acquisition.

Proposed Acquisitions

Institute for Senior Living of Florida Jacksonville, Winter Park and Sunrise, Florida

On July 31, 2007, our board of directors approved the acquisition of the Institute for Senior Living of Florida consisting of six centers on three campuses located in Jacksonville, Winter Park and Sunrise, Florida. We anticipate purchasing the Institute for Senior Living of Florida for a purchase price of $52,000,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through a combination of debt financing and funds raised through our Offering. We expect to pay our Advisor and its affiliate an acquisition fee of $1,560,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the third quarter of 2007.

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St. Rita s Medical Center Portfolio Lima, Ohio

On July 31, 2007, our board of directors approved the acquisition of St. Rita s Medical Center Portfolio, located in Lima, Ohio. We anticipate purchasing the St. Rita s Medical Center Portfolio for a purchase price of $25,050,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through a combination of debt financing and funds raised through our Offering. We expect to pay our Advisor and its affiliate an acquisition fee of $772,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the third quarter of 2007.

Quest Diagnostics Office Building Valley Forge, Pennsylvania

On July 31, 2007, our board of directors approved the acquisition of Quest Diagnostics Office Building, located in Valley Forge, Pennsylvania. We anticipate purchasing the Quest Diagnostics Office Building for a purchase price of $26,700,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through a combination of debt financing and funds raised through our Offering. We expect to pay our Advisor and its affiliate an acquisition fee of $801,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the third quarter of 2007.

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NNN Healthcare/Office REIT, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2007 and December 31, 2006
(Unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Real estate investments:		
Operating properties, net	$ 127,273,000	$
Cash and cash equivalents	10,754,000	202,000
Accounts and other receivable, net	682,000	
Restricted cash	3,352,000	
Identified intangible assets, net	22,719,000	
Other assets, net	938,000	183,000
Total assets	$ 165,718,000	$ 385,000
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS EQUITY (DEFICIT)		
Liabilities:		
Mortgage loan payables	$ 68,940,000	$
Accounts payable and accrued liabilities	2,322,000	62,000
Accounts payable due to affiliates	2,119,000	312,000
Security deposits and prepaid rent	567,000	
Identified intangible liabilities, net	1,160,000	
Total liabilities	75,108,000	374,000
Commitments and contingencies (Note 8)		
Minority interest of limited partner in Operating Partnership	200,000	200,000
Stockholders equity (deficit):		
Preferred stock, $0.01 par value; 200,000,000 shares authorized; none issued and outstanding		
Common stock, $0.01 par value; 1,000,000,000 shares authorized; 10,569,401 and 20,200 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively	105,000	
Additional paid-in capital	93,656,000	53,000
Accumulated deficit	(3,351,000)	(242,000)
Total stockholders equity (deficit)	90,410,000	(189,000)
Total liabilities, minority interest and stockholders equity (deficit)	$ 165,718,000	$ 385,000

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NNN Healthcare/Office REIT, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended June 30, 2007, for the
Period from April 28, 2006 (Date of Inception) through June 30, 2006 and for the
Six Months Ended June 30, 2007
(Unaudited)

	Three Months Ended June 30, 2007	Period from April 28, 2006 (Date of Inception) through June 30, 2006	Six Months Ended June 30, 2007
Revenues:			
Rental income	$ 3,183,000	$	$ 3,924,000
Expenses:			
Rental expenses	1,205,000		1,503,000
General and administrative	659,000		1,022,000
Depreciation and amortization	1,862,000		2,204,000
Total expenses	3,726,000		4,729,000
Loss before other income (expense)	(543,000)		(805,000)
Other income (expense):			
Interest expense (including amortization of deferred financing costs):			
Interest expense related to note payables to affiliate	(6,000)		(77,000)
Interest expense related to mortgage loan payables	(738,000)		(939,000)
Interest and dividend income	84,000		85,000
Net loss	$ (1,203,000)	$	$ (1,736,000)
Net loss per share basic and diluted	$ (0.18)	$	$ (0.46)
Weighted-average number of shares outstanding basic and diluted	6,727,995	200	3,745,793
Distributions declared per common share	0.18		0.34

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NNN Healthcare/Office REIT, Inc.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (DEFICIT)
For the Six Months Ended June 30, 2007
(Unaudited)

	Common Stock		Additional			Total
	Number of Shares	Amount	Paid-In Capital	Preferred Stock	Accumulated Deficit	Stockholders Equity (Deficit)
BALANCE December 31, 2006	20,200	$	$ 53,000	$	$ (242,000)	$ (189,000)
Issuance of common stock	10,496,415	105,000	104,730,000			104,835,000
Issuance of vested and nonvested restricted common stock	17,500		35,000			35,000
Offering costs			(11,520,000)			(11,520,000)
Amortization of nonvested common stock compensation			23,000			23,000
Issuance of common stock under the DRIP	35,286		335,000			335,000
Distributions					(1,373,000)	(1,373,000)
Net loss					(1,736,000)	(1,736,000)
BALANCE June 30, 2007	10,569,401	$ 105,000	$ 93,656,000	$	$ (3,351,000)	$ 90,410,000

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NNN Healthcare/Office REIT, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2007 and for the Period from April 28, 2006 (Date of Inception) through June 30, 2006
(Unaudited)

	For the Six Months Ended June 30, 2007	Period from April 28, 2006 (Date of Inception) through June 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,736,000)	$
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization (including deferred financing costs and above/below market leases)	2,320,000	
Stock based compensation, net of forfeitures	58,000	
Changes in operating assets and liabilities:		
Accounts and other receivable, net	(682,000)	
Accounts receivable due from affiliates	45,000	
Other assets	164,000	
Accounts payable and accrued liabilities	602,000	
Accounts payable due to affiliates	(379,000)	
Prepaid rent	(4,000)	
Net cash provided by operating activities	388,000	
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of real estate operating properties	(118,128,000)	
Capital expenditures	(25,000)	
Restricted cash	(3,352,000)	
Net cash used in investing activities	(121,505,000)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on mortgage loan payables	37,530,000	
Borrowings on unsecured note payables to affiliate	12,500,000	
Payments on unsecured note payables to affiliate	(12,500,000)	
Proceeds from issuance of common stock	104,953,000	2,000
Minority interest contributions to our Operating Partnership		200,000
Security deposits and prepaid rent	12,000	
Deferred financing costs	(585,000)	
Payment of offering costs	(9,771,000)	
Distributions	(470,000)	

Net cash provided by financing activities			131,669,000		202,000
NET CHANGE IN CASH AND CASH EQUIVALENTS			10,552,000		202,000
CASH AND CASH EQUIVALENTS	Beginning of period		202,000		
CASH AND CASH EQUIVALENTS	End of period	$	10,754,000	$	202,000
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:					
Investing Activities:					
Capital expenditures		$	37,000	$	
The following represents the increase in certain assets and liabilities in connection with our acquisitions of operating properties:					
Accounts receivable due from affiliates		$	45,000	$	
Other assets		$	397,000	$	
Mortgage loan payables		$	31,410,000	$	
Accounts payable and accrued liabilities		$	936,000	$	
Accrued closing costs due to affiliates		$	430,000	$	
Security deposits and prepaid rent		$	559,000	$	
Financing Activities:					
Issuance of common stock under the DRIP		$	335,000	$	
Distributions declared but not paid		$	568,000	$	
Accrued offering costs		$	1,749,000	$	
Payable to transfer agent for issuance of common stock		$	118,400	$	

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The use of the words we, us or our refers to NNN Healthcare/Office REIT, Inc. and our subsidiaries, including NNN Healthcare/Office REIT Holdings, L.P., except where the context otherwise requires.

1. Organization and Description of Business

NNN Healthcare/Office REIT, Inc., a Maryland corporation, was incorporated on April 20, 2006. We were initially capitalized on April 28, 2006, and therefore we consider that our date of inception. We intend to provide investors the potential for income and growth through investment in a diversified portfolio of real estate properties, focusing primarily on medical office buildings, healthcare-related facilities and quality commercial office properties that produce current income. We may also invest in real estate related securities. We intend to qualify as a real estate investment trust, or REIT, for federal income tax purposes for our taxable year ending December 31, 2007.

We are conducting a best efforts initial public offering, or our Offering, in which we are offering a minimum of 200,000 shares of our common stock aggregating at least $2,000,000, or the minimum offering, and a maximum of 200,000,000 shares of our common stock for $10.00 per share and 21,052,632 shares of our common stock pursuant to our distribution reinvestment plan, or the DRIP, at $9.50 per share, aggregating up to $2,200,000,000, or the maximum offering. Shares purchased by our executive officers and directors, by NNN Capital Corp., or our Dealer Manager, by NNN Healthcare/Office REIT Advisor, LLC, or our Advisor, or by its affiliates did not count towards the minimum offering. As of July 31, 2007, we had received and accepted subscriptions in our Offering for 12,162,354 shares of our common stock, or $121,466,000, excluding shares issued under the DRIP.

We conduct substantially all of our operations through NNN Healthcare/Office REIT Holdings, L.P., or our Operating Partnership. We are externally advised by our Advisor, pursuant to an advisory agreement, or the Advisory Agreement, between us, our Advisor and Triple Net Properties, LLC, or Triple Net Properties, who is the managing member of our Advisor. The Advisory Agreement has a one-year term that expires on September 19, 2007 and is subject to successive one-year renewals upon the mutual consent of the parties. Our Advisor supervises and manages our day-to-day operations and will select the properties and securities we acquire, subject to oversight by our board of directors. Our Advisor also provides marketing, sales and client services on our behalf. Our Advisor is affiliated with us in that we and our Advisor have common officers, some of whom also own an indirect equity interest in our Advisor. Our Advisor engages affiliated entities, including Triple Net Properties Realty, Inc., or Realty, to provide various services to us.

In the fourth quarter of 2006, NNN Realty Advisors, Inc., or NNN Realty Advisors, or our Sponsor, acquired all of the outstanding ownership interests of Triple Net Properties, NNN Capital Corp. and Realty. As a result, we consider NNN Realty Advisors to be our Sponsor. On May 22, 2007, NNN Realty Advisors entered into a definitive merger agreement with Grubb & Ellis Company, or Grubb & Ellis. The merger has been approved by the boards of directors of both NNN Realty Advisors and Grubb & Ellis. The combined company will retain the Grubb & Ellis name and will continue to be listed on the New York Stock Exchange under the ticker symbol GBE. The transaction is expected to close in the third or fourth quarter of 2007, subject to approval by stockholders of both companies and other customary closing conditions of transactions of this type.

As of June 30, 2007, we had purchased eight properties comprising 753,000 square feet of gross leasable area, or GLA.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies presented below is designed to assist in understanding our interim unaudited condensed consolidated financial statements. Such consolidated financial statements and accompanying notes are the representations of our management, who are responsible for their integrity and

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, or GAAP, in all material respects, and have been consistently applied in preparing our accompanying interim unaudited condensed consolidated financial statements.

Basis of Presentation

Our accompanying interim unaudited condensed consolidated financial statements include our accounts and those of our Operating Partnership. We operate and intend to continue to operate in an umbrella partnership REIT structure in which our Operating Partnership, or wholly owned subsidiaries of our Operating Partnership, will own substantially all of the properties acquired on our behalf. We are the sole general partner of our Operating Partnership and as of June 30, 2007 and December 31, 2006, we owned a 99.99% and 1.0%, respectively, general partnership interest therein. Our Advisor is a limited partner and as of June 30, 2007 and December 31, 2006, owned a 0.01% and 99.0%, respectively, limited partnership interest therein. Our Advisor is also entitled to certain subordinated distribution rights under the partnership agreement for our Operating Partnership. Because we are the sole general partner of our Operating Partnership and have unilateral control over its management and major operating decisions (even if additional limited partners are admitted to our Operating Partnership), the accounts of our Operating Partnership are consolidated in our consolidated financial statements. All significant intercompany accounts and transactions are eliminated in consolidation.

Interim Financial Data

Our accompanying interim unaudited condensed consolidated financial statements have been prepared by us in accordance with GAAP in conjunction with the rules and regulations of the Securities and Exchange Commission, or the SEC. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, our accompanying interim unaudited condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Our accompanying interim unaudited condensed consolidated financial statements reflect all adjustments, which are, in our opinion, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim period. Interim results of operations are not necessarily indicative of the results to be expected for the full year; such results may be less favorable. Our accompanying interim unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our prospectus dated April 23, 2007.

Use of Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We believe that our critical accounting policies are those that require significant judgments and estimates. These estimates are made and evaluated on an on-going basis using information that is currently available as well as various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates, perhaps in material adverse ways, and those estimates could be different under different assumptions or conditions.

Restricted Cash

Restricted cash is comprised of impound reserve accounts for property taxes, insurance, capital improvements and tenant improvements.

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Allowance for Uncollectible Accounts

Tenant receivables and unbilled deferred rent receivables are carried net of the allowances for uncollectible current tenant receivables and unbilled deferred rent. An allowance is maintained for estimated losses resulting from the inability of certain tenants to meet the contractual obligations under their lease agreements. Our determination of the adequacy of these allowances is based primarily upon evaluations of historical loss experience, individual tenant receivables considering the tenant s financial condition, security deposits, letters of credit, lease guarantees and current economic conditions and other relevant factors. As of June 30, 2007 and December 31, 2006, no allowance for uncollectible accounts was determined to be necessary to reduce receivables to our estimate of the amount recoverable.

Purchase Price Allocation

In accordance with Statements of Financial Accounting Standards, or SFAS, No. 141, *Business Combinations*, we, with the assistance of independent valuation specialists, allocate the purchase price of acquired properties to tangible and identified intangible assets based on their respective fair values. The allocation to tangible assets (building and land) is based upon our determination of the value of the property as if it were vacant using discounted cash flow models similar to those used by independent appraisers. Factors considered by us include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. Additionally, the purchase price of the applicable property is allocated to the above or below market value of in-place leases and the value of in-place leases and related tenant relationships.

The value allocable to the above or below market component of the acquired in-place leases is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term, and (ii) our estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above market leases are included in identified intangible assets, net and below market lease values are included in identified intangible liabilities, net in the accompanying condensed consolidated balance sheets and are amortized to rental income over the weighted-average remaining term of the acquired leases with each property.

The total amount of other intangible assets acquired is further allocated to in-place lease costs and the value of tenant relationships based on management s evaluation of the specific characteristics of each tenant s lease and our overall relationship with that respective tenant. Characteristics considered by us in allocating these values include the nature and extent of the credit quality and expectations of lease renewals, among other factors.

These allocations are subject to change based on information received within one year of the purchase related to one or more events identified at the time of purchase which confirm the value of an asset or liability received in an acquisition of property.

Operating Properties

Operating properties are carried at the lower of fair market value or historical cost less accumulated depreciation. The cost of the operating properties includes the cost of land and completed buildings and related improvements. Expenditures that increase the service life of the properties are capitalized and the cost of maintenance and repairs is

charged to expense as incurred. The cost of buildings is depreciated on a straight-line basis over the estimated useful lives of the buildings up to 39 years and for tenant improvements, the shorter of the lease term or useful life, ranging from three months to 114 months. When depreciable property is retired or disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

An operating property is evaluated for potential impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment losses are recorded on long-lived assets and tenant improvements used in operations. Impairment losses are recorded on an operating property when indicators of impairment are present and the carrying amount of the asset is greater than the sum of the future undiscounted cash flows expected to be generated by that asset. We would recognize an impairment loss to the extent the carrying amount exceeded the fair value of the property. There were no impairment losses recorded during the three and six months ended June 30, 2007.

Other Assets

Other assets consist primarily of deferred rent receivables, leasing commissions and deferred financing costs. Costs incurred for property leasing have been capitalized as deferred assets. Deferred financing costs include amounts paid to lenders and others to obtain financing. Such costs are amortized using the straight-line method over the term of the related loan, which approximates the effective interest rate method. Amortization of deferred financing costs is included in interest expense in our accompanying condensed consolidated statements of operations. Deferred leasing costs include leasing commissions that are amortized using the straight-line method over the term of the related lease.

Revenue Recognition

In accordance with SFAS No. 13, *Accounting for Leases*, as amended and interpreted, minimum annual rental revenue is recognized on a straight-line basis over the term of the related lease (including rent holidays). Tenant reimbursement revenue, which is comprised of additional amounts recoverable from tenants for common area maintenance expenses and certain other recoverable expenses, is recognized as revenue in the period in which the related expenses are incurred.

Concentration of Credit Risk

Financial instruments that potentially subject us to a concentration of credit risk are primarily cash and accounts receivable from tenants. We have cash in financial institutions that is insured by the Federal Deposit Insurance Corporation, or FDIC, up to $100,000 per institution. As of June 30, 2007 and December 31, 2006, we had cash accounts in excess of FDIC insured limits. We believe this risk is not significant. Concentration of credit risk with respect to accounts receivable from tenants is limited. We perform credit evaluations of prospective tenants, and security deposits are obtained upon lease execution.

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

As of June 30, 2007, we owned consolidated properties located in various states as follows:

Property	State (Property Location)	2007 Annual Base Rent (*)	Percentage of 2007 Annual Base Rent
Southpointe Office Parke and Epler Parke I	IN	$ 1,385,000	10.7%
Crawfordsville Medical Office Park and Athens Surgery Center	IN	578,000	4.4%
Sub-total	IN	1,963,000	15.1%
The Gallery Professional Building	MN	1,063,000	8.2%
Lenox Office Park, Building G	TN	2,134,000	16.4%
Commons V Medical Office Building	FL	1,051,000	8.1%
Yorktown Medical Center and Shakerag Medical Center	GA	2,387,000	18.4%
Thunderbird Medical Plaza	AZ	1,814,000	13.9%
Triumph Hospital Northwest and Triumph Hospital Southwest	TX	2,584,000	19.9%
Totals		$ 12,996,000	100.0%

* Annualized rental revenue is based on contractual base rent from leases in effect as of June 30, 2007.

For the three and six months ended June 30, 2007, two of our tenants at our consolidated properties accounted for 10.0% or more of our aggregate annual rental revenue, as follows:

Tenant	2007 Annual Base Rent(*)	Percentage of 2007 Annual Base Rent	Property	Square Footage (Approximately)	Lease Expiration Date
Triumph Hospital	$ 2,584,000	19.9%	Triumph Hospital Northwest and Triumph Hospital Southwest	151,000	02/28/13
Pfizer, Inc.	$ 2,134,000	16.4%		98,000	01/31/10

	Lenox Office Park, Building G

* Annualized rental revenue is based on contractual base rent from leases in effect as of June 30, 2007.

Organizational, Offering and Related Expenses

Our organizational, offering and related expenses are being paid by our Advisor, our Dealer Manager and their affiliates on our behalf. These organizational, offering and related expenses include all expenses (other than selling commissions and the marketing support fee which generally represent 7.0% and 2.5% of our gross offering proceeds, respectively) to be paid by us in connection with our Offering. These expenses will only become our liability to the extent selling commissions, the marketing support fee and due diligence expense reimbursements and other organizational and offering expenses do not exceed 11.5% of the gross proceeds of our Offering. As of June 30, 2007 and December 31, 2006, our Advisor or Triple Net Properties have incurred $1,181,000 and $1,728,000, respectively, in excess of 11.5% of the gross proceeds of our Offering, and therefore these expenses are not recorded in our accompanying condensed consolidated financial statements as

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

of June 30, 2007 and December 31, 2006. To the extent we raise additional proceeds from our Offering, these amounts may become our liability. See Note 9, Related Party Transactions for a further discussion of these amounts during our offering stage.

Stock Compensation

We follow SFAS, No. 123(R), *Share-Based Payment*, to account for our stock compensation pursuant to our 2006 Incentive Plan and the 2006 Independent Directors Compensation Plan, a sub-plan of our 2006 Incentive Plan. See Note 11, Stockholders Equity (Deficit) 2006 Incentive Plan and Independent Directors Compensation Plan for a further discussion of grants under our 2006 Incentive Plan.

Income Taxes

We intend to make an election to be taxed as a REIT, under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, or the Code, and we intend to be taxed as such beginning with our taxable year ending December 31, 2007. We intend to qualify as a REIT. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90.0% of our ordinary taxable income to stockholders. As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will then be subject to federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could have a material adverse effect on our net income and net cash available for distribution to stockholders. Because of our intention to elect REIT status in 2007, we will not benefit from the loss incurred in the year ended December 31, 2006.

Per Share Data

We report earnings (loss) per share pursuant to SFAS No. 128, *Earnings Per Share.* Basic earnings (loss) per share attributable for all periods presented are computed by dividing net income (loss) by the weighted average number of shares of our common stock outstanding during the period. Diluted earnings (loss) per share is computed based on the weighted average number of shares of our common stock and all potentially dilutive securities, if any. Shares of restricted common stock give rise to potentially dilutive shares of common stock.

For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, we recorded a net loss of approximately $1,203,000 and $0, respectively. For the six months ended June 30, 2007, we recorded a net loss of approximately $1,736.000. As of June 30, 2007 and 2006, 30,000 and 0 shares, respectively, of restricted common stock were outstanding, but were excluded from the computation of diluted earnings per share because such shares of restricted common stock were anti-dilutive during this period.

Segment Disclosure

We internally evaluate operations as one segment and therefore do not report segment information.

Recently Issued Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board, or the FASB, issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN No. 48. This interpretation, among other things, creates a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN No. 48 specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions, and it has expanded disclosure requirements. FIN No. 48 was effective for fiscal years beginning after December 15, 2006, in which the impact of adoption should be accounted for as a cumulative-effect adjustment to the beginning balance of retained earnings in the year of adoption. Our adoption of FIN No. 48 as of the beginning of the first quarter of 2007 did not have any impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement*, or SFAS No. 157. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007. We will adopt SFAS No. 157 on January 1, 2008. We are evaluating SFAS No. 157 and have not yet determined the impact the adoption, if any, will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, or SFAS No. 159. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the fiscal year beginning on or before November 15, 2007, provided the provisions of SFAS No. 157 are applied. We will adopt SFAS No. 159 on January 1, 2008. We are evaluating SFAS No. 159 and have not yet determined the impact the adoption, if any, will have on our consolidated financial statements.

In June 2007, the American Institute of Certified Public Accountants, or the AICPA, issued Statement of Position, or SOP, 07-01, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting for Parent Companies and Equity Method Investors for Investments in Investment Companies*, or SOP 07-01. SOP 07-01 provides guidance for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide Investment Companies, or the Guide. Entities that are within the scope of the Guide are required, among other things, to carry their investments at fair value, with changes in fair value included in earnings. The provisions of SOP 07-01 are effective for the first fiscal year beginning on January 1, 2008. We are currently evaluating SOP 07-01 and have not determined whether we will be required to apply the provisions of the Guide in presenting our consolidated financial statements.

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

3. Real Estate Investments

Our investments in our consolidated properties consisted of the following as of June 30, 2007 and December 31, 2006:

	June 30, 2007	December 31, 2006
Land	$ 21,023,000	$
Building and improvements	107,145,000	
Furniture and equipment	4,000	
	128,172,000	
Less: accumulated depreciation	(899,000)	
	$ 127,273,000	$

Depreciation expense for the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006 was $780,000 and $0, respectively, and for the six months ended June 30, 2007 was $900,000.

Acquisitions in 2007

Affiliate Transactions

As a result of acquiring the NNN Southpointe, LLC, NNN Crawfordsville, LLC, NNN Gallery Medical, LLC, NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC membership interests from affiliates, as described below, an independent appraiser was engaged to value the properties and the transactions were approved and determined by a majority of our board of directors, including a majority of our independent directors, as fair and reasonable to us, and at prices no greater than the cost of the investments to our affiliate or the properties appraised values.

Southpointe Office Parke and Epler Parke I Indianapolis, Indiana

On January 22, 2007, we acquired all of the membership interests of NNN Southpointe, LLC from an affiliate, for a total purchase price of $14,800,000, plus closing costs. NNN Southpointe, LLC has a fee simple ownership interest in Southpointe Office Parke and Epler Parke I, or the Southpointe property, located in Indianapolis, Indiana. We primarily financed the purchase price through the assumption of an existing mortgage loan of $9,146,000 on the property with LaSalle Bank National Association, or LaSalle, and approximately $5,115,000 of the proceeds from a $7,500,000 unsecured loan from our Sponsor. The balance was provided by funds raised through our Offering. An acquisition fee of $444,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

Crawfordsville Medical Office Park and Athens Surgery Center Crawfordsville, Indiana

On January 22, 2007, we acquired all of the membership interests of NNN Crawfordsville, LLC from an affiliate, for a total purchase price of $6,900,000, plus closing costs. NNN Crawfordsville, LLC has a fee simple ownership interest in Crawfordsville Medical Office Park and Athens Surgery Center, or the Crawfordsville property, located in Crawfordsville, Indiana. We primarily financed the purchase price through the assumption of an existing mortgage loan of $4,264,000 on the property with LaSalle and approximately $2,385,000 of the proceeds from a $7,500,000 unsecured loan from our Sponsor. The balance was provided by funds raised through our Offering. An acquisition fee of $207,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The Gallery Professional Building St. Paul, Minnesota

On March 9, 2007, we acquired all of the membership interests of NNN Gallery Medical, LLC from an affiliate, for a purchase price of $8,800,000, plus closing costs. NNN Gallery Medical, LLC has fee simple ownership of The Gallery Professional Building, or the Gallery property, located in downtown St. Paul, Minnesota. We primarily financed the purchase price through the assumption of an existing mortgage loan of $6,000,000 on the property with LaSalle and a $1,000,000 unsecured loan from our Sponsor. The balance of the purchase price was provided by funds raised through our Offering. An acquisition fee of $264,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

Lenox Office Park, Building G Memphis, Tennessee

On March 23, 2007, we acquired all of the membership interests of NNN Lenox Medical, LLC and NNN Lenox Medical Land, LLC from an affiliate, for a total purchase price of $18,500,000, plus closing costs. NNN Lenox Medical, LLC holds a leasehold interest in Lenox Office Park, Building G, and NNN Lenox Medical Land, LLC holds a fee simple interest in two vacant parcels of land within Lenox Office Park, located in Memphis, Tennessee, which we collectively refer to as the Lenox property. We primarily financed the purchase price of the property and land parcels through the assumption of an existing mortgage loan of $12,000,000 on the property with LaSalle. The balance of the purchase price was provided by funds raised through our Offering. An acquisition fee of $555,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

Commons V Medical Office Building Naples, Florida

On April 24, 2007, we acquired Commons V Medical Office Building, or Commons V, located in Naples, Florida, from an unaffiliated third party, for a purchase price of $14,100,000, plus closing costs. We financed the purchase price using funds raised through our Offering. An acquisition fee of $423,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate. In addition, a real estate commission of $300,000, or approximately 2.0% of the purchase price, was paid to Grubb & Ellis. On May 14, 2007, we entered into a loan, secured by the Commons V property, with Wachovia Bank, National Association, or Wachovia, evidenced by a promissory note in the principal amount of $10,000,000. The proceeds from this loan were used to purchase the Thunderbird Medical Plaza as described below. See Note 6, Mortgage Loan Payables and Unsecured Note Payables to Affiliate Mortgage Loan Payables for a further discussion.

Yorktown Medical Center and Shakerag Medical Center Fayetteville and Peachtree City, Georgia

On May 2, 2007, we acquired Yorktown Medical Center and Shakerag Medical Center, located in Fayetteville, Georgia and Peachtree City, Georgia, respectively, which we refer to collectively as the Peachtree property, for a total purchase price of $21,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price through a secured loan with Wachovia as evidenced by a promissory note in the principal amount of $13,530,000 and by funds raised through our Offering. An acquisition fee of $645,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate. See Note 6, Mortgage Loan Payables and Unsecured Note Payables to Affiliate Mortgage Loan Payables for a further discussion.

Thunderbird Medical Plaza Glendale, Arizona

On May 15, 2007, we acquired Thunderbird Medical Plaza in Glendale, Arizona from an unaffiliated third party for a total purchase price of $25,000,000, plus closing costs. Thunderbird Medical Plaza consists of real property located at 5422 and 5410 West Thunderbird Road, or T-Bird 5422/5410, and real property located at 5310 West Thunderbird Road, or T-Bird 5310, which we refer to collectively as the Thunderbird property. Of the total purchase price of $25,000,000, $11,500,000 was allocated to T-Bird 5422/5410 and $13,500,000 was allocated

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

to T-Bird 5310. We financed the purchase price using a combination of $9,651,000 in net proceeds from the $10,000,000 loan from Wachovia secured by our Commons V property (described above) and funds raised through our Offering. An acquisition fee of $750,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate. On June 8, 2007, we entered into a loan, secured by the Thunderbird property, with Wachovia, evidenced by a promissory note in the principal amount of $14,000,000. The proceeds from this loan were used to purchase Triumph Hospital Northwest and Triumph Hospital Southwest as described below. See Note 6, Mortgage Loan Payables and Unsecured Note Payables to Affiliate Mortgage Loan Payables for a further discussion.

Triumph Hospital Northwest and Triumph Hospital Southwest Houston and Sugarland, Texas

On June 8, 2007, we acquired Triumph Hospital Northwest and Triumph Hospital Southwest, which we collectively refer to as the Triumph Hospital Portfolio, located in suburban Houston, Texas, for a total purchase price of $36,500,000, plus closing costs. We acquired the property from an unaffiliated third party. We financed the purchase price using a combination of $12,605,000 in net proceeds from the loan from Wachovia secured by the Thunderbird property (described above), $20,975,000 from funds raised through our Offering and the balance of $4,000,000 from an unsecured loan from our Sponsor. See Note 6, Mortgage Loan Payables and Unsecured Note Payables to Affiliate Unsecured Note Payables to Affiliate for a further discussion. An acquisition fee of $1,095,000, or 3.0% of the purchase price, was paid to our Advisor and its affiliate.

Leverage

In accordance with our charter, a majority of our directors, including a majority of our independent directors, approved our leverage exceeding 300.0% in connection with our first four acquisitions. The board of directors determined that the excess leverage was justified because it enabled us to purchase the properties during the initial stages of our Offering, thereby improving our ability to meet our goal of acquiring a diversified portfolio of properties to generate current income for investors and preserve investor capital. As of August 10, 2007, our leverage does not exceed 300.0%. We may, with a majority of our independent directors authority, exceed our charter s leverage guidelines again during the early stages of our operations. Net assets for purposes of this calculation are defined as our total assets (other than intangibles), valued at cost prior to deducting depreciation, reserves for bad debts and other non-cash reserves, less total liabilities.

Proposed Acquisitions

Gwinnett Professional Center Lawrenceville, Georgia

On June 8, 2007, our board of directors approved the acquisition of the Gwinnett Professional Center, located in Lawrenceville, Georgia. On July 27, 2007, we purchased the Gwinnett Professional Center. See Note 14, Subsequent Events Property Acquisitions.

Kokomo Medical Office Park Kokomo, Indiana

On June 8, 2007, our board of directors approved the acquisition of Kokomo Medical Office Park, located in Kokomo, Indiana. We anticipate purchasing the Kokomo Medical Office Park for a purchase price of $13,350,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through a combination of debt financing and

funds raised through our Offering. We expect to pay our Advisor and its affiliate an acquisition fee of $400,500, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the third quarter of 2007.

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

St. Mary s Physician Center Long Beach, California

On June 8, 2007, our board of directors approved the acquisition of St. Mary s Physicians Center, located in Long Beach, California. We anticipate purchasing the St. Mary s Physicians Center for a purchase price of $13,800,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through a combination of seller financed debt and funds raised through our Offering. We expect to pay our Advisor and its affiliate an acquisition fee of $414,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the third quarter of 2007.

4. Identified Intangible Assets

Identified intangible assets consisted of the following as of June 30, 2007 and December 31, 2006:

	June 30, 2007	December 31, 2006
In place leases, net of accumulated amortization of $822,000 and $0 as of June 30, 2007 and December 31, 2006, respectively, (with a weighted-average life of 54 months as of June 30, 2007)	$ 10,704,000	$
Above market leases, net of accumulated amortization of $89,000 and $0 as of June 30, 2007 and December 31, 2006, respectively, (with a weighted-average life of 13 months as of June 30, 2007)	680,000	
Tenant relationships, net of accumulated amortization of $368,000 and $0 as of June 30, 2007 and December 31, 2006, respectively, (with a weighted-average life of 106 months as of June 30, 2007)	11,335,000	
	$ 22,719,000	$

Amortization expense recorded on the identified intangible assets for the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006 was $1,163,000 and $0, respectively, which included $82,000 and $0, respectively, of amortization recorded against revenue for above market leases. Amortization expense recorded on the identified intangible assets for the six months ended June 30, 2007 was $1,391,000, which included $89,000 of amortization recorded against revenue for above market leases. Amortization expense on the identified intangible assets as of June 30, 2007 for the six months ended December 31, 2007, each of the next four years ended December 31 and thereafter, is as follows:

Year	Amount
2007	$ 2,246,000
2008	$ 4,570,000
2009	$ 4,140,000

2010	$ 2,939,000
2011	$ 2,301,000
Thereafter	$ 6,523,000

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

5. Other Assets

Other assets consisted of the following as of June 30, 2007 and December 31, 2006:

	June 30, 2007	December 31, 2006
Deferred financing costs, net of accumulated amortization of $17,000 and $0 as of June 30, 2007 and December 31, 2006, respectively	$ 572,000	$ 3,000
Lease commissions, net of accumulated amortization of $1,000 and $0 as of June 30, 2007 and December 31, 2006, respectively	32,000	
Deferred rent receivables	51,000	
Prepaid expenses and deposits	283,000	180,000
	$ 938,000	$ 183,000

Amortization expense recorded on deferred financing costs and lease commissions for the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006 was $14,000 and $0, respectively, and for the six months ended June 30, 2007 was $18,000.

6. Mortgage Loan Payables and Unsecured Note Payables to Affiliate

Mortgage Loan Payables

Mortgage loan payables were $68,940,000 and $0 as of June 30, 2007 and December 31, 2006, respectively. As of June 30, 2007, we had seven fixed rate mortgage loans with a weighted-average effective interest rate of 5.75% per annum. As of June 30, 2007, our mortgage loans have interest-only monthly payments. We are required by the terms of the applicable loan documents to meet certain reporting requirements. As of June 30, 2007, we were in compliance with all such requirements.

Mortgage loan payables consisted of the following as of June 30, 2007 and December 31, 2006:

Property	Interest Rate	Maturity Date	Mortgage Loan Payables as of June 30, 2007	Mortgage Loan Payables as of December 31, 2006
Southpointe Office Parke and Epler Parke I	6.11%	9/1/2016	$ 9,146,000	$
	6.12	10/1/2016	4,264,000	

Crawfordsville Medical Office Park and Athens Surgery Center				
The Gallery Professional Building	5.76	3/1/2017	6,000,000	
Lenox Office Park, Building G	5.88	2/1/2017	12,000,000	
Commons V Medical Office Building	5.54	6/11/2017	10,000,000	
Yorktown Medical Center and Shakerag Medical Center	5.52	5/11/2017	13,530,000	
Thunderbird Medical Plaza	5.67	6/11/2017	14,000,000	
			$ 68,940,000	$

Unsecured Note Payables to Affiliate

On January 22, 2007 and March 9, 2007, we entered into unsecured loans with NNN Realty Advisors, evidenced by unsecured promissory notes in the principal amounts of $7,500,000 and $1,000,000, respectively. The unsecured notes provided for maturity dates of July 22, 2007 and September 9, 2007, respectively. The $7,500,000 and $1,000,000 unsecured notes bore interest at a fixed rate of 6.86% and 6.84% per annum,

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

respectively, and required monthly interest-only payments for the terms of the unsecured notes. The unsecured notes provided for default interest rates in an event of default equal to 8.86% and 8.84% per annum, respectively. On March 28, 2007, we repaid all outstanding principal and accrued interest on both unsecured notes using proceeds from our Offering.

On June 8, 2007, we entered into an unsecured loan with NNN Realty Advisors, evidenced by unsecured promissory note in the principal amount of $4,000,000. The unsecured note provided for a maturity date of December 8, 2007. The $4,000,000 unsecured note bore interest at a fixed rate of 6.82% per annum and required monthly interest-only payments for the term of the unsecured note. The unsecured note provided for a default interest rate in an event of default equal to 8.82% per annum. On June 18, 2007, we repaid all outstanding principal and accrued interest on the unsecured note using proceeds from our Offering.

Because these loans were related party loans, the terms of the loans and the unsecured notes were approved by our board of directors, including a majority of our independent directors, and deemed fair, competitive and commercially reasonable by our board of directors.

7. Identified Intangible Liabilities

Identified intangible liabilities consisted of the following as of June 30, 2007 and December 31, 2006:

	June 30, 2007	December 31, 2006
Below market leases, net of accumulated amortization of $40,000 and $0 as of June 30, 2007 and December 31, 2006, respectively, (with a weighted-average life of 68 months as of June 30, 2007)	$ 1,160,000	$
	$ 1,160,000	$

Amortization expense recorded on the identified intangible liabilities for the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006 was $36,000 and $0, respectively, and for the six months ended June 30, 2007 was $40,000, which is recorded to rental income on the consolidated statements of operations. Amortization expense on the identified intangible liabilities as of June 30, 2007 for the six months ended December 31, 2007, each of the next four years ended December 31 and thereafter, is as follows:

Year	Amount
2007	$ 127,000
2008	$ 230,000
2009	$ 201,000
2010	$ 180,000

2011	$ 153,000
Thereafter	$ 269,000

8. Commitments and Contingencies

Litigation

We are not presently subject to any material litigation nor, to our knowledge, is any material litigation threatened against us, which if determined unfavorably to us, would have a material adverse effect on our consolidated financial position, results of operations or cash flows.

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Environmental Matters

We follow the policy of monitoring our properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist at our properties, we are not currently aware of any environmental liability with respect to our properties that would have a material effect on our consolidated financial position, results of operations or cash flows. Further, we are not aware of any environmental liability or any unasserted claim or assessment with respect to an environmental liability that we believe would require additional disclosure or the recording of a loss contingency.

Organizational, Offering and Related Expenses

As of June 30, 2007 and December 31, 2006, our Advisor or Triple Net Properties have incurred $1,181,000 and $1,728,000, respectively, in excess of 11.5% of the gross proceeds of our Offering, and therefore these expenses are not recorded in our accompanying condensed consolidated financial statements as of June 30, 2007 and December 31, 2006. To the extent we raise additional proceeds from our Offering, these amounts may become our liability. See Note 2, Summary of Significant Accounting Policies Organizational, Offering and Related Expenses for a further discussion.

Other

Our other commitments and contingencies include the usual obligations of real estate owners and operators in the normal course of business. In our opinion, these matters are not expected to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

9. Related Party Transactions

Fees and Expenses Paid to Affiliates

Some of our executive officers and our non-independent directors are also executive officers and/or holders of a direct or indirect interest in our Advisor, Triple Net Properties, our Dealer Manager, or other affiliated entities. Upon the effectiveness of our Offering, we entered into the Advisory Agreement and a dealer manager agreement, or the Dealer Manager Agreement. These agreements entitle our Advisor, our Dealer Manager and their affiliates to specified compensation for certain services with regards to our Offering and the investment of funds in real estate assets, among other services, as well as reimbursement of organizational and offering expenses incurred.

Offering Stage

Selling Commissions

Our Dealer Manager receives selling commissions up to 7.0% of the gross offering proceeds from the sale of shares of our common stock in our Offering. Our Dealer Manager may re-allow all or a portion of these fees to participating broker-dealers. For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, we incurred $5,416,000 and $0, respectively, and for the six months ended June 30, 2007, we incurred $7,242,000 in selling commissions to our Dealer Manager. Such commissions are charged to stockholders

equity (deficit) as such amounts are reimbursed to our Dealer Manager from the gross proceeds of our Offering.

Marketing Support Fee and Due Diligence Expense Reimbursements

Our Dealer Manager may receive non-accountable marketing support fees and due diligence expense reimbursements up to 2.5% of the gross offering proceeds from the sale of shares of our common stock in our Offering and may re-allow up to 1.5% of gross offering proceeds to participating broker-dealers. In addition,

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

we may reimburse our Dealer Manager or its affiliates an additional accountable 0.5% of gross offering proceeds for bona fide due diligence expenses and may re-allow up to 0.5% of gross offering proceeds to participating broker-dealers. For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, we incurred $1,950,000 and $0, respectively, and for the six months ended June 30, 2007, we incurred $2,704,000, in marketing support fees and due diligence expense reimbursements to our Dealer Manager . Such fees and reimbursements are charged to stockholders equity (deficit) as such amounts are reimbursed to our Dealer Manager or its affiliates from the gross proceeds of our Offering.

Other Organizational and Offering Expenses

Our organizational and offering expenses are paid by our Advisor or Triple Net Properties on our behalf. Our Advisor or Triple Net Properties may be reimbursed for actual expenses incurred for up to 1.5% of the gross offering proceeds for the shares sold under our Offering. For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, we incurred $1,176,000 and $0, respectively, and for the six months ended June 30, 2007, we incurred $1,574,000 in other organizational and offering expenses to our Advisor or Triple Net Properties. Other organizational expenses are expensed as incurred, and offering expenses are charged to stockholders equity (deficit) as such amounts are reimbursed to our Advisor or Triple Net Properties from the gross proceeds of our Offering.

Acquisition and Development Stage

Acquisition Fees

Our Advisor or its affiliates receive, as compensation for services rendered in connection with the investigation, selection and acquisition of properties, an acquisition fee up to 3.0% of the contract purchase price for each property acquired or up to 4.0% of the total development cost of any development property acquired, as applicable. For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, we incurred $2,913,000 and $0, respectively, and for the six months ended June 30, 2007, we incurred $4,383,000, in acquisition fees to our Advisor or its affiliates. Acquisition fees are capitalized as part of any purchase price allocations.

Reimbursement of Acquisition Expenses

Our Advisor or its affiliates will be reimbursed for acquisition expenses related to selecting, evaluating, acquiring and investing in properties, which will not exceed 0.5% of the purchase price of the properties. The reimbursement of acquisition fees and expenses, including real estate commissions paid to unaffiliated parties, will not exceed, in the aggregate, 6.0% of the purchase price or total development costs, unless fees in excess of such limits are approved by a majority of our disinterested independent directors. For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, and for the six months ended June 30, 2007, we did not incur such expenses to our Advisor or its affiliates.

Operational Stage

Asset Management Fee

Our Advisor is paid a monthly fee for services rendered in connection with the management of our assets equal to one-twelfth of 1.0% of the average invested assets calculated as of the close of business on the last day of each month, subject to our stockholders receiving annualized distributions in an amount equal to 5.0% per annum on average invested capital. For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, we incurred $233,000 and $0, respectively, and for the six months ended June 30, 2007, we incurred $292,000 in asset management fees to our Advisor or its

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

affiliates, which is included in general and administrative in the accompanying condensed consolidated statements of operations.

Property Management Fees

Our Advisor or its affiliates are paid a monthly property management fee equal to 4.0% of the gross cash receipts from each property managed. For properties managed by other third parties besides our Advisor or its affiliates, our Advisor or its affiliates will be paid up to 1.0% of the gross cash receipts from the property for a monthly oversight fee. For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, we incurred $89,000 and $0, respectively, and for the six months ended June 30, 2007, we incurred $118,000, in property management fees and oversight fees to our Advisor or its affiliates, which is included in rental expenses in the accompanying condensed consolidated statements of operations.

Lease Fees

Our Advisor, its affiliates or unaffiliated third parties, as the property manager, may receive a separate fee for leasing activities in an amount not to exceed the fee customarily charged in arm s length transactions by others rendering similar services in the same geographic area for similar properties, as determined by a survey of brokers and agents in such area ranging between 3.0% and 8.0% of gross revenues generated from the initial term of the lease. For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, and for the six months ended June 30, 2007, we did not incur such expenses.

Operating Expenses

Our Advisor or its affiliates are reimbursed for expenses incurred in rendering its services, subject to certain limitations. Fees and costs reimbursed to our Advisor or its affiliates cannot exceed the greater of: (1) 2.0% of our average invested assets, as defined in the Advisory Agreement, or (2) 25.0% of our net income, as defined in the Advisory Agreement. For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, Triple Net Properties incurred on our behalf $95,000 and $0, respectively, and for the six months ended June 30, 2007, Triple Net Properties incurred on our behalf $426,000, which is included in general and administrative in the accompanying condensed consolidated statements of operations.

Liquidity Stage

Disposition Fees

Our Advisor or its affiliates will be paid, for services relating to a sale of one or more properties, a disposition fee up to the lesser of 1.75% of the contract sales price or 50.0% of a customary competitive real estate commission given the circumstances surrounding the sale, in each case as determined by our board of directors and will not exceed market norms. The amount of disposition fees paid, including real estate commissions paid to unaffiliated parties, will not exceed the lesser of the customary competitive disposition fee or an amount equal to 6.0% of the contract sales price. For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, and for the six months ended June 30, 2007, we did not incur such fees.

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Subordinated Participation Interest

Subordinated Distribution of Net Sales Proceeds

Upon liquidation of our portfolio, our Advisor will be paid a subordinated distribution of net sales proceeds. The distribution will be equal to 15.0% of the net proceeds from the sales of properties, after subtracting distributions to our stockholders of (1) their initial contributed capital (less amounts paid to repurchase shares pursuant to our share repurchase program) plus (2) an annual cumulative, non-compounded return of 8.0% on average invested capital. Actual amounts depend upon the sales prices of properties upon liquidation. For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, and for the six months ended June 30, 2007, we did not incur such distributions.

Subordinated Distribution Upon Listing

Upon the listing of our shares of common stock on a national securities exchange, our Advisor will be paid a distribution equal to 15.0% of the amount by which (1) the market value of our outstanding common stock at listing plus distributions paid prior to listing exceeds (2) the sum of total amount of capital raised from stockholders (less amounts paid to repurchase shares pursuant to our share repurchase plan) and the amount of cash that, if distributed to stockholders as of the date of listing, would have provided them an annual 8.0% cumulative, non-compounded return on average invested capital through the date of listing. Actual amounts depend upon the market value of shares of our common stock at the time of listing, among other factors. For the three months ended June 30, 2007 and for the period from April 28, 2006 (Date of Inception) through June 30, 2006, and for the six months ended June 30, 2007, we did not incur such distributions.

Subordinated Distribution Upon Termination

Upon termination of the Advisory Agreement, other than a termination by us for cause, our Advisor will be entitled to receive a distribution from our Operating Partnership in an amount equal to 15.0% of the amount, if any, by which (1) the fair market value of all of the assets of our Operating Partnership as of the date of the termination (determined by appraisal), less any indebtedness secured by such assets, plus the cumulative distributions made to us by our Operating Partnership from our inception through the termination date, exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to redeem shares pursuant to our share repurchase plan) plus an annual 8.0% cumulative, non-compounded return on average invested capital through the termination date. However, our Advisor will not be entitled to this distribution if our shares have been listed on a national securities exchange prior to the termination of the Advisory Agreement.

Accounts Payable Due to Affiliates

As of June 30, 2007, $101,000, $1,176,000 and $153,000 was payable to Triple Net Properties for operating expenses, offering costs and due diligence, respectively. As of December 31, 2006, $312,000 was payable to Triple Net Properties for operating expenses.

As of June 30, 2007 and December 31, 2006, $420,000 and $0, respectively, was payable to NNN Capital Corp. for the payment of selling commissions, marketing support fees and due diligence expense reimbursements.

As of June 30, 2007 and December 31, 2006, $269,000 and $0, respectively, was payable to Realty for asset and property management fees.

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Unsecured Note Payables to Affiliate

See Note 6, Mortgage Loan Payables and Unsecured Note Payables to Affiliate Unsecured Note Payables to Affiliate.

10. Minority Interest

As of June 30, 2007 and December 31, 2006, we owned a 99.99% and a 1.0%, respectively, general partnership interest in our Operating Partnership and our Advisor owned a 0.01% and a 99.0%, respectively, limited partnership interest. As such, 0.01% of the losses at our Operating Partnership are allocated to minority interest.

11. Stockholders Equity (Deficit)

Common Stock

In April 2006, our Advisor purchased 200 shares of our common stock for total cash consideration of $2,000 and was admitted as our initial stockholder. On September 20, 2006 and October 4, 2006, we granted an aggregate of 15,000 shares and 5,000 shares, respectively, of restricted common stock to our independent directors. On April 12, 2007, we granted 5,000 shares of restricted common stock to our newly appointed independent director. On June 12, 2007, in connection with their re-election, we granted an aggregate of 12,500 shares of restricted stock to our independent directors. Through June 30, 2007, we issued 10,496,415 shares in connection with our Offering and 35,286 shares under the DRIP. As of June 30, 2007 and December 31, 2006, we had 10,569,401 and 20,200 shares of common stock outstanding, respectively.

We are offering and selling to the public up to 200,000,000 shares of our $0.01 par value common stock for $10.00 per share and up to 21,052,632 shares of our $0.01 par value common stock to be issued pursuant to the DRIP at $9.50 per share. Our charter authorizes us to issue 1,000,000,000 shares of our common stock.

Preferred Stock

Our charter authorizes us to issue 200,000,000 shares of our $0.01 par value preferred stock. No shares of preferred stock were issued and outstanding as of June 30, 2007 and December 31, 2006.

Distribution Reinvestment Plan

We adopted the DRIP that allows stockholders to purchase additional shares of common stock through reinvestment of distributions, subject to certain conditions. We registered and reserved 21,052,632 shares of common stock for sale pursuant to the DRIP in our Offering. For the three and six months ended June 30, 2007, $318,000 and $335,000, respectively, in distributions were reinvested and 33,493 and 35,286 shares, respectively, were issued under the DRIP. As of June 30, 2007 and December 31, 2006, a total of $335,000 and $0, respectively, in distributions were reinvested and 35,286 and 0 shares, respectively, were issued under the DRIP.

Share Repurchase Plan

Our board of directors has approved a share repurchase plan. On August 24, 2006, we received SEC exemptive relief from rules restricting issuer purchases during distributions. The share repurchase plan allows for share repurchases by us when certain criteria are met. Share repurchases will be made at the sole discretion of our board of directors. Funds for the repurchase of shares will come exclusively from the proceeds we receive from the sale of shares under the DRIP. As of June 30, 2007, no share repurchases had been made.

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

2006 Incentive Plan and Independent Directors Compensation Plan

Under the terms of our 2006 Incentive Plan, the aggregate number of shares of our common stock subject to options, shares of restricted common stock, stock purchase rights, stock appreciation rights or other awards, including those issuable under its sub-plan, the 2006 Independent Directors Compensation Plan, will be no more than 2,000,000 shares.

On September 20, 2006 and October 4, 2006, we granted an aggregate of 15,000 shares and 5,000 shares, respectively, of restricted common stock, as defined in the 2006 Incentive Plan, to our independent directors under the 2006 Independent Director Compensation Plan. On April 12, 2007, we granted 5,000 shares of restricted common stock to our newly appointed independent director. On June 12, 2007, in connection with their re-election, we granted 12,500 shares of restricted stock to our independent directors. Each of these restricted stock awards vested 20.0% on the grant date and 20.0% will vest on each of the first four anniversaries of the date of grant. The fair value of each share of restricted common stock was estimated at the date of grant at $10.00 per share, the per share price of shares in our Offering, and is amortized on a straight-line basis over the vesting period. Shares of restricted common stock may not be sold, transferred, exchanged, assigned, pledged, hypothecated or otherwise encumbered. Such restrictions expire upon vesting. We recognized compensation expense of approximately $48,000 and $58,000 related to the restricted common stock grants for the three and six months ended June 30, 2007, which is included in general and administrative on our accompanying condensed consolidated statements of operations. Shares of restricted common stock have full voting rights and rights to dividends.

As of June 30, 2007 and December 31, 2006, there was approximately $266,000 and $149,000, respectively, of total unrecognized compensation expense, net of estimated forfeitures, related to nonvested shares of restricted common stock. This expense is expected to be realized over a weighted average period of 31/2 years.

As of June 30, 2007 and December 31, 2006, the fair value of the nonvested shares of restricted common stock was $300,000 and $160,000, respectively. A summary of the status of our shares of restricted common stock as of June 30, 2007 and December 31, 2006, and changes for the six months ended June 30, 2007 is presented below:

	Restricted Common Stock	Weighted Average Grant Date Fair Value
Balance December 31, 2006	16,000	$ 10.00
Granted	17,500	10.00
Vested	(3,500)	10.00
Forfeited		
Balance June 30, 2007	30,000	$ 10.00
Vested or expected to vest June 30, 2007	30,000	$ 10.00

12. Subordinated Participation Interest

Pursuant to our Agreement of Limited Partnership approved by our board of directors, upon termination of the Advisory Agreement, other than a termination by us for cause, our Advisor will be entitled to receive a distribution from our Operating Partnership in an amount equal to 15.0% of the amount, if any, by which (1) the fair market value of all of the assets of our Operating Partnership as of the date of the termination (determined by appraisal), less any indebtedness secured by such assets, plus the cumulative distributions made to us by our Operating Partnership from our inception through the termination date, exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to redeem shares pursuant to our share

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

repurchase plan) plus an annual 8.0% cumulative, non-compounded return on average invested capital through the termination date. However, our Advisor will not be entitled to this distribution if our shares have been listed on a national securities exchange prior to the termination of the Advisory Agreement.

13. Business Combinations

As of June 30, 2007, we completed the acquisition of eight wholly-owned properties, adding a total of approximately 753,000 square feet of GLA to our property portfolio. We purchased the Southpointe property and the Crawfordsville property on January, 22, 2007, the Gallery property on March 9, 2007, the Lenox property on March 23, 2007, the Commons V property on April 24, 2007, the Peachtree property on May 2, 2007, the Thunderbird property on May 15, 2007 and the Triumph Hospital Portfolio on June 8, 2007. Results of operations for the properties are reflected in our consolidated statements of operations for the three and six months ended June 30, 2007 for the periods subsequent to the acquisition dates. The aggregate purchase price of the eight consolidated properties was $146,100,000, plus closing costs of $4,922,000, of which $81,440,000 was initially financed with mortgage loans and unsecured note payables to an affiliate.

In accordance with SFAS No. 141, we allocated the purchase price to the fair value of the assets acquired and the liabilities assumed, including the allocation of the intangibles associated with the in-place leases considering the following factors: lease origination costs and tenant relationships. Certain allocations as of June 30, 2007 are subject to change based on information received within one year of the purchase date related to one or more events at the time of purchase which confirm the value of an asset acquired or a liability assumed in an acquisition of a property.

Assuming all of the acquisitions discussed above had occurred April 28, 2006 (Date of Inception), for the three months ended June 30, 2007, pro forma revenues, net income (loss) and net income (loss) per diluted share would have been $4,344,000, $(1,350,000) and $(0.20). For the period from April 28, 2006 (Date of Inception) through June 30, 2006, pro forma revenues, net income (loss) and net income (loss) per diluted share would have been $3,068,000, $(521,000) and $(0.44). For the six months ended June 30, 2007, pro forma revenues, net income (loss) and net income (loss) per diluted share would have been $8,678,000, $(2,420,000) and $(0.65). The pro forma results are not necessarily indicative of the operating results that would have been obtained had the acquisitions occurred at the beginning of the periods presented, nor are they necessarily indicative of future operating results.

14. Subsequent Events

Status of our Offering

As of July 31, 2007, we had received and accepted subscriptions in our Offering for 12,162,354 shares of our common stock, or $121,466,000, excluding shares issued under the DRIP.

Property Acquisition

Gwinnett Professional Center Lawrenceville, Georgia

On July 27, 2007, we purchased the Gwinnett Professional Center for a purchase price of $9,300,000, plus closing costs, from an unaffiliated third party. We financed the purchase price using a combination of debt financing

consisting of a $6,000,000 loan assumed with a current principal balance of $5,734,000 secured by the property from La Salle National Bank and funds raised through our Offering. We paid our Advisor and its affiliate an acquisition fee of $279,000, or 3.0% of the purchase price, in connection with the acquisition.

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NNN Healthcare/Office REIT, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

1 and 4 Market Exchange Columbus, Ohio

On August 15, 2007, we purchased 1 Market Exchange, 4 Market Exchange and a vacant parcel of land, each located in Columbus, Ohio, or collectively, 1 and 4 Market Exchange, for a total purchase price of $21,900,000, plus closing costs, from unaffiliated third parties. We financed the purchase price using funds raised through our Offering. We paid our Advisor and its affiliate an acquisition fee of $657,000, or 3.0% of the purchase price, in connection with the acquisition.

Proposed Acquisitions

Institute for Senior Living of Florida Jacksonville, Winter Park and Sunrise, Florida

On July 31, 2007, our board of directors approved the acquisition of the Institute for Senior Living of Florida consisting of six centers on three campuses located in Jacksonville, Winter Park and Sunrise, Florida. We anticipate purchasing the Institute for Senior Living of Florida for a purchase price of $52,000,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through a combination of debt financing and funds raised through our Offering. We expect to pay our Advisor and its affiliate an acquisition fee of $1,560,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the third quarter of 2007.

St. Rita s Medical Center Portfolio Lima, Ohio

On July 31, 2007, our board of directors approved the acquisition of St. Rita s Medical Center Portfolio, located in Lima, Ohio. We anticipate purchasing the St. Rita s Medical Center Portfolio for a purchase price of $25,050,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through a combination of debt financing and funds raised through our Offering. We expect to pay our Advisor and its affiliate an acquisition fee of $772,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the third quarter of 2007.

Quest Diagnostics Office Building Valley Forge, Pennsylvania

On July 31, 2007, our board of directors approved the acquisition of Quest Diagnostics Office Building, located in Valley Forge, Pennsylvania. We anticipate purchasing the Quest Diagnostics Office Building for a purchase price of $26,700,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through a combination of debt financing and funds raised through our Offering. We expect to pay our Advisor and its affiliate an acquisition fee of $801,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the third quarter of 2007.