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

SUPPLEMENT NO. 8 DATED MAY 25, 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, relating to our offering of 221,052,632 shares of common stock. The purpose of this Supplement No. 8 is to disclose:

the status of our initial public offering;

new permanent financing on our Commons V Medical Office building in Naples, Florida;

our recent acquisition of Thunderbird Medical Plaza in Glendale, Arizona;

the announcement by our sponsor of its proposed merger with Grubb & Ellis Company;

Management s Discussion and Analysis of Financial Condition and Results of Operations as of and for the period ended March 31, 2007; and

our unaudited financial statements as of and for the three months ended March 31, 2007.

Status of Our Initial Public Offering

As of May 16, 2007, we had received and accepted subscriptions in our offering for 7,147,303 shares of common stock, or approximately $71,364,000, excluding shares issued pursuant to our distribution reinvestment plan.

Commons V Permanent Financing

On May 14, 2007, we, through NNN Healthcare/Office REIT Commons V, LLC, entered into a secured loan with Wachovia Bank, National Association, or Wachovia, as evidenced by a promissory note in the principal amount of $10,000,000. The promissory note is secured by the Commons V property located in Naples, Florida and a Mortgage, Security Agreement and Fixture Filing. The loan matures on June 11, 2017 and bears interest at a rate of 5.54% per annum. The loan provides for the following payments: (a) interest-only payments on the eleventh day of each month, in the amount set forth in Annex 1 of the promissory note, commencing July 11, 2007 through and including June 11, 2008; (b) principal and interest payments equal to $57,030.12 on the eleventh day of each month commencing on July 11, 2008, through May 11, 2017; and (c) the outstanding principal amount, together with all accrued but unpaid interest, in full, on June 11, 2017. The loan also provides for: (i) a default interest rate of 9.54% per annum, or the maximum amount permitted by applicable law, in an event of default; and (ii) late charges in an amount equal to 3.0% of the amount of any overdue payments, in addition to any default interest payments. We have guaranteed performance under the promissory note under an Indemnity and Guaranty Agreement in favor of Wachovia. The loan documents contain customary representations, warranties, covenants and indemnities as well as provisions for reserves and impounds. The cash proceeds (net of closing costs and $205,000 of lender required reserves) of approximately $9,651,000 was used to fund the acquisition of Thunderbird Medical Plaza, as described below.

Acquisition of Thunderbird Medical Plaza

On May 15, 2007, we, through our operating partnership, NNN Healthcare/Office REIT Holdings, L.P., 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.

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Financing and Fees

Of the total purchase price of $25,000,000, $11,500,000 was allocated to T-Bird 5422/5410 and $13,5000,000 was allocated 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 this offering. An acquisition fee of $750,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Description of the Property

Thunderbird Medical Plaza consists of 110,000 square feet of gross leasable area. The property is currently 78% leased, with 100% occupied by medical tenants, none of which occupy ten percent or more of the gross leaseable area. We intend to continue to lease the building to medical tenants.

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 Thunderbird Medical Plaza.

There are at least seven comparable properties located in the same submarket that might compete with Thunderbird Medical Plaza.

Management believes that the property is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, the depreciable basis in Thunderbird Medical Plaza will be approximately $22.5 million. We calculate depreciation for income tax purposes using the straight line method. We depreciate buildings based upon estimated useful lives of 39 years. Real estate taxes payable on the property for 2006 were approximately $283,000 at a Primary (Limited) rate of 6.65% and a Secondary (Full Cash) rate of 5.42%.

The following table sets forth the lease expirations of Thunderbird Medical Plaza 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	3	5,739	$ 145,426.88	7.36%
2008	5	8,238	$ 178,893.20	9.05%
2009	4	5,214	$ 123,353.82	6.24%
2010	6	12,867	$ 312,874.75	15.83%
2011	1	8,403	$ 204,192.90	10.33%
2012	9	21,979	$ 478,013.78	24.19%
2013	4	14,038	$ 315,350.20	15.96%
2014			$	
2015			$	
2016	2	9,370	$ 217,852.50	11.03%

Proposed Merger of Our Sponsor

On May 22, 2007, NNN Realty Advisors, Inc., our sponsor, entered into a definitive merger agreement with Grubb & Ellis Company. The merger has been approved by the Boards of Directors of both NNN Realty Advisors, Inc. and Grubb & Ellis Company. 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.

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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 unaudited consolidated financial statements and notes appearing elsewhere in this Supplement No. 8 as well as our consolidated financial statements and notes included in our prospectus. The financial statements and information included in this prospectus supplement have been prepared to reflect our financial position as of March 31, 2007, together with our results of operations for the three months ended March 31, 2007 and cash flows for the three months ended March 31, 2007.

Forward-Looking Statements

Historical results and trends should not be taken as indicative of future operations. Our statements contained in this Supplement No. 8 that are not historical facts are forward-looking statements. Actual results may differ materially from those included in the forward-looking statements. 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 predic the 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 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, and are not presenting comparative information for the three months ended March 31, 2006. 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.

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We are conducting a best efforts initial public 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 May 16, 2007, we had received and accepted subscriptions in this offering for 7,147,303 shares of our common stock, or $71,364,000, excluding shares issued under the DRIP.

We will 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 in September 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 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.

As of March 31, 2007, we had purchased four properties comprising 329,000 square feet of gross leasable area, or GLA.

Critical Accounting Policies

The complete listing of our Critical Accounting Policies was previously disclosed in our prospectus.

Interim Financial Data

Our accompanying interim unaudited 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 consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Our accompanying unaudited 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 unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our prospectus.

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

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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.

Acquisitions in 2007

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 of the property through the assumption of an existing mortgage loan payable 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 this 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 of the property through the assumption of an existing mortgage loan payable 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 this 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 total 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, an eight-story medical office building located in downtown St. Paul, Minnesota. We primarily financed the purchase price of the property through the assumption of an existing mortgage loan payable 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

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raised through this offering. In connection with the acquisition, we incurred an acquisition fee of $264,000, or 3.0% of the purchase price, 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 payable of $12,000,000 on the property with LaSalle. The balance of the purchase price was provided by funds raised through this offering. In connection with the acquisition, we incurred an acquisition fee of $555,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Affiliate Transactions

Since we acquired 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, an independent appraiser was engaged to value the properties, 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.

Leverage

As a result of the acquisitions of each of the Crawfordsville property, the Southpointe property, the Gallery property and the Lenox property, on each of the acquisition dates, our leverage exceeded 300.0%. 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 the acquisitions. The board of directors determined that the excess leverage was justified because it enabled us to purchase the property during the initial stages of this 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 May 14, 2007, our leverage does not exceed 300.0%. We may 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.

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 March 31, 2007, our consolidated properties were 87.1% leased. 8.1% of the leased gross leasable area 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

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time the 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 impact 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.

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 other than those set forth in our prospectus.

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 were initially capitalized on April 28, 2006, and therefore we consider that our date of inception, and are not presenting comparative information for the three months ended March 31, 2006.

For the three months ended March 31, 2007, we had a net loss of $532,000, or $0.73 per share, due to revenue of $742,000, offset by rental expenses of $298,000, general and administrative expenses of $363,000, depreciation and amortization of $342,000 and interest expense of $272,000. 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 months ended March 31, 2007, revenue was comprised of $742,000 in rental income. Revenue relates to rental income at the Southpointe property and the Crawfordsville property for approximately two months, at the Gallery property for 23 days and at the Lenox property for nine days.

For the three months ended March 31, 2007, rental expense was comprised of rental expense at the Southpointe property and the Crawfordsville property for approximately two months, at the Gallery property for 23 days and at the Lenox property for nine days. Rental expense is primarily comprised of property taxes, maintenance, onsite payroll and utilities.

For the three months ended March 31, 2007, depreciation and amortization expense was comprised primarily of depreciation on the properties of $120,000 and amortization of identified intangible assets of

$222,000. Depreciation and amortization is calculated based on our depreciation and amortization policies as set forth in our prospectus.

For the three months ended March 31, 2007, interest expense was related to interest expense primarily on our four mortgage loan payables with LaSalle, interest expense on the unsecured note payables to NNN Realty Advisors and amortization of loan fees associated with acquiring the mortgage loan payables that are being amortized to interest expense over the terms of the related mortgage note payables. For the three months ended March 31, 2007, interest expense consisted of $197,000 and $71,000, with LaSalle and NNN Realty Advisors, respectively, and amortization expense of loan fees of $4,000.

Liquidity and Capital Resources

We are dependent upon the net proceeds to be received from this offering to conduct our proposed activities. The capital required to purchase real estate and real estate related securities will be obtained from this 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 this 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, borrowings, and the net proceeds of this offering. However, there may be a delay between the sale of our shares 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 $1,790,000 for the next 12 months for capital expenditures. We have reserves with lenders for such capital expenditures of $633,000 as of March 31, 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 this 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 this 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 gross proceeds of this 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.

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Cash Flows

Cash flows from operating activities for the three months ended March 31, 2007 were $34,000. 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 three months ended March 31, 2007 were $20,065,000. 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 $8,797,000, the Gallery property on March 9, 2007 in the amount of $3,044,000 and the Lenox property on March 23, 2007 in the amount of $6,523,000. We anticipate cash flows used in investing activities to continue to increase as we purchase more properties.

Cash flows from financing activities for the three months ended March 31, 2007 were $24,556,000. Such cash flows related primarily to funds raised from investors in the amount of $26,516,000, partially offset by offering costs of $1,937,000. 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 three months ended March 31, 2007, we paid distributions of $23,000 from cash flow from operations of $34,000 for the period. However, as of March 31, 2007, we owed $331,000 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 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.

We have not paid distributions with funds from operations, or FFO. For the three months ended March 31, 2007, our FFO was $(190,000). 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.

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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. As a result of each of the acquisitions of the Crawfordsville property, the Southpointe property, the Gallery property and the Lenox property, on each of the acquisition dates, our leverage exceeded 300.0%. 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 the 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 this 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 [May 14], 2007, our leverage does not exceed 300.0%. We will likely continue to 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. 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.

Mortgage Loan Payables

Mortgage loan payables were $31,410,000 and $0 as of March 31, 2007 and December 31, 2006, respectively. As of March 31, 2007, we had four fixed rate mortgage loans with a weighted-average effective interest rate of 5.96% per annum. As of March 31, 2007, our mortgage loans have interest-only monthly payments.

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

Property	**Interest Rate**	**Maturity Date**	**Mortgage Loan Payable as of March 31, 2007**	**Mortgage Loan Payable 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	
			$ 31,410,000	$

Unsecured Note Payables to Affiliate

On January 22, 2007 and March 9, 2007, we entered into unsecured notes 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 fixed rates 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. 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. On March 28, 2007, we repaid all outstanding principal and accrued interest on both unsecured notes.

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 initially 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 this 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 this offering. As of March 31, 2007 and December 31, 2006, our advisor or its affiliates have incurred $1,789,000 and $1,728,000, respectively, in excess of 11.5% of the gross proceeds of this offering, and therefore these expenses are not recorded in our accompanying consolidated financial statements as of March 31, 2007. To the extent we raise additional proceeds from this offering, these amounts may become our liability. See Note 9, Related Party Transactions Offering Stage to the unaudited financial statements included in this Supplement No. 8 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 March 31, 2007, we had four mortgage loan payables outstanding secured by our properties, in the principal amount of $31,410,000. As of March 31, 2007, the weighted-average interest rate on our outstanding debt was 5.96% per annum.

Contractual Obligations

The following table provides information with respect to the maturities and scheduled principal repayments of our secured mortgage loan payables as of March 31, 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	$	$	$	$ 31,410,000	$ 31,410,000
Interest payments fixed rate debt	1,598,000	3,743,000	3,733,000	8,755,000	17,829,000
Total	$ 1,598,000	$ 3,743,000	$ 3,733,000	$ 40,165,000	$ 49,239,000

Off-Balance Sheet Arrangements

As of March 31, 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.

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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.

The following is the calculation of FFO for the three months ended March 31, 2007:

		For the Three Months Ended March 31, 2007
Net loss	$	(532,000)
Add:		
Depreciation and amortization consolidated properties		342,000
FFO	$	(190,000)
Weighted average common shares outstanding basic and diluted		730,986

Subsequent Events

Status of our Offering

As of May 16, 2007, we had received and accepted subscriptions in this offering for 7,147,303 shares of our common stock, or $71,364,000, excluding shares issued under the DRIP.

Property Acquisitions

Commons V

On April 5, 2007, our board of directors approved the acquisition of the Commons V Medical Office Building, or Commons V. Commons V is a three-story multi-tenant medical office building centrally located in Naples, Florida. On April 24, 2007, we acquired the Commons V property for a purchase price of $14,100,000, plus closing costs, from an unaffiliated third party. We financed the purchase using funds raised

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through this offering. We paid our advisor and its affiliate an acquisition fee of $423,000, or 3.0% of the purchase price, in connection with the acquisition.

Fayette property

On May 2, 2007, we acquired Yorktown Medical Center and Shakerag Medical Center located in Fayette County, Georgia, which we refer to collectively as the Fayette property, from an unaffiliated third party for a purchase price of $21,500,000, plus closing costs. In connection with the purchase, we obtained a $13,530,000 fixed-rate, 5.52% per annum first mortgage from Wachovia Bank, National Association, or Wachovia. We paid our advisor and its affiliate an acquisition fee of $645,000, or 3.0% of the purchase price.

Thunderbird Medical Plaza

On May 15, 2007, we, through our operating partnership, NNN Healthcare/Office REIT Holdings, L.P., acquired Thunderbird Medical Plaza in Glendale, Arizona, or the Thunderbird property from an unaffiliated third party for a total purchase price of $25,000,000, plus closing costs. The Thunderbird property consists of real property located at 5422 and 5410 West Thunderbird Road, or the T-Bird 5422/5410 Land, and real property located at 53