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, 2004

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.)

15601 Dallas Parkway, Suite 600, Addison, Texas 75001
(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 1, 2004, Behringer Harvard REIT I, Inc. had 9,914,564 shares of common stock, $.0001 par value, outstanding.

BEHRINGER HARVARD REIT I, INC.
FORM 10-Q
Quarter Ended September 30, 2004

PART I
FINANCIAL INFORMATION

PART II
OTHER INFORMATION

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

Behringer Harvard REIT I, Inc.
Consolidated Balance Sheets
(Unaudited)

	September 30, 2004	December 31, 2003
Assets		
Cash and cash equivalents	$ 16,083,281	$ 5,146,856
Restricted cash	6,125,434	10,492
Prepaid expenses and other assets	21,409,010	77,837
Investments in tenant in common interests	65,820,472	6,359,823
Deferred financing fees, net of accumulated amortization of $25,841 and $2,730, respectively	698,042	89,533
Receivables from affiliates	45,217	-
Total assets	$ 110,181,456	$ 11,684,541
Liabilities and stockholders' equity		
Liabilities		
Mortgages payable	$ 38,528,417	$ 4,332,656
Accounts payable	-	18,068
Payables to affiliates	-	76,608
Dividends payable	425,346	41,994
Accrued liabilities	510,030	133,867
Subscriptions for common stock	3,633,004	9,977
Total liabilities	43,096,797	4,613,170
Commitments and contingencies		
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, 7,953,912 and 843,878 shares issued and outstanding at September 30, 2004 and December 31, 2003, respectively	795	84
Additional paid-in capital	70,199,986	7,454,733
Cumulative distributions and net loss	(3,116,122)	(383,446)
Total stockholders' equity	67,084,659	7,071,371
Total liabilities and stockholders' equity	$ 110,181,456	$ 11,684,541

See Notes to Consolidated Financial Statements.

Behringer Harvard REIT I, Inc.
Consolidated Statements of Operations
(Unaudited)

	Three months ended September 30, 2004	Three months ended September 30, 2003	Nine months ended September 30, 2004	Nine months ended September 30, 2003
Total revenues	$ -	$ -	$ -	$ -
Expenses				
Interest	490,808	-	719,257	-
Property and asset management fees	60,264	-	100,808	-
General and administrative	335,931	92,938	684,554	96,349
Total expenses	887,003	92,938	1,504,619	96,349
Interest income	71,644	1	147,406	1,530
Net loss before equity in earnings of investments in tenant in common interests	(815,359)	(92,937)	(1,357,213)	(94,819)
Equity in earnings of investments in tenant in common interests	366,053	-	533,472	-
Net loss	$ (449,306)	$ (92,937)	$ (823,741)	$ (94,819)
Basic and diluted weighted average shares outstanding	6,153,181	20,000	3,606,894	20,000
Basic and diluted loss per share	$ (0.07)	$ (4.65)	$ (0.23)	$ (4.74)

See Notes to Consolidated Financial Statements.

Behringer Harvard REIT I, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended September 30, 2004	Nine months ended September 30, 2003
Cash flows from operating activities		
Net loss	$ (823,741)	$ (94,819)
Adjustments to reconcile net loss to net cash flows used in operating activities		
Amortization of deferred financing fees	23,111	-
Equity in earnings of investments in tenant in common interests	(533,472)	-
Change in prepaid expenses and other assets	(303,986)	(5,220)
Change in accounts payable	(18,068)	-
Change in accrued liabilities	376,163	54,659
Cash used in operating activities	(1,279,993)	(45,380)
Cash flows from investing activities		
Purchases of interests in properties	(60,002,772)	-
Escrow deposits on properties to be acquired	(21,027,187)	-
Distributions from investments	1,075,595	-
Cash used in investing activities	(79,954,364)	-
Cash flows from financing activities		
Financing costs	(631,620)	-
Proceeds from mortgage notes	34,273,193	-
Payments on mortgage notes	(77,432)	-
Issuance of common stock	70,219,751	-
Offering costs	(8,112,874)	-
Dividends	(886,496)	-
Change in subscriptions for common stock	3,623,027	2,696,081
Change in restricted cash	(6,114,942)	(2,696,081)
Change in payables to affiliates	(121,825)	35,347
Cash flows from financing activities	92,170,782	35,347
Net change in cash and cash equivalents	10,936,425	(10,033)
Cash and cash equivalents at beginning of period	5,146,856	196,290
Cash and cash equivalents at end of period	$ 16,083,281	$ 186,257
Supplemental disclosure:		
Interest paid	$ 696,146	$ -
Non-cash financing activities:		
Common stock issued in dividend reinvestment plan	$ 639,087	$ -
Dividends payable in common stock under dividend reinvestment plan	$ 183,594	$ -

See Notes to Consolidated Financial Statements.

Behringer Harvard REIT I, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Organization

Behringer Harvard REIT I, Inc. (the "Company") is a Maryland corporation formed in June 2002, which intends to qualify as a real estate investment trust ("REIT"). The Company was organized to 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. The Company is currently offering its common stock pursuant to the public offering that commenced on February 19, 2003 (the "Current Offering") and is described below.

Substantially all of the Company's business is conducted through Behringer Harvard Operating Partnership I LP ("Behringer OP I"), a Texas limited partnership organized in 2002. The Company is the owner of a 0.1% interest in Behringer OP I as its general partner. The remaining 99.9% of Behringer OP I is held as a limited partner's interest by BHR Partners, LLC ("BHR Partners"), a Delaware limited liability company which is a wholly owned subsidiary of the Company.

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

2. Public Offering

On February 19, 2003, the Company commenced the Current Offering of up to 80,000,000 shares of common stock offered at a price of $10 per share pursuant to a Registration Statement on Form S-11 filed 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 Current Offering ("Offering Warrants"). The Current Offering is a best efforts continuous offering that terminates no later than February 19, 2005 (except for the offering of shares under the Company's dividend reinvestment plan, which is anticipated to be extended).

On October 25, 2004, the Company filed a Registration Statement on Form S-3 under the Securities Act of 1933 in respect of a second public offering of the Company's common stock. The Company anticipates that this second offering of common stock will commence upon termination of the Current Offering on or about February 19, 2005 and will extend until 2007.

As of September 30, 2004, the Company had accepted subscriptions for 7,953,912 shares of its common stock, including 20,000 shares owned by Behringer Harvard Holdings, LLC ("Behringer Holdings"), under the Current Offering. As of September 30, 2004, individual broker-dealers had the right to acquire up to 317,356 Offering Warrants for a nominal fee, however, none had been issued. These Offering Warrants allow the broker-dealer to purchase the common stock at $12.00 per share and are effective at the time the Offering Warrants are acquired. As of September 30, 2004, the Company had no shares of preferred stock issued and outstanding. On May 27, 2004, the independent members of the Board of Directors of the Company were granted options to purchase a total of 9,000 shares of the Company's common stock at an exercise price of $12 per share under the Company's Non-Employee Director Option Plan. These options vest monthly through May 27, 2005 and expire on May 27, 2009. As of September 30, 2004, all 9,000 stock options were outstanding.

The Company admits new stockholders pursuant to the Current Offering at least monthly. All subscription proceeds are held in escrow or in a separate account until the subscribing investors are admitted as stockholders. Upon admission of new stockholders, subscription proceeds are released to the Company from escrow and may be utilized as consideration for investments and the payment or reimbursement of dealer manager fees, selling commissions, organization and offering expenses and operating expenses. Until required for such purposes, net offering proceeds are held in short-term, liquid investments.

The Company's common stock is not currently listed on a national exchange. However, management anticipates listing the common stock on a national exchange or liquidation of the Company's assets on or before the twelfth anniversary of the termination of the Current Offering. Depending upon then prevailing market conditions, it is the intention of the Company's management to consider beginning the process of listing or liquidation prior to the eighth anniversary of the termination of the Current Offering. In the event the Company does not obtain listing prior to the twelfth anniversary of the termination of the Current Offering, unless a majority of the board of directors and a majority of the independent directors extend such date, the Company's charter requires it to begin the sale of its properties and liquidation of its assets.

3. Interim Unaudited Financial Information

The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003, which was filed with the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted 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.

The results for the interim periods shown in this report are not necessarily indicative of future financial results. The accompanying consolidated financial statements of the Company as of September 30, 2004 and September 30, 2003 have not been audited by independent accountants. In the opinion of management, the accompanying unaudited 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, 2004 and December 31, 2003 and the consolidated results of its operations and cash flows for the periods ended September 30, 2004 and 2003.

4. Summary of Significant Accounting Policies

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and (ii) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation and Basis of Presentation

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

Cash and Cash Equivalents

The Company considers investments in highly-liquid money market funds with maturities of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents reported on the balance sheet approximates fair value.

Restricted Cash

Restricted cash includes subscription proceeds which are held in escrow until investors are admitted as stockholders. The Company admits new stockholders at least monthly. Upon acceptance of stockholders, shares of stock are issued and subscription proceeds are released to the Company from escrow. Restricted cash also includes $2,500,000 held in restricted money market accounts as security for the Company's guarantee of funds borrowed by Behringer Holdings.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets include prepaid insurance and deposits for the purchase of a tenant in common interest in an office building located in Houston, Texas which closed on October 1, 2004, deposits for the future acquisition of a tenant in common interest in a office building in Baltimore, Maryland and rate lock deposits on future borrowings for future acquisitions.

Investments in Tenant in Common Interests

As of September 30, 2004, the "Investments in tenant in common interests" on the Company's balance sheet consists of the Company's 14.4676% interest in the Minnesota Center building in Bloomington, Minnesota, the Company's 36.31276% interest in the Enclave on the Lake building in Houston, Texas, the Company's 35.709251% interest in St. Louis Place in St. Louis, Missouri and the Company's 79.4752% interest in the Colorado Building located in Washington D.C. Consolidation of these investments is not required as they do not qualify as variable interest entities as defined in Financial Accounting Standards Board Interpretation No. 46R.

The Company accounts for these investments using the equity method of accounting in accordance with Accounting Principles Board ("APB") Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." The equity method of accounting requires these investments to be initially recorded at cost and subsequently increased (decreased) for the Company's share of net income (loss), including eliminations for the Company's share of intercompany transactions and reduced when distributions are received. The equity method of accounting is utilized by the Company because the shared decision making involved in a tenant in common interest investment creates an opportunity for the Company to have some influence on the operating and financial decisions of these investments and thereby creates some responsibility by the Company for a return on its investment. Therefore, it is appropriate to include the results of operations of these investments in the earnings or losses of the Company.

Investment Impairments

For real estate directly owned by the Company, management monitors events and changes in circumstances indicating that the carrying amounts of the real estate assets may not be recoverable. When such events or changes in circumstances are present, the Company assesses 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 amount of the asset. In the event that the carrying amount exceeds the estimated future undiscounted operating cash flows, the Company recognizes an impairment loss to adjust the carrying amount of the asset to estimated fair value.

For real estate owned by the Company through an investment in a joint venture, tenant in common interest or other similar investment structure, at each reporting date management will compare the estimated fair value of its investment to the carrying value. An impairment charge is recorded to the extent the fair value of its investment is less than the carrying amount and the decline in value is determined to be other than a temporary decline.

Purchase Price Allocation

Upon the acquisition of real estate properties, the Company allocates the purchase price of those properties to the tangible assets acquired, consisting of land and buildings, and identified intangible assets. Identified intangible assets consist of the fair value of above-market and below-market leases, in-place leases, in-place tenant improvements and tenant relationships.

The fair value of the tangible assets acquired, consisting of land and buildings, is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and buildings. Land values are derived from appraisals, and building values are calculated as replacement cost less depreciation or management's estimates of the relative fair value of these assets using discounted cash flow analyses or similar methods. The value of the building is depreciated over the estimated useful life of 25 years using the straight-line method.

The Company determines the value of above-market and below-market in-place leases 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 current market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable terms of the respective leases. The fair value of above-market and below-market leases are recorded by the Company as intangible assets and amortized as an adjustment to rental income over the remaining non-cancelable terms of the respective leases.

The total value of identified real estate intangible assets acquired is further allocated to in-place lease values, in-place tenant improvements and tenant relationships based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with that respective tenant. The aggregate value for tenant improvements and leasing commissions are based on estimates of these costs incurred at inception of the acquired leases, amortized through the date of acquisition. The aggregate value of in-place leases acquired and tenant relationships is determined by applying a fair value model. The estimates of fair value of in-place leases includes an estimate of carrying costs during the expected lease-up periods for the respective spaces considering current market conditions. In estimating the carrying costs that would have otherwise been incurred had the leases not been in place, management includes items such as real estate taxes, insurance and other operating expenses as well as lost rental revenue during the expected lease-up period based on current market conditions. The estimates of fair value of tenant relationships also include costs to execute similar leases including leasing commissions, legal and tenant improvements as well as an estimate of the likelihood of renewal as determined by management on a tenant-by-tenant basis.

The Company amortizes the value of in-place leases and in-place tenant improvements to expense over the initial term of the respective leases. The value of tenant relationship intangibles is amortized to expense over the initial term and any anticipated renewal periods, but in no event does 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 tenant relationship intangibles would be charged to expense.

Revenue Recognition

The Company recognizes rental income generated from all leases on real estate assets in which it has an ownership interest, either directly or through investments in joint ventures, on a straight-line basis over the terms of the respective leases. Some leases contain provisions for the tenant's payment of additional rent after certain tenant sales revenue thresholds are met. Such contingent rent is recognized as revenue after the related revenue threshold is met.

Offering Costs

The Company's advisor funds all of the organization and offering costs on the Company's behalf and is reimbursed for such organization and offering costs up to 2.5% of the 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 internal salaries. The Company is 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 are recorded as an offset to additional paid-in capital, and all organization costs are recorded as an expense at the time the Company becomes liable for the payment of these amounts.

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 bases 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 of approximately $435,000. 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, 2005. 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.

Stock Based Compensation

The Company has two stock-based employee and director compensation plans. The Company accounts for these plans under the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and related interpretations.

Concentration of Credit Risk

At September 30, 2004, the Company had cash and cash equivalents and restricted cash in excess of federally insured levels on deposit in six financial institutions. The Company regularly monitors the financial stability of these financial institutions and believes that it is not exposed to any significant credit risk in cash and cash equivalents or restricted cash.

Earnings per Share

Earnings per share are calculated based on the weighted average number of common shares outstanding during each period. As of September 30, 2004, the Company had issued the independent members of the Board of Directors options to purchase 9,000 shares of the Company's common stock at $12.00 per share. These options were anti-dilutive for the periods ended September 30, 2004. As of September 30, 2004, individual broker-dealers had the right to acquire up to 317,356 Offering Warrants for a nominal fee; however, none of the Offering Warrants had been issued as of September 30, 2004.

5. Acquisitions

On April 12, 2004, the Company acquired an undivided 36.31276% tenant in common interest in Enclave on the Lake, a 6-story office building containing approximately 171,090 rentable square feet, located on approximately 6.75 acres of land in Houston, Texas. The purchase price for the Company's 36.31276% tenant in common interest in Enclave on the Lake was approximately $10,600,000.

On June 30, 2004, the Company acquired an undivided 35.709251% tenant in common interest in St. Louis Place, a 20-story office building containing approximately 337,088 rentable square feet and located on approximately 0.68 acres of land in St. Louis, Missouri. The purchase price for the Company's 35.709251% tenant in common interest in St. Louis Place was approximately $12,100,000.

On August 10, 2004, the Company acquired an undivided 79.4752% tenant in common interest in Colorado Building, an 11-story office building containing approximately 121,701 rentable square feet, located on approximately 0.31 acres of land in Washington, D.C. The Company's purchase price for its 79.4752% tenant in common interest in the Colorado Building was approximately $37,400,000.

6. Investments in Tenant in Common Interests

The following is a summary of the Company's tenant in common interest investments as of September 30, 2004:

Property Name	Date Acquired	Tenant in Common Interest	Carrying Value of Investment	Mortgage Payable
Minesota Center	10/15/03	14.467600%	$ 6,014,122	$ 4,296,970
Enclave on the Lake	4/12/04	36.312760%	10,387,748	7,232,433
St. Louis Place	6/30/04	35.709251%	12,045,323	7,130,223
Colorado Building	8/10/04	79.475200%	37,373,279	19,868,791
Total			$ 65,820,472	$ 38,528,417

The Company's undivided tenant in common interest investments in Minnesota Center, Enclave on the Lake, St. Louis Place and Colorado Building as of September 30, 2004 consisted of its proportionate share of the following assets and liabilities:

	Minnesota Center	Enclave on the Lake	St. Louis Place	Colorado Building
Land	$ 3,500,000	$ 1,907,758	$ 1,526,451	$ 13,328,000
Buildings, net	30,947,843	19,778,391	22,847,300	28,994,647
Real estate intangibles, net	5,473,881	6,528,642	6,229,773	4,032,876
Cash and cash equivalents	93,570	456,195	350,317	495,201
Restricted cash	2,350,102	627,065	2,707,246	689,338
Accounts receivable and other assets	211,861	397,321	1,394,966	360,175
Total assets	$ 42,577,257	$ 29,695,372	$ 35,056,053	$ 47,900,237
Total liabilities	$ 1,007,667	$ 1,089,042	$ 1,324,393	$ 875,132
Equity	41,569,590	28,606,330	33,731,660	47,025,105
Total liabilities and equity	$ 42,577,257	$ 29,695,372	$ 35,056,053	$ 47,900,237

In the nine months ended September 30, 2004, the Company recorded $533,472 of equity in earnings and $1,075,595 of distributions from its undivided tenant in common interest investments. The Company's equity in earnings from these tenant in common investments is its proportionate share of the following earnings of the four properties for the nine months ended September 30, 2004:

	Minnesota Center		Enclave on the Lake		St. Louis Place		Colorado Building
Revenue	$	5,012,419	$	1,987,084	$	1,382,881	$	506,622
Operating expenses:								
Operating expenses		1,385,686		399,773		429,503		149,285
Property taxes		888,552		286,430		98,034		78,789
Total operating expenses		2,274,238		686,203		527,537		228,074
Operating income		2,738,181		1,300,881		855,344		278,548
Non-operating (income) expenses								
Depreciation and amortization		2,083,827		732,732		422,419		174,405
(Interest income)/bank fees, net		(6,237)		16,732		(851)		1
Total non-operating (income) expenses		2,077,590		749,464		421,568		174,406
Net income	$	660,591	$	551,417	$	433,776	$	104,142
Company's share of net income	$	95,572	$	200,235	$	154,898	$	82,767
Company's share of distributions	$	441,273	$	356,925	$	183,517	$	93,880

7. Mortgages Payable

The Company partially financed its acquisition of its 14.4676% tenant in common interest in Minnesota Center on October 15, 2003 with borrowings of $4,340,280 (the “Minnesota Center Loan”) under a non-recourse loan agreement with Greenwich Capital Financial Products, Inc (the “Minnesota Center Loan Agreement”). 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 Holdings. Each tenant in common investor, including the Company, is a borrower under the Minnesota Center Loan Agreement. The original total borrowings of all tenant in common interest holders under the Minnesota Center Loan Agreement was $30,000,000. The Minnesota Center Loan accrues interest at 6.181%, and requires principal and interest payments monthly based on a 30-year amortization period, with any unamortized principal due at maturity on November 1, 2010. The Minnesota Center Loan Agreement requires a minimum debt coverage ratio of not less than 1.10 and permits no prepayment until the earlier of (i) 42 months following inception of the Minnesota Center Loan or (ii) two years after securitization (“Minnesota Center Lockout Period”). Certain obligations under the Minnesota Center Loan are guaranteed by Robert M. Behringer and Behringer Holdings. The Minnesota Center Loan may only be prepaid after the Minnesota Center Lockout Period. As of September 30, 2004, the outstanding principal balance under the Minnesota Center Loan was $4,296,970.

The Company used borrowings of $7,262,552 (the “Enclave Loan”) under a loan agreement (the “Enclave Loan Agreement”) with State Farm Life Insurance Company to pay a portion of the purchase price for its undivided 36.31276% tenant in common interest in Enclave on the Lake. The remaining tenant in common interests in Enclave on the Lake were acquired by various investors who purchased their interests in a private offering sponsored by the Company’s affiliate, Behringer Holdings. Each tenant in common investor, including the Company, is a borrower under the Enclave Loan Agreement. The original total borrowings of all tenant in common interest holders under the Enclave Loan Agreement was $20,000,000. The interest rate under the Enclave Loan is fixed at 5.45% per annum, and requires principal and interest payments monthly based on a 30-year amortization period, with any unamortized principal due at maturity. Certain obligations under the Enclave Loan are guaranteed by Robert M. Behringer and Behringer Holdings. The Enclave Loan Agreement allows for prepayment of the entire outstanding principal after 42 months from the date of the Enclave Loan Agreement subject to the payment of a prepayment penalty. No prepayment penalty is due after 81 months from the date of the Enclave Loan Agreement. The Enclave Loan has a seven year term. As of September 30, 2004, the outstanding principal balance under the Enclave Loan was $7,232,433.

The Company used borrowings of $7,141,850 (the "St. Louis Place Loan") under a loan agreement (the "St. Louis Place Loan Agreement") with Greenwich Capital Financial Products, Inc. to pay a portion of its undivided 35.709251% tenant in common interest in St. Louis Place. The remaining tenant in common interests in St. Louis Place were acquired by various investors who purchased their interests in a private offering sponsored by the Company's affiliate, Behringer Holdings. Each tenant in common investor, including the Company, is a borrower under the St. Louis Place Loan Agreement. The original total borrowings of all tenant in common interest holders under the St. Louis Place Loan Agreement was $20,000,000. The interest rate under the St. Louis Place Loan is fixed at 6.078% per annum, and requires principal and interest payments monthly based on a 30-year amortization period, with any unamortized principal due at maturity. Certain obligations under the St. Louis Place Loan are guaranteed by Robert M. Behringer and Behringer Holdings. The St. Louis Place Loan Agreement requires a minimum debt coverage ratio of not less than 1.10 and prohibits prepayment until the earlier of (i) 42 months or (ii) 2 years after securitization after which and prior to month 81 it may be defeased. The St. Louis Place Loan Agreement has a seven-year term. As of September 30, 2004, the outstanding principal balance under the St. Louis Place Loan was $7,130,223.

The Company used borrowings of $19,868,791 (the "Colorado Property Loan") under a loan agreement (the "Colorado Property Loan Agreement") with Greenwich Capital Financial Products, Inc. to pay a portion of its undivided 79.4752% tenant in common interest in the Colorado Building. The remaining tenant in common interests in the Colorado Building were acquired by various investors who purchased their interests in a private offering sponsored by the Company's affiliate, Behringer Holdings. Each tenant in common investor, including the Company, is a borrower under the Colorado Property Loan Agreement. The original total borrowings of all tenant in common interest holders under the Colorado Property Loan Agreement was $25,000,000. Additional borrowings of $3,000,000 are available under this loan agreement for tenant improvements. The interest rate under the Colorado Property Loan is fixed at 6.075% per annum, and requires principal and interest payments monthly based on a 30-year amortization period, with any unamortized principal due at maturity. Certain obligations under the Colorado Property Loan are guaranteed by Robert M. Behringer and Behringer Holdings. The Colorado Property Loan Agreement requires a minimum debt coverage ratio of not less than 1.10 and allows for prepayment of the entire outstanding principal with no prepayment fee from and after the third payment prior to maturity, with at least 15 days prior notice. The Colorado Property Loan Agreement has a ten-year term. As of September 30, 2004, the outstanding principal balance under the Colorado Property Loan Agreement was $19,868,791.

8. Stockholders' Equity

Capitalization

As of September 30, 2004, the Company had accepted subscriptions for 7,953,912 shares of its common stock, including 20,000 shares owned by Behringer Holdings. As of September 30, 2004, individual broker-dealers had the right to acquire up to 317,356 Offering Warrants for a nominal fee; however, none of the Offering Warrants had been issued. As of September 30, 2004, the Company had no shares of preferred stock issued and outstanding. As of September 30, 2004, the Company had issued the independent members of the Board of Directors options to purchase 9,000 shares of the Company's common stock at $12.00 per share.

Dividends

The Company initiated the payment of monthly dividends in November 2003 in the amount of a 7.0% annualized rate of return, based on an investment in the Company's common stock of $10 per share and calculated on a daily record basis of $0.0019178 per share. The Company has a dividend reinvestment plan ("DRIP") whereby stockholders may elect to receive additional shares of common stock in lieu of a cash dividend. The Company records all dividends when declared, except that the stock issued through the DRIP is recorded when the shares are actually issued. The following are the dividends declared during the nine months ended September 30, 2004:

Declared in 2004	Distributions Total	Cash	DRIP
1st Quarter	$ 265,859	$ 160,830	$ 105,029
2nd Quarter	554,010	327,485	226,525
3rd Quarter	1,089,066	620,118	468,948
	$ 1,908,935	$ 1,108,433	$ 800,502

In January 2004, the Company issued 2,240 shares of common stock valued at $22,403 to participants in the DRIP in lieu of cash dividends declared for December 2003. In October 2004, the Company issued 18,379 shares of common stock valued at $183,594 to participants in the DRIP program in lieu of cash dividends declared for September 2004.

9. Related Party Arrangements

Certain affiliates of the Company receive fees and compensation in connection with the Offering, and in connection with the acquisition, management and sale of the assets of the Company. The following is a summary of the related party fees and compensation incurred by the Company during the nine months ended September 30, 2004.

	Total incurred	Total capitalized to offering costs	Total capitalized to investment in tenant in common interests	Total expensed
Behringer Securities, commissions and dealer manager fees	$ 6,505,554	$ 6,505,554	$ -	$ -
Behringer Advisors, reimbursement of organization and offering expenses	1,760,764	1,607,754	-	153,010
Behringer Advisors, acquisition, advisory fees and expenses	2,100,981	-	2,100,981	-
HPT Management LP, property management and leasing fees	72,848	-	-	72,848
Behringer Advisors, asset management fees	27,960	-	-	27,960
Total	$ 10,468,107	$ 8,113,308	$ 2,100,981	$ 253,818

Behringer Securities LP ("Behringer Securities"), the Company's affiliated dealer manager for the Offering, receives commissions 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 are paid to Behringer Securities as a dealer manager fee; except that this dealer manager fee is reduced to 1.0% of the gross proceeds of purchases made pursuant to the Company's dividend reinvestment plan. Behringer Securities reallows all of its commissions of up to 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. In the nine months ended September 30, 2004, Behringer Securities' commissions and dealer manager fees totaled $4,747,614 and $1,757,940, respectively and were capitalized as offering costs in "Additional paid-in capital" on the Company's balance sheet.

Behringer Advisors, the affiliated advisor for the Company, or its affiliates, receives up to 2.5% of gross offering proceeds for reimbursement of organization and offering expenses. As of September 30, 2004, $4,654,036 of organization and offering expenses had been incurred by Behringer Advisors on behalf of the Company, of which $1,965,651 had been reimbursed by the Company and the balance of $2,688,385 will be reimbursed at a rate of 2.5% of future equity raised. Of the $1,965,651 of organization and offering expenses reimbursed by the Company through September 30, 2004, $1,795,065 has been capitalized as offering costs in "Additional paid-in capital" on the Company's balance sheet and $170,586 has been expensed as organizational costs. For the nine months ended September 30, 2004, $1,760,764 of organization and offering expenses were reimbursed by the Company, of which $1,607,754 was capitalized as offering costs in "Additional paid-in capital" and $153,010 was expensed as organizational costs. Behringer Advisors or its affiliates determines the amount of organization and offering expenses owed 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 respective equity offering sizes of those entities.

Behringer Advisors or its affiliates also receives 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 loan. Behringer Advisors or its affiliates also receive up to 0.5% of the contract purchase price of the real estate assets acquired by the Company 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. In the nine months ended September 30, 2004, Behringer Advisors earned $2,100,981 in acquisition and advisory fees for the investments acquired by the Company. The Company capitalizes these fees as part of its investments in tenant in common interests.

The Company pays HPT Management LP ("HPT Management"), its affiliated property manager, fees for the management and leasing of the Company's properties, which may be subcontracted to unaffiliated third parties. Such fees are expected to equal 3.0% of gross revenues of the respective property, plus leasing commissions based upon the customary leasing commission applicable to the geographic location of the respective property. The Company incurred fees of $72,848 in the nine months ended September 30, 2004 for the services provided by HPT Management in connection with the tenant in common investments.

The Company pays 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. In the nine months ended September 30, 2004, the Company incurred $27,960 of advisor asset management fees.

Behringer Advisors or its affiliates will also 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 sales 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 of their net capital contributions and a 9.0% annual, cumulative, non-compounded return, then Behringer Advisors is entitled to 15.0% of remaining net sales proceeds. Subordinated participation in net sales 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 time as the subordination conditions have been satisfied.

Upon listing of the Company's common stock on a national securities exchange or inclusion for quotation on the Nasdaq Stock Market, a listing fee will be paid to Behringer Advisors 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 (i) the total amount of capital raised from investors and (ii) a 9.0% annual, cumulative, non-compounded return to investors on their capital contributions. Upon termination of the Advisory Agreement with Behringer Advisors, a performance fee will be paid to Behringer Advisors 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. No performance fee will be paid if the Company has already paid or becomes obligated to pay Behringer Advisors a listing fee. Persons independent of the Company and independent of its advisor will perform such appraisal of the Company asset value.

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 fiscal quarters immediately preceding the date reimbursement is sought exceeds the greater of: (i) 2.0% of the Company's average invested assets, or (ii) 25.0% of the Company's net income for that four quarter period 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.

The Company is dependent on Behringer Advisors, Behringer Securities and HPT Management for certain services that are essential to the Company, including the sale of the Company's shares of common stock, asset acquisition and disposition decisions, property management and leasing services and other general administrative responsibilities. In the event that these companies were unable to provide the respective services to the Company, the Company would be required to obtain such services from other sources.

10. Commitments and Contingencies

On January 28, 2004, the Company and Behringer Holdings entered into an agreement whereby the Company would provide loan guarantees to Behringer Holdings, so that Behringer Holdings may use such loan guarantees to secure short-term loans from lenders to fund acquisition and syndication costs related to acquiring real estate projects for tenant in common syndication. Each guaranty will be for a period not to exceed six months and shall be limited to no more than $1,000,000. Behringer Holdings must pay to the Company a 1% fee of any loan guaranteed by the Company for each six-month period. Behringer Holdings has granted the Company a security interest in each purchase agreement entered into with respect to a project for which a guaranty is made by the Company. If Behringer Holdings fails to acquire such project, they shall transfer all of their rights under the purchase agreement to the Company and cooperate with the Company to obtain an extension of the purchase agreement with the seller. During February 2004, the Company placed $2,500,000 in restricted money market accounts with lenders as security for funds to be advanced to Behringer Holdings for future loans. As of September 30, 2004, the Company had no guarantees outstanding on borrowings by Behringer Holdings.

On August 9, 2004, the Accommodation Agreement was amended and restated to include 1) options to extend the six month guaranty period for one or more additional six-month periods, with an additional 1% fee payable on the date of each extension; and 2) the option for the Company's guarantees to include the guarantee of bridge loans. A bridge loan, as defined in the Amended and Restated Accommodation Agreement, is any loan pursuant to which Behringer Holdings acquires an interest in respect of a project, which interest is intended to be sold in a tenant in common offering. Each bridge guaranty is limited to no more than the obligations under the bridge loan. The term and fees associated with the bridge guarantees are the same as those of the other guarantees allowed under this agreement. The Company or its affiliates have the right, but not an obligation, to purchase up to a 5% interest in each project with respect to which a guaranty is made by the Company. The Company's purchase price for each 1% interest in a project will equal the price paid by Behringer Holdings, plus a pro rata share of the closing costs.

On October 1, 2004, the Company acquired an undivided 60% tenant in common interest in Travis Tower, a 21-story office building containing approximately 507,470 rentable square feet and a 10-story parking garage located on approximately 1.1079 acres of land in Houston, Texas (the "Travis Property"). The contract price for the Travis Property was $52,000,000, plus closing costs. The Company used borrowings of $22,650,000 under a loan agreement with Bear Stearns Commercial Mortgage, Inc. to pay a portion of such purchase price and paid the remaining portion of its purchase price from proceeds of the Company's offering of its common stock.

The Company's tenant in common interest is held by Behringer Harvard Travis Tower H LP, which is wholly owned by the Company's operating partnership, Behringer Harvard OP I.

The remaining 40% tenant in common interest in the Travis Property was acquired by Behringer Harvard Travis Tower S LP, an indirect wholly owned subsidiary of Behringer Harvard Holdings, LLC. Behringer Harvard Travis Tower S LP intends to sell all or a portion of its 40% tenant in common interest to various investors. Each tenant in common investor, including the Company, is a party to the Travis Property Loan Agreement. The total borrowings of all tenant in common interest holders under the Travis Property Loan Agreement is $37,750,000. The interest rate under the Travis Property Loan Agreement is fixed at 5.434% per annum. Certain obligations under the Travis Property Loan are guaranteed by Robert M. Behringer and Behringer Holdings. The Travis Property Loan Agreement allows for prepayment of the entire outstanding principal with no prepayment fee during the last three months prior to maturity. The Travis Property Loan Agreement has a ten-year term.

On October 1, 2004, in connection with the purchase of a 40% tenant in common interest in Travis Tower, Behringer Holdings entered into a loan agreement with First American Bank, SSB ("FAB") for $12,600,000 (the "Bridge Loan"). The Bridge Loan bears interest at the greater of (i) 6% per annum, or (ii) 1% in excess of the variable rate of interest per annum established from time to time in the Money Rates column of *The Wall Street Journal* (Central Edition) or, if such publication designates two or more published rates as the "prime rate," the rate of interest per annum publicly announced by FAB as its prime rate in effect at its principal office in Dallas, Texas. Commencing on January 1, 2005, and continuing thereafter through final maturity, the Bridge Loan is to be paid in quarterly installments of all accrued and unpaid interest with the entire amount of unpaid principal and interest due on October 1, 2005.

Pursuant to the Amended and Restated Accommodation Agreement between the Company and Behringer Holdings, the Company guaranteed the Bridge Loan and pledged an amount of cash held in an account with FAB equal to the principal amount of the Bridge Loan to support such guarantee. The Company received a fee of 1% of the Bridge Loan ($126,000) in consideration for such guarantee for an initial six-month period and will receive an additional 1% for any additional six-month period thereafter.

11. Subsequent Events

On October 1, 2004, the Company acquired an undivided 60% tenant in common interest in Travis Tower, a 21-story office building containing approximately 507,470 rentable square feet and a 10-story parking garage located on approximately 1.1079 acres of land in Houston, Texas (the "Travis Tower"). The Company's cost for its 60% tenant in common interest in the Travis Tower was $35,070,225, including closing costs. The Company used borrowings of $22,650,000 under a Loan Agreement with Bear Stearns Commercial Mortgage, Inc. to pay a portion of its undivided 60% tenant in common interest in the Travis Tower.

The Company issued 1,960,652 shares of its common stock between October 1, 2004 and November 1, 2004, resulting in gross proceeds of $19,594,409 to the Company. Common stock outstanding as of November 1, 2004 totaled 9,914,564 shares.

On October 25, 2004, the Company filed a Registration Statement on Form S-3 under the Securities Act of 1933 pursuant to a second public offering of the Company's common stock. The Company anticipates that this second offering of common stock will commence upon termination of the Company's initial public offering of common stock on or about February 19, 2005 and will extend until 2007.

On November 4, 2004, the Company entered into an assignment from Harvard Property Trust, LLC, an affiliated entity, of a contract to purchase Alamo Plaza, a 16-story office building containing approximately 191,151 rentable square feet and a four-story parking garage located on approximately 1.15 acres of land in Denver, Colorado from MG-Alamo, LLC, an unaffiliated third party. The contract price for Alamo Plaza is $41,750,000, plus closing costs. At closing, the Company intends to assign a portion its ownership interest to Behringer Holdings for reorganization of the property into tenant in common interests in which the Company will retain a significant interest. As of the date of this filing, a $3,000,000 deposit has been made by the Company.

On November 4, 2004, the Company entered into an assignment from Harvard Property Trust, LLC, an affiliated entity, of a contract to purchase Ashford Perimeter, a six-story office building containing approximately 288,175 rentable square feet and a four-story parking garage located on approximately 10.6 acres of land in Atlanta, Georgia from HSOV Ashford Perimeter, LLC, an unaffiliated third party. The contract price for Ashford Perimeter is $46,300,000, plus closing costs. The contract includes an obligation of the purchaser to pay the prepayment premium under the existing loan on the property and provides that the purchase price will be increased by one-half of any negotiated reduction of such prepayment premium. At closing, the Company intends to assign a portion its ownership interest to Behringer Holdings for reorganization of the property into tenant in common interests in which the Company will retain a significant interest. Deposits totaling $2,000,000 are required under the purchase agreement. As of the date of this filing, a $1,000,000 deposit has been made by the Company and the remaining $1,000,000 deposit is expected to be funded on or about November 29, 2004.

The consummation of the purchases of Alamo Plaza and Ashford Perimeter are subject to substantial conditions. The Company's decision to consummate the acquisition of these properties will generally depend upon:

- the satisfaction of the conditions to the acquisitions contained in their respective contracts;
- no material adverse change occurring relating to the properties, tenants or local economic conditions;
- the Company's receipt of sufficient net proceeds from the offering of its common stock to the public and financing proceeds to complete these acquisitions; and
- the Company's receipt of satisfactory due diligence information including appraisals, environmental reports and lease information.

Other properties may be identified in the future that the Company may acquire before or instead of these properties. The Company cannot make any assurances that the closing of the acquisitions of these properties is probable.

In evaluating these properties as potential acquisitions and determining the appropriate amount of consideration to be paid for the properties, the Company has considered a variety of factors including overall valuation of net rental income, location, demographics, quality of tenants, length of leases, price per square foot, occupancy and the fact that overall rental rates at these properties are comparable to market rates. The Company believes that these properties are well located, have acceptable roadway access, are well maintained and have been professionally managed. These properties will be subject to competition from similar office buildings within their market area, and their economic performance could be affected by changes in local economic conditions.

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

Management's discussion and analysis of financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, the Company evaluates these estimates, including investment impairment. These estimates are based on management's historical industry experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Company's most sensitive estimates involve the allocation of the purchase price of acquired properties and evaluating its real estate related investments for impairment.

Investment Impairments

For real estate directly owned by the Company, management monitors events and changes in circumstance indicating that the carrying amounts of the real estate assets may not be recoverable. When such events or changes in circumstances are present, the Company assesses 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 amount of the asset. In the event that the carrying amount exceeds the estimated future undiscounted operating cash flows, the Company recognizes an impairment loss to adjust the carrying amount of the asset to estimated fair value.

For real estate owned by the Company through an investment in a joint venture, tenant in common interest or other similar investment structure, at each reporting date management will compare the estimated fair value of its investment to the carrying value. An impairment charge is recorded to the extent the fair value of its investment is less than the carrying amount and the decline in value is determined to be other than a temporary decline.

Purchase Price Allocation

Upon the acquisition of real estate properties, the Company allocates the purchase price of those properties to the tangible assets acquired, consisting of land and buildings, and identified intangible assets. Identified intangible assets consist of the fair value of above-market and below-market leases, in-place leases, in-place tenant improvements and tenant relationships.

The fair value of the tangible assets acquired, consisting of land and buildings, is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and buildings. Land values are derived from appraisals, and building values are calculated as replacement cost less depreciation or management's estimates of the relative fair value of these assets using discounted cash flow analyses or similar methods. The value of the building is depreciated over the estimated useful life of 25 years using the straight-line method.

The Company determines the value of above-market and below-market in-place leases for acquired properties based on the present value (using an interest rate that 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 current market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable terms of the respective leases. The fair value of above-market and below-market leases are recorded by the Company as intangible assets and amortized as an adjustment to rental income over the remaining non-cancelable terms of the respective leases.

The total value of identified real estate intangible assets acquired are further allocated to in-place lease values, in-place tenant improvements and tenant relationships based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with that respective tenant. The aggregate value for tenant improvements and leasing commissions are based on estimates of these costs incurred at inception of the acquired leases, amortized through the date of acquisition. The aggregate value of in-place leases acquired and tenant relationships is determined by applying a fair value model. The estimates of fair value of in-place leases includes an estimate of carrying costs during the expected lease-up periods for the respective spaces considering current market conditions. In estimating the carrying costs that would have otherwise been incurred had the leases not been in place, management includes such items as real estate taxes, insurance and other operating expenses as well as lost rental revenue during the expected lease-up period based on current market conditions. The estimates of fair value of tenant relationships also include costs to execute similar leases including leasing commissions, legal and tenant improvements as well as an estimate of the likelihood of renewal as determined by management on a tenant-by-tenant basis.

The Company amortizes the value of in-place leases and in-place tenant improvements to expense over the initial term of the respective leases. The value of tenant relationship intangibles are amortized to expense over the initial term and any anticipated renewal periods, but in no event does 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 tenant relationship intangibles would be charged to expense.

Results of Operations

The Company commenced active operations when it received and accepted subscriptions for a minimum of $2,500,000 pursuant to the Offering on October 1, 2003 and made its first real estate acquisition on October 15, 2003 with the purchase of an undivided 14.4676% tenant in common interest in Minnesota Center. As a result, the Company's results of operations for the three and nine month periods ended September 30, 2004 are not comparable to results for the three and nine month periods ended September 30, 2003.

Comparison of the three months ended September 30, 2004 to the three months ended September 30, 2003

Interest expense for the three months ended September 30, 2004 was $490,808 and was comprised of interest expense and amortization of deferred financing fees related to the Company's mortgages associated with its tenant in common interest investments. During the three months ended September 30, 2003, the Company did not own any real estate investments and there was no outstanding debt. Management believes there will be significant increases in interest expense in the future as the Company continues to invest in additional real estate properties.

Property and asset management fees for the three months ended September 30, 2004 was $60,264 and was comprised of property management and asset management fees associated with the Company's tenant in common interest investments. During the three months ended September 30, 2003, the Company did not own any real estate investments. Management believes there will be significant increases in property and asset management fees in the future as the Company continues to invest in additional real estate properties.

General and administrative expense for the three months ended September 30, 2004 was $335,931 and was comprised of corporate general and administrative expenses including directors' and officers' insurance premiums, organizational expenses, transfer agent fees, auditing fees, legal fees and other administrative expenses. During the three months ended September 30, 2003, these fees totaled $92,938 due to the lack of corporate activity.

Interest income for the three months ended September 30, 2004 was $71,644 and was comprised of interest income associated with funds on deposits with banks. As the Company admits new stockholders, subscription proceeds are released to the Company from escrow and may be utilized as consideration for investments and the payment or reimbursement of dealer manager fees, selling commissions, organization and offering expenses and operating expenses. Until required for such purposes, net offering proceeds are held in short-term, liquid investments and earn interest income. During the three months ended September 30, 2003, the Company earned a significantly lower amount than in 2004 due to the lower cash balances on deposit with banks.

Equity in earnings of investments in tenant in common interests for the three months ended September 30, 2004 was $366,053 and was comprised of the Company's share of equity in the earnings of Minnesota Center, Enclave on the Lake, St. Louis Place and the Colorado Building. During the three months ended September 30, 2003, the Company did not own any real estate investments.

Comparison of the nine months ended September 30, 2004 to the nine months ended September 30, 2003

Interest expense for the nine months ended September 30, 2004 was $719,257 and was comprised of interest expense and amortization of deferred financing fees related to the Company's mortgages associated with its tenant in common interest investments. During the nine months ended September 30, 2003, the Company did not own any real estate investments and there was no outstanding debt. Management believes there will be significant increases in interest expense in the future as the Company continues to invest in additional real estate properties.

Property and asset management fees for the nine months ended September 30, 2004 was $100,808 and was comprised of property management and asset management fees associated with the Company's tenant in common interest investments. During the nine months ended September 30, 2003, the Company did not own any real estate investments. Management believes there will be significant increases in property and asset management fees in the future as the Company continues to invest in additional real estate properties.

General and administrative expense for the nine months ended September 30, 2004 was $684,554 and was comprised of corporate general and administrative expenses including directors' and officers' insurance premiums, organizational expenses, transfer agent fees, auditing fees, legal fees and other administrative expenses. During the nine months ended September 30, 2003, these fees totaled $96,349 due to the lack of corporate activity.

Interest income for the nine months ended September 30, 2004 was $147,406 and was comprised of interest income associated with funds on deposits with banks. As the Company admits new stockholders, subscription proceeds are released to the Company from escrow and may be utilized as consideration for investments and the payment or reimbursement of dealer manager fees, selling commissions, organization and offering expenses and operating expenses. Until required for such purposes, net offering proceeds are held in short-term, liquid investments and earn interest income. During the nine months ended September 30, 2003, the Company earned interest income of $1,530, a significantly lower amount than in 2004 due to the lower cash balances on deposit with banks in 2003.

Equity in earnings of investments in tenant in common interests for the nine months ended September 30, 2004 was $533,472 and was comprised of the Company's share of equity in the earnings of Minnesota Center, Enclave on the Lake, St. Louis Place, and the Colorado Building. During the nine months ended September 30, 2003, the Company did not own any real estate investments.

Cash Flow Analysis

The Company commenced active operations when it received and accepted subscriptions for a minimum of $2,500,000 pursuant to the Offering on October 1, 2003 and made its first real estate acquisition on October 15, 2003 with the purchase of an undivided 14.4676% tenant in common interest in Minnesota Center. As a result, the Company's cash flows for the nine months ended September 30, 2004 are not comparable to the cash flows for the nine months ended September 30, 2003.

Cash flows used in operating activities for the nine months ended September 30, 2004 were $(1,279,993) and were primarily comprised of the net loss of $(823,741) adjusted for equity in earnings of investments in tenant in common interests of $(533,472). During the nine months ended September 30, 2003, cash flows from operating activities were $(45,380) primarily due to the lack of investments and corporate activity.

Cash flows from investing activities for the nine months ended September 30, 2004 were $(79,954,364) and were comprised of purchases of interests in the Enclave on the Lake, St. Louis Place, and the Colorado Building properties of $(60,002,772) and deposits of $(21,027,187) for the purchase of a tenant in common interest in an office building located in Houston, Texas which closed on October 1, 2004, for the future acquisitions of an office building in Baltimore, Maryland and rate lock deposits on future borrowings for future acquisitions, partially offset by distributions from the Company's investment in tenant in common interests of $1,075,595. During the nine months ended September 30, 2003, there were no cash flows from investing activities.

Cash flows from financing activities for the nine months ended September 30, 2004 were $92,170,782 and were comprised primarily of funds received from the issuance of stock and proceeds from mortgage notes less a $2,500,000 increase in restricted cash associated with the loan guarantees for Behringer Holdings, as discussed in liquidity and capital resources. During the nine months ended September 30, 2003, cash flows from financing activities were $35,347 primarily due to the lack of investments and corporate activity.

Liquidity and Capital Resources

The Company's principal demands for funds will continue to 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. 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 net proceeds of the Offering and other offerings of the Company's securities. However, there may be a delay between the sale of the Company's shares and its purchase of properties or 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 in the Offering 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 contract for the purchase of a property is executed, the property generally will not be purchased until the successful completion of due diligence. During this period, the Company may decide to temporarily invest any unused proceeds from the Offering in investments that could yield lower returns than the properties. These lower returns may affect the Company's ability to make distributions.

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.

The Company partially financed its acquisition of its 14.4676% tenant in common interest in Minnesota Center on October 15, 2003 with borrowings of $4,340,280 (the "Minnesota Center Loan") under a non-recourse loan agreement with Greenwich Capital Financial Products, Inc (the "Minnesota Center Loan Agreement"). 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 Holdings. Each tenant in common investor, including the Company, is a borrower under the Minnesota Center Loan Agreement. The original total borrowings of all tenant in common interest holders under the Minnesota Center Loan Agreement was $30,000,000. The Minnesota Center Loan accrues interest at 6.181%, and requires principal and interest payments monthly based on a 30-year amortization period, with any unamortized principal due at maturity on November 1, 2010. The Minnesota Center Loan Agreement requires a minimum debt coverage ratio of not less than 1.10 and permits no prepayment until the earlier of (i) 42 months following inception of the Minnesota Center Loan or (ii) two years after securitization ("Minnesota Center Lockout Period"). Certain obligations under the Minnesota Center Loan are guaranteed by Robert M. Behringer and Behringer Holdings. The Minnesota Center Loan may only be prepaid after the Minnesota Center Lockout Period. As of September 30, 2004, the outstanding principal balance under the Minnesota Center Loan was $4,296,970.

The Company used borrowings of $7,262,552 (the "Enclave Loan") under a loan agreement (the "Enclave Loan Agreement") with State Farm Life Insurance Company to pay a portion of the purchase price for its undivided 36.31276% tenant in common interest in Enclave on the Lake. The remaining tenant in common interests in Enclave on the Lake were acquired by various investors who purchased their interests in a private offering sponsored by the Company's affiliate, Behringer Holdings. Each tenant in common investor, including the Company, is a borrower under the Enclave Loan Agreement. The original total borrowings of all tenant in common interest holders under the Enclave Loan Agreement was $20,000,000. The interest rate under the Enclave Loan is fixed at 5.45% per annum and requires principal and interest payments monthly based on a 30-year amortization period, with any unamortized principal due at maturity. Certain obligations under the Enclave Loan are guaranteed by Robert M. Behringer and Behringer Holdings. The Enclave Loan Agreement allows for prepayment of the entire outstanding principal after 42 months from the date of the Enclave Loan Agreement subject to the payment of a prepayment penalty. No prepayment penalty is due after 81 months from the date of the Enclave Loan Agreement. The Enclave Loan has a seven-year term. As of September 30, 2004, the outstanding principal balance under the Enclave Loan was $7,232,433.

The Company used borrowings of $7,141,850 (the "St. Louis Place Loan") under a loan agreement (the "St. Louis Place Loan Agreement") with Greenwich Capital Financial Products, Inc. to pay a portion of its undivided 35.709251% tenant in common interest in St. Louis Place. The remaining tenant in common interests in St. Louis Place were acquired by various investors who purchased their interests in a private offering sponsored by the Company's affiliate, Behringer Holdings. Each tenant in common investor, including the Company, is a borrower under the St. Louis Place Loan Agreement. The original total borrowings of all tenant in common interest holders under the St. Louis Place Loan Agreement was $20,000,000. The interest rate under the St. Louis Place Loan is fixed at 6.078% per annum and requires principal and interest payments monthly based on a 30-year amortization period, with any unamortized principal due at maturity. Certain obligations under the St. Louis Place Loan are guaranteed by Robert M. Behringer and Behringer Holdings. The St. Louis Place Loan Agreement requires a minimum debt coverage ratio of not less than 1.10 and prohibits prepayment until the earlier of (i) 42 months or (ii) 2 years after securitization after which and prior to month 81 it may be defeased. The St. Louis Place Loan Agreement has a seven-year term. As of September 30, 2004, the outstanding principal balance under the St. Louis Place Loan was $7,130,223.

The Company used borrowings of $19,868,791 (the "Colorado Property Loan") under a loan agreement (the "Colorado Property Loan Agreement") with Greenwich Capital Financial Products, Inc. to pay a portion of its undivided 79.4752% tenant in common interest in the Colorado Building. The remaining tenant in common interests in the Colorado Building were acquired by various investors who purchased their interests in a private offering sponsored by the Company's affiliate, Behringer Holdings. Each tenant in common investor, including the Company, is a borrower under the Colorado Property Loan Agreement. The original total borrowings of all tenant in common interest holders under the Colorado Property Loan Agreement was $25,000,000. Additional borrowings of $3,000,000 are available under this loan agreement for tenant improvements. The interest rate under the Colorado Property Loan is fixed at 6.075% per annum and requires principal and interest payments monthly based on a 30-year amortization period, with any unamortized principal due at maturity. Certain obligations under the Colorado Property Loan are guaranteed by Robert M. Behringer and Behringer Holdings. The Colorado Property Loan Agreement requires a minimum debt coverage ratio of not less than 1.10 and allows for prepayment of the entire outstanding principal with no prepayment fee from and after the third payment prior to maturity, with at least 15 days prior notice. The Colorado Property Loan Agreement has a ten year term. As of September 30, 2004, the outstanding principal balance under the Colorado Property Loan was $19,868,791.

On October 1, 2004, the Company acquired an undivided 60% tenant in common interest in Travis Tower, a 21-story office building containing approximately 507,470 rentable square feet and a 10-story parking garage located on approximately 1.1079 acres of land in Houston, Texas (the "Travis Property"). The contract price for the Travis Property was $52,000,000, plus closing costs. The Company used borrowings of $22,650,000 under a loan agreement with Bear Stearns Commercial Mortgage, Inc. to pay a portion of such purchase price and paid the remaining portion of its purchase price from proceeds of the Company's offering of its common stock. The Company's tenant in common interest is held by Behringer Harvard Travis Tower H LP, which is wholly owned by the Company's operating partnership, Behringer Harvard OP I.

The remaining 40% tenant in common interest in the Travis Property was acquired by Behringer Harvard Travis Tower S LP, an indirect wholly owned subsidiary of Behringer Harvard Holdings, LLC. Behringer Harvard Travis Tower S LP intends to sell all or a portion of its 40% tenant in common interest to various investors. Each tenant in common investor, including the Company, is a party to the Travis Property Loan Agreement. The total borrowings of all tenant in common interest holders under the Travis Property Loan Agreement is $37,750,000. The interest rate under the Travis Property Loan Agreement is fixed at 5.434% per annum. Certain obligations under the Travis Property Loan are guaranteed by Robert M. Behringer and Behringer Holdings. The Travis Property Loan Agreement allows for prepayment of the entire outstanding principal with no prepayment fee during the last three months prior to maturity. The Travis Property Loan Agreement has a ten-year term.

On October 1, 2004, in connection with the purchase of a 40% tenant in common interest in Travis Tower, Behringer Holdings entered into a loan agreement with First American Bank, SSB ("FAB") for $12,600,000 (the "Bridge Loan"). The Bridge Loan bears interest at the greater of (i) 6% per annum, or (ii) 1% in excess of the variable rate of interest per annum established from time to time in the Money Rates column of *The Wall Street Journal* (Central Edition) or, if such publication designates two or more published rates as the "prime rate," the rate of interest per annum publicly announced by FAB as its prime rate in effect at its principal office in Dallas, Texas. Commencing on January 1, 2005, and continuing thereafter through final maturity, the Bridge Loan is to be paid in quarterly installments of all accrued and unpaid interest with the entire amount of unpaid principal and interest due on October 1, 2005.

Pursuant to the Amended and Restated Accommodation Agreement between the Company and Behringer Holdings, the Company guaranteed the Bridge Loan and pledged an amount of cash held in an account with FAB equal to the principal amount of the Bridge Loan to support such guarantee. The Company received a fee of 1% of the Bridge Loan ($126,000) in consideration for such guarantee for an initial six-month period and will receive an additional 1% for any additional six-month period thereafter.

The Company expects to meet its future short-term operating liquidity requirements through net cash provided by its current property operations and the operations of properties to be acquired in the future. Management also expects that the Company's properties will generate sufficient cash flow to cover operating expenses plus pay a monthly dividend. Currently, a portion of the dividends are paid from cash provided by operations and a portion is paid from sales of securities. Operating cash flows are expected to increase as additional properties are added to the portfolio. Other 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.

Off-Balance Sheet Arrangements

On January 28, 2004, the Company and Behringer Holdings entered into an agreement (the "Accommodation Agreement") whereby the Company would provide loan guarantees to Behringer Holdings, so that Behringer Holdings may use such loan guarantees to secure short-term loans from lenders to fund acquisition and syndication costs related to acquiring real estate projects for tenant in common syndication. Each guaranty will be for a period not to exceed six months and shall be limited to no more than $1,000,000. Behringer Holdings must pay to the Company a 1% fee of any loan guaranteed by the Company for each six-month period. During February 2004, the Company placed $2,500,000 in restricted money market accounts with lenders as security for funds advanced to Behringer Holdings. As of September 30, 2004, the Company had no loan guarantees outstanding on borrowings by Behringer Holdings.

On August 9, 2004, the Accommodation Agreement was amended and restated to include (1) options to extend the six month guaranty period for one or more additional six-month periods, with an additional 1% fee payable on the date of each extension; and (2) the option for the Company's guarantees to include the guarantee of bridge loans. A bridge loan, as defined in the Amended and Restated Accommodation Agreement, is any loan pursuant to which Behringer Holdings acquires an interest in respect of a project, which interest is intended to be sold in a tenant in common offering. Each bridge guaranty is limited to no more than the obligations under the bridge loan. The term and fees associated with the bridge guarantees are the same as those of the other guarantees allowed under this agreement. The Company or its affiliates have the right, but not an obligation, to purchase at least a 5% interest in each project with respect to which a guaranty is made by the Company. The Company's purchase price for each 1% interest in a project will equal the price paid by Behringer Holdings, plus a pro rata share of the closing costs.

On October 1, 2004, the Company acquired an undivided 60% tenant in common interest in Travis Tower, a 21-story office building containing approximately 507,470 rentable square feet and a 10-story parking garage located on approximately 1.1079 acres of land in Houston, Texas (the "Travis Property"). The contract price for the Travis Property was $52,000,000, plus closing costs. The Company used borrowings of $22,650,000 under a loan agreement with Bear Stearns Commercial Mortgage, Inc. to pay a portion of such purchase price and paid the remaining portion of its purchase price from proceeds of the Company's offering of its common stock. The Company's tenant in common interest is held by Behringer Harvard Travis Tower H LP, which is wholly owned by the Company's operating partnership, Behringer Harvard OP I.

The remaining 40% tenant in common interest in the Travis Property was acquired by Behringer Harvard Travis Tower S LP, an indirect wholly owned subsidiary of Behringer Harvard Holdings, LLC. Behringer Harvard Travis Tower S LP intends to sell all or a portion of its 40% tenant in common interest to various investors. Each tenant in common investor, including the Company, is a party to the Travis Property Loan Agreement. The total borrowings of all tenant in common interest holders under the Travis Property Loan Agreement is $37,750,000. The interest rate under the Travis Property Loan Agreement is fixed at 5.434% per annum. Certain obligations under the Travis Property Loan are guaranteed by Robert M. Behringer and Behringer Holdings. The Travis Property Loan Agreement allows for prepayment of the entire outstanding principal with no prepayment fee during the last three months prior to maturity. The Travis Property Loan Agreement has a ten-year term.

On October 1, 2004, in connection with the purchase of a 40% tenant in common interest in Travis Tower, Behringer Holdings entered into a loan agreement with First American Bank, SSB ("FAB") for $12,600,000 (the "Bridge Loan"). The Bridge Loan bears interest at the greater of (i) 6% per annum, or (ii) 1% in excess of the variable rate of interest per annum established from time to time in the Money Rates column of *The Wall Street Journal* (Central Edition) or, if such publication designates two or more published rates as the "prime rate," the rate of interest per annum publicly announced by FAB as its prime rate in effect at its principal office in Dallas, Texas. Commencing on January 1, 2005, and continuing thereafter through final maturity, the Bridge Loan is to be paid in quarterly installments of all accrued and unpaid interest with the entire amount of unpaid principal and interest due on October 1, 2005.

Pursuant to the Amended and Restated Accommodation Agreement between the Company and Behringer Holdings, the Company guaranteed the Bridge Loan and pledged an amount of cash held in an account with FAB equal to the principal amount of the Bridge Loan to support such guarantee. The Company received a fee of 1% of the Bridge Loan ($126,000) in consideration for such guarantee for an initial six-month period and will receive an additional 1% for any additional six-month period thereafter.

The Company has no other off-balance sheet arrangements that are reasonably likely to have a current or future material effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

The following table summarizes the Company's contractual obligations as of September 30, 2004:

		Payments due by period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Mortgage note payable					
Minnesota Center	$ 4,296,970	$ 45,872	$ 110,424	$ 124,352	$ 4,016,322
Enclave on the Lake	7,232,433	94,872	206,181	229,082	6,702,298
St. Louis Place	7,130,223	81,044	177,826	199,822	6,671,531
Colorado Building	19,868,791	401,454	880,831	992,586	17,593,920
	$ 38,528,417	$ 623,242	$ 1,375,262	$ 1,545,842	$ 34,984,071

Inflation

The real estate market has not been affected significantly by inflation in the past several years due to the relatively low inflation rate. The majority of the Company's leases contain inflation protection provisions applicable to 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 has no investments that would be materially affected by a 1% increase or decrease in interest rates. See "Management's Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Capital Resources." The Company does not have any foreign operations and thus is not exposed to foreign currency fluctuations.

Item 4. Controls and Procedures.

Within the 90-day period prior to the filing of this report, the Company's management evaluated, with the participation of the Company's principal executive officer and principal financial officer, the effectiveness of the Company's disclosure controls and procedures as of September 30, 2004. Based on that evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. To these officers' knowledge, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their 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. Unregistered Sales of Equity Securities and Use of Proceeds.

As of September 30, 2004, the Company had sold the following securities pursuant to the Offering for the following aggregate offering prices:

- 7,867,437 shares on a best efforts basis for $78,415,265; and
- 66,475 shares pursuant to the Company's dividend reinvestment plan for $663,876.

The total of shares and gross offering proceeds pursuant to the Offering as of September 30, 2004 is 7,933,912 shares for $79,079,141. The above-stated number of shares sold and the gross offering proceeds received from such sales does not include the 20,000 shares purchased by Behringer Holdings preceding the commencement of the Offering.

Through September 30, 2004, the Company incurred the following expenses in connection with the issuance and distribution of the registered securities pursuant to the Offering:

Type of Expense	Amount
Other expenses to affiliates	$ 9,234,559
Other expenses to non-affiliates	14,386
Total expenses	$ 9,248,945

The net offering proceeds to the Company, after deducting the total expenses paid and accrued described above, are $69,830,196.

Other expenses to affiliates above include commissions and dealer manager fees paid to Behringer Securities LP, an affiliate of the Company, which reallowed all or a portion of the commissions and fees to soliciting dealers.

Through September 30, 2004, the Company had used $29,966,393 of such net offering proceeds to purchase its tenant in common interest investments, net of the mortgages payable. Of the amount used for the purchase of these investments, $2,321,175 was paid to Behringer Advisors, an affiliate of the Company, as acquisition and advisory fees and acquisition expense reimbursement.

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.

On November 4, 2004, the Company entered into an assignment from Harvard Property Trust, LLC, an affiliated entity, of a contract to purchase Alamo Plaza, a 16-story office building containing approximately 191,151 rentable square feet and a four-story parking garage located on approximately 1.15 acres of land in Denver, Colorado from MG-Alamo, LLC, an unaffiliated third party. The contract price for Alamo Plaza is $41,750,000, plus closing costs. At closing, the Company intends to assign a portion its ownership interest to Behringer Holdings for reorganization of the property into tenant in common interests in which the Company will retain a significant interest. As of the date of this filing, a $3,000,000 deposit has been made by the Company.

On November 4, 2004, the Company entered into an assignment from Harvard Property Trust, LLC, an affiliated entity, of a contract to purchase Ashford Perimeter, a six-story office building containing approximately 288,175 rentable square feet and a four-story parking garage located on approximately 10.6 acres of land in Atlanta, Georgia from HSOV Ashford Perimeter, LLC, an unaffiliated third party. The contract price for Ashford Perimeter is $46,300,000, plus closing costs. The contract includes an obligation of the purchaser to pay the prepayment premium under the existing loan on the property and provides that the purchase price will be increased by one-half of any negotiated reduction of such prepayment premium. At closing, the Company intends to assign a portion its ownership interest to Behringer Holdings for reorganization of the property into tenant in common interests in which the Company will retain a significant interest. Deposits totaling $2,000,000 are required under the purchase agreement. As of the date of this filing, a $1,000,000 deposit has been made by the Company and the remaining $1,000,000 deposit is expected to be funded on or about November 29, 2004.

The consummation of the purchases of Alamo Plaza and Ashford Perimeter are subject to substantial conditions. The Company's decision to consummate the acquisition of these properties will generally depend upon:

- the satisfaction of the conditions to the acquisitions contained in their respective contracts;
- no material adverse change occurring relating to the properties, tenants or local economic conditions;
- the Company's receipt of sufficient net proceeds from the offering of its common stock to the public and financing proceeds to complete these acquisitions; and
- the Company's receipt of satisfactory due diligence information including appraisals, environmental reports and lease information.

Other properties may be identified in the future that the Company may acquire before or instead of these properties. The Company cannot make any assurances that the closing of the acquisitions of these properties is probable.

In evaluating these properties as potential acquisitions and determining the appropriate amount of consideration to be paid for the properties, the Company has considered a variety of factors including overall valuation of net rental income, location, demographics, quality of tenants, length of leases, price per square foot, occupancy and the fact that overall rental rates at these properties are comparable to market rates. The Company believes that these properties are well located, have acceptable roadway access, are well maintained and have been professionally managed. These properties will be subject to competition from similar office buildings within their market area, and their economic performance could be affected by changes in local economic conditions.

Item 6. Exhibits.

The exhibits filed in response to Item 601 of Regulation S-K are listed on the Exhibit Index attached hereto.

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 10, 2004

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

Index to Exhibits

Exhibit Number	Description
10.1	Purchase and Sale Agreement by and between MG-Alamo, LLC and Harvard Property Trust, LLC dated October 18, 2004, as assigned by Harvard Property Trust to the Company on November 4, 2004
10.2	Agreement of Sale and Purchase by and between HSOV Ashford Perimeter, LLC and Harvard Property Trust, LLC dated November 4, 2004, as assigned by Harvard Property Trust to the Company on November 4, 2004.
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 10th day of November, 2004.

/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 10th day of November, 2004.

/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 10th day of November, 2004.

/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.