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

FORM 10-Q

[Mark One]

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

For the quarterly period ended September 30, 2003

OR

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

For the transition period from ___________ to ___________

Commission File Number: 333-91532 (1933 Act)

Behringer Harvard REIT I, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**68-0509956**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1323 North Stemmons Freeway, Suite 210, Dallas, Texas 75207
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code: (866) 655-1605

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 10, 2003, Behringer Harvard REIT I, Inc. had 456,254 shares of common stock, $.0001 par value, outstanding.

BEHRINGER HARVARD REIT I, INC.
FORM 10-Q
Quarter Ended September 30, 2003

PART I
FINANCIAL INFORMATION

PART II
OTHER INFORMATION

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

Behringer Harvard REIT I, Inc.
(A Development Stage Maryland Corporation)
Condensed Consolidated Balance Sheets

	September 30, 2003	December 31, 2002
Assets		
Cash and cash equivalents	$ 186,257	$ 196,290
Restricted cash	2,696,081	-
Prepaid assets	6,225	1,005
Total assets	$ 2,888,563	$ 197,295
Liabilities and stockholders' equity		
Liabilities		
Due to affiliates	$ 35,347	$ -
Accrued liabilities	54,659	-
Subscriptions for common stock	2,696,081	-
Total liabilities	2,786,087	-
Stockholders' equity		
Preferred stock, $.0001 par value per share; 50,000,000 shares authorized, none outstanding	-	-
Common stock, $.0001 par value per share; 350,000,000 shares authorized, 20,000 shares issued and outstanding	2	2
Additional paid-in capital	199,998	199,998
Deficit accumulated during the development stage	(97,524)	(2,705)
Total stockholders' equity	102,476	197,295
Total liabilities and stockholders' equity	$ 2,888,563	$ 197,295

See Notes to Condensed Consolidated Financial Statements.

Behringer Harvard REIT I, Inc.
(A Development Stage Maryland Corporation)
Condensed Consolidated Statements of Operations

	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	From inception (June 28, 2002) through September 30, 2003	From inception (June 28, 2002) through September 30, 2002
Total revenues	$ -	$ -	$ -	$ -	$ -
Expenses					
General and administrative	92,938	-	94,824	98,629	-
Total expenses	92,938	-	94,824	98,629	-
Other income					
Interest income	1	-	5	1,105	-
Total other income	1	-	5	1,105	-
Net loss	$ (92,937)	$ -	$ (94,819)	$ (97,524)	$ -
Basic and diluted weighted average shares outstanding	20,000	20,000	20,000	20,000	20,000
Basic and diluted loss per share	$ (4.65)	$ -	$ (4.74)	$ (4.88)	$ -

See Notes to Condensed Consolidated Financial Statements.

Behringer Harvard REIT I, Inc.
(A Development Stage Maryland Corporation)
Condensed Consolidated Statements of Cash Flows

	Nine months ended September 30, 2003	From inception (June 28, 2002) through September 30, 2003	From inception (June 28, 2002) through September 30, 2002
Cash flows from operating activities			
Net loss	$ (94,819)	$ (97,524)	$ -
Adjustments to reconcile net loss to net cash flows from operating activities			
Change in prepaid assets	(5,220)	(6,225)	-
Change in due to affiliates	35,347	35,347	
Change in accrued liabilities	54,659	54,659	
Cash used in operating activities	(10,033)	(13,743)	-
Cash flows from investing activities	-	-	-
Cash flows from financing activities			
Issuance of common stock	-	200,000	200,000
Proceeds from common stock subscriptions	2,696,081	2,696,081	-
Increase in restricted cash	(2,696,081)	(2,696,081)	-
Cash provided by financing activities	-	200,000	200,000
Net change in cash and cash equivalents	(10,033)	186,257	200,000
Cash and cash equivalents at beginning of period	196,290	-	-
Cash and cash equivalents at end of period	$ 186,257	$ 186,257	$ 200,000

See Notes to Condensed Consolidated Financial Statements.

Behringer Harvard REIT I, Inc.
(A Development Stage Maryland Corporation)
Notes to Condensed Consolidated Financial Statements

1. Organization

Behringer Harvard REIT I, Inc. (the "Company") was organized in Maryland in June 2002 and intends to qualify as a real estate investment trust ("REIT") and invest in commercial real estate properties, generally institutional quality office buildings and other commercial properties, and lease each such property to one or more tenants. BHR Partners, LLC ("BHR Partners") and Behringer Harvard Operating Partnership I LP ("Behringer Harvard OP I") are directly or indirectly wholly owned subsidiaries of the Company, organized in June 2002. BHR Partners is the limited partner and owner of 99.9% of the limited partnership interest of Behringer Harvard OP I. The Company is the general partner and owner of the remaining 0.1% of the limited partnership interest of Behringer Harvard OP I.

The Company's advisor is Behringer Advisors LP ("Behringer Advisors"), a Texas limited partnership formed in 2002, which is responsible for managing the Company's affairs on a day-to-day basis and for identifying and making acquisitions and investments on its behalf.

As of September 30, 2003, 20,000 shares of the Company's common stock were issued and outstanding and owned by Behringer Harvard Holdings, LLC, the Company's parent company, and no shares of preferred stock were issued and outstanding. The Company currently has no common stock equivalents, such as stock options, outstanding.

As of September 30, 2003, the Company was in the development stage and had not begun real estate operations. During October 2003, the Company commenced operations upon its initial acceptance of subscriptions and the purchase of a 14.4676% undivided tenant in common interest in a 14-story office building in Bloomington, Minnesota. (See Note 6)

2. Public Offering

On February 19, 2003, the Company's Registration Statement on Form S-11, covering a public offering (the "Offering") of up to 80,000,000 shares of common stock to be offered at a price of $10 per share was declared effective under the Securities Act of 1933. The Registration Statement also covers up to 8,000,000 shares available pursuant to the Company's dividend reinvestment plan and up to 3,520,000 shares issuable to broker-dealers pursuant to warrants whereby participating broker-dealers will have the right to purchase one share for every 25 shares they sell pursuant to the Offering.

On October 1, 2003, the Company satisfied the minimum offering requirement of $2,500,000 established for the Offering. (See Note 6) All additional subscription proceeds will be held in escrow until investors are admitted as stockholders. The Company intends to admit new stockholders at least monthly. At that time, subscription proceeds may be released to the Company from escrow and utilized as consideration for investments and the payment or reimbursement of the dealer manager fee, selling commissions, organization and offering expenses and operating expenses. Until required for such purposes, net offering proceeds will be held in short-term, liquid investments.

3. Interim Unaudited Financial Information

The accompanying condensed consolidated financial statements should be read in conjunction with the Company's Registration Statement on Form S-11, as amended, which was filed with the Securities and Exchange

Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), have been condensed or omitted in this report on Form 10-Q pursuant to the rules and regulations of the SEC. In the opinion of management, the disclosures contained in this report are adequate to make the information presented not misleading.

The results for the interim period shown in this report are not necessarily indicative of future financial results. The accompanying condensed consolidated financial statements of the Company as of September 30, 2003 have not been audited by independent accountants. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments (of a normal recurring nature) necessary to present fairly the consolidated financial position of the Company as of September 30, 2003 and the consolidated results of its operations and cash flows for the periods then ended.

Amounts in previous periods have been reclassified to conform to current period presentation.

New Accounting Pronouncements

Statement of Financial Accounting Standards ("SFAS") No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" was issued in April 2003 and is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. SFAS No. 149 amends and clarifies financial reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Company believes adoption of SFAS No. 149 will not have a material effect on the financial condition, results of operations, or liquidity of the Company.

SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" was issued in May 2003 and is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The adoption of SFAS No. 150 did not have a material effect on the financial condition, results of operations, or liquidity of the Company.

FASB Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities" was issued in January 2003 and FASB Staff Position ("FSP") No. FIN 46-6 "Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities" was issued in October 2003. This interpretation of Accounting Research Bulletin No. 51, "Consolidated Financial Statements" applies immediately to variable interest entities created after January 31, 2003, and applies to the first interim or annual period ending after December 15, 2003 for entities acquired before February 1, 2003 (as deferred by FSP No. FIN 46-6). This FIN requires the consolidation of results of variable interest entities in which the Company is deemed to be the primary beneficiary, as defined. As of September 30, 2003, the Company did not own an interest in a variable interest entity and believes adoption of FIN No. 46 will not have a material effect on the financial condition, results of operations, or liquidity of the Company. Interests in entities acquired or created after September 30, 2003 will be evaluated based on FIN No. 46 criteria and consolidation of these interests may be required.

4. Summary of Significant Accounting Policies

Below is a discussion of the accounting policies that the Company considers to be critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions, balances, and profits have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments purchased with original maturities of three months or less.

Real Estate

As the Company commences its operations to acquire real estate, management will continually monitor events and changes in circumstances indicating that the carrying amounts of the real estate assets in which it obtains an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, the Company will assess potential impairment by comparing estimated future undiscounted operating cash flows expected to be generated over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated future undiscounted operating cash flows, the Company will recognize an impairment loss to adjust the carrying amount of the asset to its estimated fair value.

Real Estate Purchase Price Allocation

The Company will record above-market and below-market in-place lease values for acquired properties based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the respective leases. The Company will amortize any capitalized above-market and below-market lease values as a reduction or increase of rental income, respectively, over the remaining non-cancelable terms of the respective leases.

The Company will measure the aggregate value of other real estate related intangible assets acquired based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. Management's estimates of value are expected to be made using discounted cash flow analyses or similar methods. Factors to be considered by management in its analysis include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. Management will also consider information obtained about each property as a result of pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. In estimating carrying costs, management will also include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods. Management will also estimate costs to execute similar leases including leasing commissions, legal and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

The total amount of other real estate related intangible assets acquired will be further allocated to in-place lease values and customer relationship intangible values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with that respective tenant. Characteristics to be considered by management in allocating these values include the nature and extent of existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals (including those existing under the terms of the lease agreement), among other factors.

The Company will amortize the value of in-place leases to expense over the initial term of the respective leases. The value of customer relationship intangibles will be amortized to expense over the initial term and any renewal periods in the respective leases, but in no event will the amortization period for intangible assets exceed the remaining depreciable life of the building. Should a tenant terminate its lease, the unamortized portion of the in-place lease value and customer relationship intangibles would be charged to expense.

Income Taxes

The Company currently accounts for income taxes in accordance with Statement of Financial Accounting Standards 109, *Accounting for Income Taxes* ("SFAS 109"). Under the liability method of SFAS 109, deferred taxes are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect in the years the differences are expected to reverse. Currently, the Company has a deferred tax asset related to a loss carryforward of approximately $14,000. This deferred tax asset has been fully reserved for as the Company anticipates qualifying as a REIT.

The Company's management will evaluate plans to make an election to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code, effective for the Company's taxable year ending December 31, 2003 or 2004. The Company believes that, commencing with the taxable year for which such election is made, it will be organized and will operate in such a manner as to qualify for taxation as a REIT under the Internal Revenue Code, and it intends to continue to operate in such a manner, but no assurance can be given that it will operate in a manner so as to qualify or remain qualified as a REIT.

If the Company qualifies for taxation as a REIT, it generally will not be subject to federal corporate income taxes on income that it distributes currently to its stockholders.

Revenue Recognition

The Company will recognize rental income generated from all leases on real estate assets in which it will have an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases unless significant collection problems occur with the lessee, at which time rents will be recognized on a cash basis. Contingent rent will be recognized as revenue after the related lease sales targets are achieved.

Operating Cost Reimbursements

The Company will bill tenants for operating cost reimbursements in accordance with the respective lease terms, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely on actual prior period activity. Such billings will be adjusted on an annual basis as necessary, based on the actual costs incurred during the period and the respective lease terms.

Deferred Project Costs

The Company's advisor will be paid an acquisition and advisory fee of 3.0% of the contract price of each investment. In addition, the Company will reimburse its advisor for investment acquisition expenses in an amount of up to 0.5% of the contract price of the Company's investments (subject to certain overall limitations described in the Company's Registration Statement on Form S-11). Pending such reimbursement, the Company's advisor will bear such expenses, and will bear such expense to the extent they exceed 0.5% of the contract price of the Company's investments. As the Company invests its capital proceeds, these costs will be capitalized to real estate assets, either directly or through contributions to joint ventures, at an amount up to 3.5% of the contract price of each investment in respect of the acquisition and advisory fee and acquisition expenses and depreciated over the useful lives of the respective real estate assets.

Deferred Offering Costs

The Company's advisor expects to continue to fund, on the Company's behalf, all of the organization and offering costs and will be reimbursed for such organization and offering costs up to 2.5% of cumulative capital raised by the Company in its current public offering. Organization and offering costs include items such as legal and accounting fees, marketing, promotional and printing costs, and specifically exclude selling commissions and the dealer manager fee. The Company will be required to repay the Company's advisor, at an amount equal to the lesser of 2.5% of cumulative capital raised or actual costs incurred by third parties less previous reimbursements paid to the advisor. All offering costs will be recorded as an offset to additional paid-in capital, and all organization costs will be recorded as an expense when the Company becomes liable for the payment of these amounts.

Concentration of Credit Risk

At September 30, 2003, the Company had cash and cash equivalents and restricted cash on deposit in two financial institutions in excess of federally insured levels. The Company regularly monitors the financial stability of these financial institutions and does not believe it is exposed to any significant credit risk on cash and restricted cash.

5. Related Party Arrangements

Certain affiliates of the Company will receive fees and compensation in connection with the Offering, and the acquisition, management and sale of the assets of the Company. Behringer Securities LP ("Behringer Securities"), the affiliated dealer manager, will receive a commission of up to 7.0% of gross offering proceeds before reallowance of commissions earned by participating broker-dealers. In addition, up to 2.5% of gross proceeds before reallowance to participating broker-dealers will be paid to Behringer Securities as a dealer manager fee; provided that Behringer Securities will receive 1.0% of the gross proceeds of purchases pursuant to the Company's dividend reinvestment plan. Behringer Securities will reallow all of its commission of 7.0% of gross offering proceeds to participating broker-dealers and may reallow a portion of its dealer manager fee of up to 1.5% of the gross offering proceeds to be paid to such participating broker-dealers as marketing fees, including bona fide conference fees incurred, and due diligence expense reimbursement.

Behringer Advisors, the affiliated advisor for the Company, or its affiliates, may receive up to 2.5% of gross offering proceeds for reimbursement of organization and offering expenses. All organization and offering expenses (excluding selling commissions and the dealer manager fee) are being funded by Behringer Advisors or its affiliates and may be reimbursed by the Company for up to 2.5% of gross offering proceeds. As of September 30, 2003, Behringer Advisors or its affiliates had incurred $2,465,486 of organization and offering expenses on behalf of the Company. Behringer Advisors or its affiliates determines the amount of organization and offering expenses owed to Behringer Advisors based on specific invoice identification as well as an allocation of costs to the Company and Behringer Harvard Mid-Term Value Enhancement Fund I LP and Behringer Harvard Short-Term Opportunity Fund I LP, affiliates of the Company, based on anticipated equity offering size. Behringer Advisors or its affiliates also will receive acquisition and advisory fees of up to 3.0% of the contract purchase price of each asset for the acquisition, development or construction of real property or, with respect to any mortgage loan, up to 3.0% of the funds advanced for the purchase or making of a mortgage. Behringer Advisors or its affiliates may also receive up to 0.5% of the contract purchase price of each asset or, with respect to the making or purchase of a mortgage loan, up to 0.5% of the funds advanced, for reimbursement of expenses related to making investments.

The Company expects to pay HPT Management LP, its property manager, fees for the management and leasing of the Company's properties. Such fees are expected to equal 3.0% of gross revenues plus leasing commissions based upon the customary leasing commission applicable to the geographic location of the respective property.

The Company will pay Behringer Advisors an annual advisor asset management fee of 0.5% of aggregate asset value. Any portion of the asset management fee may be deferred and paid in a subsequent year.

Behringer Advisors or its affiliates also will be paid fees if the advisor provides a substantial amount of services, as determined by the Company's independent directors, in connection with the sale of one or more properties. In such event, the Company will pay the advisor an amount not exceeding the lesser of: (A) one-half of the brokerage commission paid, or (B) 3.0% of the sales price of each property sold, provided that such fee will be subordinated to distributions to investors from sale proceeds of an amount which, together with prior distributions to the investors, will equal (1) 100.0% of their capital contributions plus (2) a 9.0% annual, cumulative, non-compounded return on their capital contributions. Subordinated disposition fees that are not payable at the date of sale, because investors have not yet received their required minimum distributions, will be deferred and paid at such time as these subordination conditions have been satisfied. In addition, after investors have received a return on their net capital contributions and a 9.0% annual, cumulative, non-compounded return, then Behringer Advisors is entitled to 15.0% of remaining net sale proceeds. Subordinated participation in net sale proceeds that are not payable at the date of sale, because investors have not yet received their required minimum distribution, will be deferred and paid at such times as the subordination conditions have been satisfied.

Upon listing of the Company's common stock on a national securities exchange or included for quotation on the Nasdaq Stock Market, a listing fee equal to 15.0% of the amount by which the market value of the Company's outstanding stock plus distributions paid by the Company prior to listing, exceeds the sum of the total amount of capital raised from investors and the amount of cash flow necessary to generate a 9.0% annual, cumulative, non-compounded return to investors will be paid to Behringer Advisors. Upon termination of the Advisory Agreement with Behringer Advisors, a performance fee of 15.0% of the amount by which the Company's appraised asset value at the time of such termination exceeds the aggregate capital contributions contributed by investors plus payment to investors of a 9.0% annual, cumulative, non-compounded return on the capital contributed by investors will be paid to Behringer Advisors as a performance fee. No performance fee will be paid if the Company has already paid or become obligated to pay Behringer Advisors a listing fee.

The Company will reimburse Behringer Advisors for all expenses it pays or incurs in connection with the services it provides to the Company, subject to the limitation that the Company will not reimburse for any amount by which the advisor's operating expenses (including the asset management fee) at the end of the four preceding fiscal quarters exceeds the greater of: (i) 2.0% of the Company's average invested assets, or (ii) 25.0% of the Company's net income other than any additions to reserves for depreciation, bad debts or other similar non-cash reserves and any gain from the sale of the Company's assets for that period.

6. Subsequent Events

The Company commenced its initial public offering of shares of common stock on February 19, 2003. Until subscriptions aggregating at least $2,500,000 were received and accepted, all subscription proceeds were placed in escrow pursuant to the terms of an escrow agreement with Wells Fargo Bank Iowa, N.A. The conditions of the escrow agreement were satisfied on October 1, 2003. Through November 10, 2003, the Company has accepted subscriptions and issued 436,254 shares of its common stock to stockholders with gross proceeds of $4,358,140 distributed to the Company. In addition, there are special escrow accounts established under the escrow agreement for subscriptions from residents of Nebraska and Pennsylvania. The conditions of these special escrow accounts have not been satisfied as of November 10, 2003 and, therefore, the Company has not accepted subscriptions from residents of those states. Of the $4,358,140 distributed to the Company, $300,975 and $108,954 was paid to Behringer Securities for commissions and dealer manager fees, respectively, and $108,954 was paid to Behringer Advisors for reimbursement of organization and offering expenses. Behringer Securities reallowed all of the commissions to participating broker-dealers and reallowed $21,742 of the dealer manager fees to participating broker-dealers as marketing fees, including bona fide conference fees incurred, and due diligence expense reimbursement. Net proceeds to the Company as of November 10, 2003 were $3,839,257 after payment of such fees and expenses.

On October 1, 2003, the Company's board of directors declared a cash dividend as of each day of the period commencing October 1, 2003 and ending on December 31, 2003 (each a "record date"), with the amount of the dividend payable on each record date to be equal to $.0019178 per common share, which is equivalent to an annual dividend rate of 7.0%. The dividend will be paid on a monthly basis on or before the 15th day of each month for dividends declared in the preceding month.

On October 15, 2003, the Company acquired an undivided 14.4676% tenant in common interest in Minnesota Center, a 14-story office building containing approximately 276,425 rentable square feet and located on approximately four acres of land in Bloomington, Minnesota. The total purchase price of Minnesota Center was approximately $41,682,000, including preliminary closing costs of approximately $921,800. The cost for the Company's interest was approximately $6,500,000, including the Company's proportionate share of the preliminary closing costs, loan fees, and the 3.5% aggregate of the acquisition fee and acquisition reimbursement due to Behringer Advisors. The Company used borrowings of $4,340,280 under a Loan Agreement (the "Loan Agreement") with Greenwich Capital Financial Products, Inc. (the "Lender") to pay a portion of such purchase price and paid the remaining purchase price from proceeds of the sale of the Company's common stock in the Offering. The Company's tenant in common interest is held by Behringer Harvard Minnesota Center TIC II, LLC, a new special single purpose Delaware limited liability company wholly owned by the Company's operating partnership, Behringer Harvard OP I. The remaining tenant in common interests in Minnesota Center were acquired by various investors who purchased their interests in a private offering sponsored by the Company's affiliate, Behringer Harvard Holdings, LLC.

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

The following discussion and analysis should be read in conjunction with the accompanying financial statements of the Company and the notes thereto:

Forward-Looking Statements

This section contains forward-looking statements, including discussion and analysis of the Company's financial condition, anticipated capital expenditures required to complete projects, amounts of anticipated cash distributions to the Company's stockholders in the future and other matters. These forward-looking statements are not historical facts but are the intent, belief or current expectations of the Company's business and industry. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates" and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of the future performance and are subject to risks, uncertainties and other factors, some of which are beyond the Company's control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. You are cautioned to not place undue reliance on forward-looking statements, which reflect the Company's management's view only as of the date of this Form 10-Q. The Company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results. Factors that could cause actual results to differ materially from any forward-looking statements made in this Form 10-Q include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow. The forward-looking statements should be read in light of these factors and the factors identified in the "Risk Factors" section of the Company's Registration Statement on Form S-11 filed with the Securities and Exchange Commission.

Critical Accounting Policies and Estimates

Below is a discussion of the accounting policies that the Company considers to be critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Real Estate

As the Company commences its operations to acquire real estate, management will continually monitor events and changes in circumstances indicating that the carrying amounts of the real estate assets in which it obtains an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When such events or changes in circumstances are present, the Company will assess potential impairment by comparing estimated future undiscounted operating cash flows expected to be generated over the life of the asset and from its eventual disposition, to the carrying value of the asset. In the event that the carrying amount exceeds the estimated future undiscounted operating cash flows, the Company will recognize an impairment loss to adjust the carrying amount of the asset to its estimated fair value.

Real Estate Purchase Price Allocation

The Company will record above-market and below-market in-place lease values for acquired properties based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the respective leases. The Company will amortize any capitalized above-market and below-market lease values as a reduction or increase of rental income, respectively, over the remaining non-cancelable terms of the respective leases.

The Company will measure the aggregate value of other real estate related intangible assets acquired based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued as if vacant. Management's estimates of value are expected to be made using discounted cash flow analyses or similar methods. Factors to be considered by management in its analysis include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. Management will also consider information obtained about each property as a result of pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired. In estimating carrying costs, management will also include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods. Management will also estimate costs to execute similar leases including leasing commissions, legal and other related expenses to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction.

The total amount of other real estate related intangible assets acquired will be further allocated to in-place lease values and customer relationship intangible values based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with that respective tenant. Characteristics to be considered by management in allocating these values include the nature and extent of existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals (including those existing under the terms of the lease agreement), among other factors.

The Company will amortize the value of in-place leases to expense over the initial term of the respective leases. The value of customer relationship intangibles will be amortized to expense over the initial term and any renewal periods in the respective leases, but in no event will the amortization period for intangible assets exceed the remaining depreciable life of the building. Should a tenant terminate its lease, the unamortized portion of the in-place lease value and customer relationship intangibles would be charged to expense.

Income Taxes

The Company currently accounts for income taxes in accordance with Statement of Financial Accounting Standards 109, *Accounting for Income Taxes* ("SFAS 109"). Under the liability method of SFAS 109, deferred taxes are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect in the years the differences are expected to reverse. Currently, the Company has a deferred tax asset related to a loss carryforward of approximately $14,000. This deferred tax asset has been fully reserved for as the Company anticipates qualifying as a REIT.

The Company's management will evaluate plans to make an election to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code, effective for the Company's taxable year ending December 31, 2003 or 2004. The Company believes that, commencing with the taxable year for which such election is made, it will be organized and will operate in such a manner as to qualify for taxation as a REIT under the Internal Revenue Code, and it intends to continue to operate in such a manner, but no assurance can be given that it will operate in a manner so as to qualify or remain qualified as a REIT.

If the Company qualifies for taxation as a REIT, it generally will not be subject to federal corporate income taxes on income that it distributes currently to its stockholders.

Revenue Recognition

The Company will recognize rental income generated from all leases on real estate assets in which it will have an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases unless significant collection problems occur with the lessee, at which time rents will be recognized on a cash basis. Contingent rent will be recognized as revenue after the related lease sales targets are achieved.

Operating Cost Reimbursements

The Company will bill tenants for operating cost reimbursements in accordance with the respective lease terms, either directly or through investments in joint ventures, on a monthly basis at amounts estimated largely on actual prior period activity. Such billings will be adjusted on an annual basis as necessary, based on the actual costs incurred during the period and the respective lease terms.

Deferred Project Costs

The Company's advisor will be paid an acquisition and advisory fee of 3.0% of the contract price of each investment. In addition, the Company will reimburse its advisor for investment acquisition expenses in an amount of up to 0.5% of the contract price of the Company's investments (subject to certain overall limitations described in the Company's Registration Statement on Form S-11). Pending such reimbursement, the Company's advisor will bear such expenses, and will bear such expense to the extent they exceed 0.5% of the contract price of the Company's investments. As the Company invests its capital proceeds, these costs will be capitalized to real estate assets, either directly or through contributions to joint ventures, at an amount up to 3.5% of the contract price of each investment in respect of the acquisition and advisory fee and acquisition expenses and depreciated over the useful lives of the respective real estate assets.

Deferred Offering Costs

The Company's advisor expects to continue to fund, on the Company's behalf, all of the organization and offering costs and will be reimbursed for such organization and offering costs up to 2.5% of cumulative capital raised by the Company in its current public offering. Organization and offering costs include items such as legal and accounting fees, marketing, promotional and printing costs, and specifically exclude selling commissions and the dealer manager fee. The Company will be required to repay the Company's advisor, at an amount equal to the lesser of 2.5% of cumulative capital raised or actual costs incurred by third parties less previous reimbursements paid to the advisor. All offering costs paid by the Company will be recorded as an offset to additional paid-in capital.

Liquidity and Capital Resources

The amount of dividends to be distributed to the Company's stockholders will be determined by its board of directors and is dependent on a number of factors, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements needed to maintain the Company's status as a REIT under the Internal Revenue Code. Operating cash flows are expected to increase as additional properties are added to the Company's investment portfolio.

The Company's principal demands for funds will be for property acquisitions, either directly or through investment interests, for mortgage loan investments, for the payment of operating expenses and dividends, and for the payment of interest on the Company's outstanding indebtedness and other investments. Generally, cash needs for items other than property acquisitions and mortgage loan investments are expected to be met from operations, and cash needs for property acquisitions are expected be met from the Company's current public offering of up to 88,000,000 shares of common stock at $10 per share. However, there may be a delay between the sale of the Company's shares and its purchase of properties and mortgage loan investments, which could result in a delay in the benefits to its stockholders, if any, of returns generated from the Company's operations. The Company expects that at least 84.2% of the money that stockholders invest will be used to buy real estate, make or invest in mortgage loans or make other investments and approximately 0.8% of the gross proceeds of the offering will be set aside as initial working capital reserves for such properties. The remaining 15.0% will be used to pay expenses and fees for selling commissions and dealer manager fees, organization and offering expenses, acquisition and advisory fees and acquisition expenses. The Company's advisor evaluates potential property acquisitions and mortgage loan investments and engages in negotiations with sellers and borrowers on the Company's behalf. Investors should be aware that after a purchase contract is executed that contains specific terms, the property will not be purchased until the successful completion of due diligence and negotiation of final binding agreements. During this period, the Company may decide to temporarily invest any unused proceeds from the Offering in certain investments that could yield lower returns than the properties. These lower returns may affect the Company's ability to make distributions.

Potential future sources of capital include proceeds from secured or unsecured financings from banks or other lenders, proceeds from the sale of properties and undistributed funds from operations. If necessary, the Company may use financings or other sources of capital in the event of unforeseen significant capital expenditures.

Results of Operations

As of the date of this Form 10-Q, no significant operations have commenced because the Company is in its development stage. Operations commenced in October 2003 with the Company's satisfaction of the minimum offering requirement established for its Offering and the purchase of a 14.4676% undivided tenant in common interest in a 14 story office building in Bloomington, Minnesota. The Company's management is 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 from the acquisition and operations of real properties and mortgage loans, other than those referred to in this Form 10-Q and the Company's Form S-11.

Inflation

The real estate market has not been affected significantly by inflation in the past several years due to the relatively low inflation rate. However, the Company intends to include provisions in the majority of its tenant leases that would protect it from the impact of inflation. These provisions include reimbursement billings for common area maintenance charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot allowance.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company has limited exposure to financial market risks, including changes in interest rates and other relevant market prices. The Company does not have any foreign operations and is not exposed to foreign currency fluctuations.

Currently, the Company's cash and cash equivalents and restricted cash balances at financial institutions represent the majority of the Company's assets. A 10.0% increase or decrease in interest rates would have no material affect on the Company's financial position and results of operations.

Item 4. Controls and Procedures.

The Chief Executive Officer and Chief Financial Officer of the Company have concluded, based on their evaluation as of the period ended September 30, 2003, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no significant changes in the Company's internal controls that could significantly affect these controls subsequent to the date of such evaluation.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

No events occurred during the quarter covered by this report that would require a response to this item.

Item 2. Changes in Securities and Use of Proceeds.

On February 19, 2003, the Company's Registration Statement on Form S-11, covering a public offering (the "Offering") of up to 80,000,000 shares of common stock to be offered at a price of $10 per share was declared effective under the Securities Act of 1933. The Registration Statement also covers up to 8,000,000 shares available pursuant to the Company's dividend reinvestment plan and up to 3,520,000 shares issuable to broker-dealers pursuant to warrants whereby participating broker-dealers will have the right to purchase one share for every 25 shares they sell pursuant to the Offering. The Offering is a best efforts continuous offering which terminates no later than February 18, 2005.

From the effective date of the Offering through September 30, 2003, the Company incurred costs of $317,105 in connection with the issuance and distribution of shares of common stock in the Offering, including fees and commissions.

On October 1, 2003, the Company satisfied the minimum offering requirement of $2,500,000 established for the Offering. All additional subscription proceeds will be held in escrow until investors are admitted as stockholders. The Company intends to continue to admit new stockholders at least monthly. At that time, subscription proceeds may be released to the Company from escrow and utilized as consideration for investments and the payment or reimbursement of the dealer manager fee, selling commissions and other organization and offering expenses. Until required for such purposes, net offering proceeds will be held in short-term, liquid investments. Amounts associated with non-admitted subscriptions are reflected in Restricted cash and Subscriptions for common stock on the Company's balance sheets.

Through November 10, 2003, the Company has accepted subscriptions and issued 436,254 shares of its common stock to stockholders with gross proceeds of $4,358,140 distributed to the Company. Of the $4,358,140 distributed to the Company, $300,975 and $108,954 was paid to Behringer Securities for commissions and dealer manager fees, respectively, and $108,954 was paid to Behringer Advisors for reimbursement of organization and offering costs. Behringer Securities reallowed all of the commissions to participating broker-dealers and reallowed $21,742 of the dealer manager fees to participating broker-dealers as marketing fees, including bona fide conference fees incurred, and due diligence expense reimbursement. Net proceeds to the Company as of November 10, 2003 were $3,839,257 after payment of such fees and expenses.

Item 3. Defaults upon Senior Securities.

No events occurred during the quarter covered by this report that would require a response to this item.

Item 4. Submission of Matters to a Vote of Security Holders.

No events occurred during the quarter covered by this report that would require a response to this item.

Item 5. Other Information.

No events occurred during the quarter covered by this report that would require a response to this item.

Item 6. Exhibits and Reports on Form 8-K.

a) Exhibits

Exhibit 31.1 – Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 – Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 – Certificate of Chief Executive and Financial Officers

b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended September 30, 2003.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Behringer Harvard REIT I, Inc.

Dated: November 14, 2003

By: /s/ Gary S. Bresky
Gary S. Bresky
Chief Financial Officer and Treasurer

Index to Exhibits

Exhibit Number	Description
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of Chief Executive and Financial Officers

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Robert M. Behringer, President, Chief Executive Officer and Chairman of the Board of Directors of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Behringer Harvard REIT I, Inc.

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 14th day of November, 2003.

/s/ Robert M. Behringer
Robert M. Behringer
President, Chief Executive Officer and
Chairman of the Board of Directors

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Gary S. Bresky, Chief Financial Officer and Treasurer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Behringer Harvard REIT I, Inc.

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 14th day of November, 2003.

/s/ Gary S. Bresky
Gary S. Bresky
Chief Financial Officer and Treasurer

Exhibit 32.1

CERTIFICATE OF CHIEF EXECUTIVE AND FINANCIAL OFFICERS

This Certificate is being delivered pursuant to the requirements of Section 1350 of Chapter 63 (Mail Fraud) of Title 18 (Crimes and Criminal Procedures) of the United States Code and shall not be relied on by any person for any other purpose.

The undersigned, who are the Chief Executive Officer and Chief Financial Officer of Behringer Harvard REIT I, Inc. (the "Company"), each hereby certify as follows:

The Quarterly Report on Form 10-Q of the Company (the "Report"), which accompanies this Certificate, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and all information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated this 14th day of November, 2003.

/s/ Robert M. Behringer
Robert M. Behringer, President and Chief Executive Officer

/s/ Gary S. Bresky
Gary S. Bresky, Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.