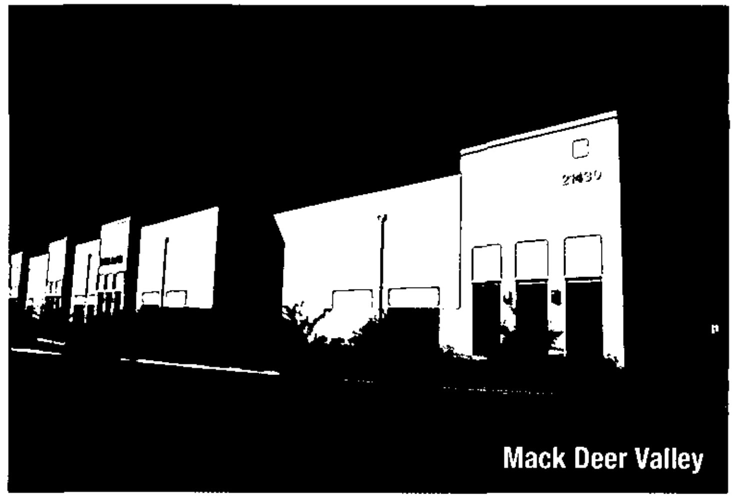
Cornerstone Core Properties REIT, Inc.

2007 Annual Report

CORNERSTONE®
REAL ESTATE FUNDS

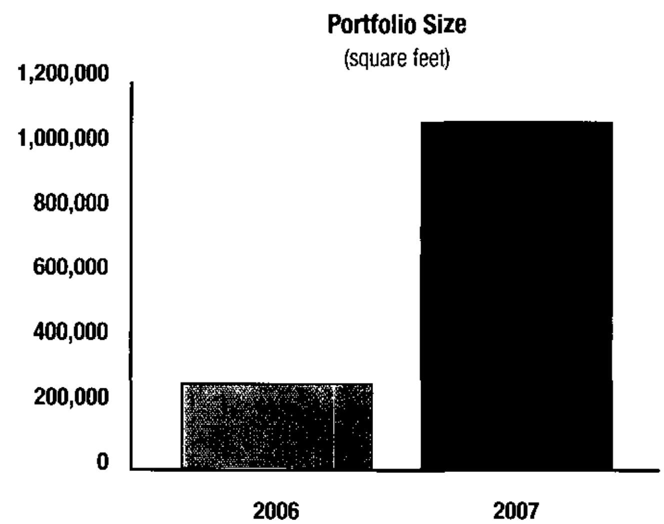
CORE PROPERTIES REIT, INC.

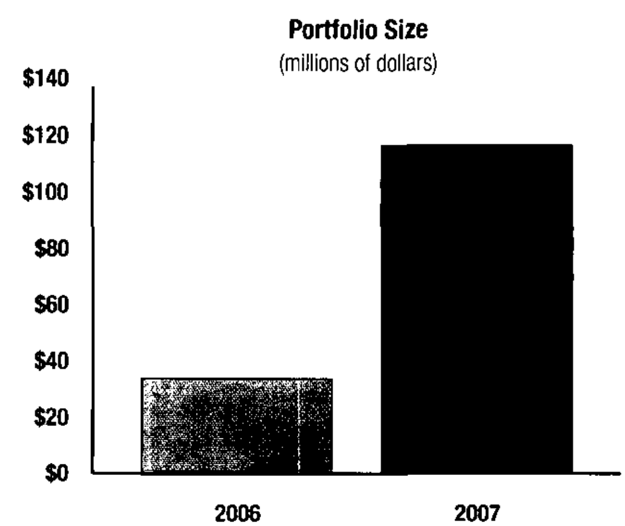

Marathon Center


Mack Deer Valley

Market Driven Strategy

Cornerstone employs a Market Driven Strategy to select properties for investment. Our strategy is focused on choosing properties in markets with strong fundamentals. Our goal is to provide a total return for our investors, including current income and growth in property value. Our experience in multi tenant industrial properties encompasses nearly 20 years, giving our management team a considerable depth of market knowledge. Market knowledge is the key to finding sound investments. We believe the current economic uncertainty will create opportunities for real estate investment in the coming months. We look forward to a productive and exciting year ahead. Over the past year we have increased our real estate holdings to more than $120 million in properties totaling over one million square feet of space.





CORNERSTONE

Industrial Real Estate

Industrial real estate continued to be a strong performer in 2007. Demand for high-quality properties was healthy in the 4th quarter of 2007. Rental rates increased from the 3rd quarter 2007 in several of our targeted markets, notably Orlando, Florida, and the areas near the ports of Los Angeles and Long Beach in Southern California.* Orlando, in particular, saw a rise in rental rates of 5.8% from the 3rd quarter of 2007 – while the Los Angeles area, one of the tightest industrial markets in the U.S., continued to show near-record occupancy rates. It is worth mentioning, too, that in a climate of tightening lending standards, buyers using little or no leverage, like institutional investors (and Cornerstone Core Properties REIT, Inc.), are positioned to take advantage of opportunities that other buyers may miss.

Cornerstone considers high quality industrial real estate to be a strong, conservative real estate investment, and a good foundation for a real estate investment portfolio.

*"MarketView, Orlando Industrial" Fourth Quarter 2007 CB Richard Ellis
"MarketView, Los Angeles Industrial" Fourth Quarter 2007 CB Richard Ellis
"MarketView, Southern California Industrial" Fourth Quarter 2007 CB Richard Ellis
"MarketBeat, United States Industrial Report" 4Q 2007 Cushman & Wakefield Research

To Our Shareholders:

I am pleased to report that in 2007 we made significant advances in building the portfolio for Cornerstone Core Properties REIT, Inc. ("CCP REIT"). We believe that the Market Driven Strategy™ we have been pursuing, and will continue to pursue, in building a portfolio of properties is consistent with advancing our corporate objectives forward.

2007 Highlights

- Grew portfolio size from $36 million to $121 million year to year.
- Purchased seven additional properties in three strategic markets.
- Increased the square footage of properties held in the portfolio four-fold from approximately 264,000 square feet to approximately 1,051,000 square feet.
- Increased the number of tenants from 23 to 141.
- Increased rental income from $359,000 in 2006 to $4,723,000 in 2007.
- Occupancy rate of approximately 97% at year end.

We are pleased with the strong fundamentals of the three markets in which we have purchased properties this year. We specifically focus on markets with historically high levels of tenant demand and lower historic investment volatility. We look for markets with high historical and projected employment growth and general economic stability along with a scarcity of land for new competitive properties. Our three most recently purchased properties exemplify this strategy.

Marathon Center, purchased on April 2, 2007 is located in central Pinellas County, Florida within minutes of major interstate highways providing access to downtown Tampa, St. Petersburg, the St. Petersburg/Clearwater International Airport and Tampa International Airport. This market is characterized by limited supply and economic growth.

Pinnacle Park Business Center, purchased October 2, 2007 is located in the Deer Valley submarket of the Phoenix, Arizona area. The area is characterized by increasing demand and rental growth along with significant barriers to entry that limit new industrial development. Strong tenant demand, low vacancy and higher land and construction costs all contribute to keep upward pressure on average lease rates.

The Orlando Small Bay property portfolio, purchased November 15, 2007 consists of four industrial business parks in the metropolitan Orlando, Florida area. Orlando's central location offers almost equidistant access to the state's other major metropolitan centers, positioning the region as a hub with quick access to transportation routes. Scarcity of available industrial land in Central Florida combined with rising construction costs have made it difficult for developers to establish a foothold in the Orlando Industrial market.

Looking Forward

In summary, 2007 saw positive growth for the portfolio of properties, with more tenants, more square footage and higher rental income. In the coming year, we will continue to seek attractive properties positioned in strong markets that meet the objectives of our Market Driven Strategy™. While the overall economic forecast may be uncertain in 2008 as lenders tighten underwriting standards, we anticipate a continued "flight to quality" with cash buyers* being in a superior position to benefit.

Cornerstone affiliates have been actively employing our Market Driven Strategy™ since 1989, and have seen several cycles of change move through the economic climate. We look forward to maximizing our competitive advantages to make 2008 a year of continued growth.

Terry Roussel
Chief Executive Officer

*Cornerstone Core Properties REIT may borrow funds in order to facilitate some acquisitions during the offering period as well as provide working capital, tenant improvements, capital improvements and to make cash distributions.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2007

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: 000-52566

CORNERSTONE CORE PROPERTIES REIT, INC.

(Exact name of registrant as specified in its charter)

Maryland	**73-1721791**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1920 Main Street, Suite 400, Irvine, California 92614
(Address of Principal Executive Offices)

949-852-1007
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:
None

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class:
Common Stock, $0.01 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "and large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes ☐ No ☒

As of June 30, 2007 (the last business day of the registrant's second fiscal quarter), there were 7,607,378 shares of common stock held by non-affiliates of the registrant having an aggregate market value of $60,752,466.

As of March 7, 2008, there were 11,039,484 shares of common stock of Cornerstone Core Properties REIT, Inc. outstanding. The Registrant incorporates by reference portions of its Definitive Proxy Statement for the 2008 Annual Meeting of Stockholders, which is expected to be filed no later than April 29, 2008, into Part III of this Form 10-K to the extent stated herein.

CORNERSTONE CORE PROPERTIES REIT, INC.
(A Maryland Corporation)

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PART I

PART I

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section entitled "Risk Factors" in Item 1A of this report. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 1. BUSINESS

Our Company

Cornerstone Core Properties REIT, Inc., a Maryland corporation, was formed on October 22, 2004 for the purpose of engaging in the business of investing in and owning commercial real estate. We have qualified, and intend to continue to qualify, as a real estate investment trust (REIT) for federal tax purposes.

We are structured as an umbrella partnership REIT, referred to as an "UPREIT," under which substantially all of our current and future business is, and will be, conducted through a majority owned subsidiary, Cornerstone Operating Partnership, L.P., a Delaware limited partnership, formed on November 30, 2004. We are the sole general partner of the operating partnership and have control over its affairs. As used in this report, "we," "us" and "our" refer to Cornerstone Core Properties REIT, Inc. and its consolidated subsidiaries except where the context otherwise requires.

Our advisor is Cornerstone Realty Advisors, LLC, a Delaware limited liability company and an affiliate of ours. Some of our directors are also directors of our advisor and all of our officers are also officers of our advisor. Our advisor has contractual and fiduciary responsibilities to us and our stockholders. Under the terms of the advisory agreement, our advisor will use commercially reasonable efforts to present to us investment opportunities and to provide a continuing and suitable investment program consistent with the investment policies and objectives adopted by our board of directors. Our advisor is responsible for managing our affairs on a day-to-day basis and for identifying and making property acquisitions on our behalf. Currently, there are no employees of Cornerstone Core Properties REIT, Inc. and its subsidiaries. All management and administrative personnel responsible for conducting our business are currently employed by our advisor and its affiliates.

From our formation through the end of the year ended December 31, 2005, our activities consisted solely of organizational activities, including preparing for and launching our initial public offering (the "Offering"). On January 13, 2006, we commenced our public offer and retained Pacific Cornerstone Capital, Inc. ("PCC"), an affiliate of the advisor, to serve as the dealer manager for the Offering. As of December 31, 2007, excluding shares issued under the distribution reinvestment plan, approximately 9.7 million shares of our common stock had been sold in the Offering for aggregate gross proceeds of approximately $77.7 million.

Investment Objectives

Our investment objectives are to:

- preserve stockholder capital by owning and operating real estate on an all-cash basis with no permanent financing;
- purchase investment grade properties with the potential for capital appreciation to our stockholders;
- purchase income-producing properties which will allow us to pay cash distributions to our stockholders at least quarterly, if not more frequently; and
- provide liquidity to our stockholders within the shortest reasonable time necessary to accomplish the above objectives.

Within five years from the closing of our initial public offering, our board of directors will take one or more of the following actions to provide enhanced liquidity for our stockholders:

- modify our stock repurchase program to allow us to use proceeds from the sale of our properties to redeem shares;
- list our stock for trading on a national securities exchange or the Nasdaq Global Market;
- seek stockholder approval to begin an orderly liquidation of our assets and distribute the available proceeds of such sales to our stockholders; or
- seek stockholder approval of another liquidity event such as a sale of our assets to or a merger with another entity.

Investment Strategy

Large institutional investors have proven how to build a successful real estate portfolio. They generally start with a foundation of "core" holdings. "Core" holdings are generally existing, high quality properties owned "all-cash" free and clear of debt. We believe that "core" holdings are necessary to help investors build the base of their investment portfolio. That is why our primary investment focus is to acquire investment real estate "all cash" with no permanent financing.

All cash real estate investments add a layer of safety to conservative real estate investment which we believe would be difficult to match by any other strategy. By owning and operating properties on an "all-cash" basis, risk of foreclosure of mortgage debt is substantially eliminated. Following acquisition of "core" real property investments, many large institutional investors then make "core plus," "valued added" and "opportunistic" real property investments each of which has increasing levels of debt, risk and yield.

Acquisition Policies

Primary Investment Focus

We expect to use substantially all of the net proceeds from our initial public offering to invest in investment grade real estate including multi-tenant industrial properties that are:

- owned and operated on an all-cash basis with no permanent financing;
- high-quality, existing, and currently producing income;
- leased to a diversified tenant base; and
- leased with overall shorter term operating type leases, allowing for annual rental increases and greater potential for capital growth.

We seek potential property acquisitions meeting the above criteria that are located in major metropolitan markets throughout the United States. Among the most important criteria we expect to use in evaluating the markets in which we purchase properties are:

- high population;
- historically high levels of tenant demand and lower historic investment volatility for type of property being acquired;
- high historical and projected employment growth;
- stable household income and general economic stability;
- a scarcity of land for new competitive properties; and
- sound real estate fundamentals, such as high occupancy rates and strong rent rate potential.

The markets in which we invest may not meet all of these criteria and the relative importance that we assign to any one or more of these criteria may differ from market to market or change as general economic and real estate market conditions evolve. We may also consider additional important criteria in the future.

Multi-tenant industrial properties generally offer a combination of both warehouse and office space adaptable to a broad range of tenants and uses and typically cater to local and regional businesses. Multi-tenant industrial properties comprise one of the major segments of the commercial real estate market and tenants in these properties come from a broad spectrum of industries including light manufacturing, assembly, distribution, import/export, general contractors, telecommunications, general office/ warehouse, wholesale, service, high-tech and other fields. These properties diversify revenue by generating rental income from multiple businesses in a variety of industries instead of relying on one or two large tenants.

Other Potential Investments

While we intend to invest in multi-tenant industrial properties, we have the ability to invest in any type of real estate investment that we believe to be in the best interests of our stockholders, including other real estate funds or REITs, mortgage funds, mortgage loans and sale lease-backs. Furthermore, there are no restrictions on the number or size of properties we may purchase or on the amount or proportion of net proceeds of our initial public offering that we may invest in a single property. Although we can invest in any type of real estate investment, our charter restricts certain types of investments. We do not intend to make loans to other persons (other than mortgage loans permitted by our charter), to underwrite securities of other issuers or to engage in the purchase and sale of any types of investments other than real estate investments.

Investment Strategies and Decisions

Our advisor will make recommendations to our board of directors, which will approve or reject all proposed property acquisitions. Our independent directors will review our investment policies at least annually to determine whether these policies continue to be in the best interests of our stockholders.

We will purchase properties based on the decision of our board of directors after an examination and evaluation by our advisor of many factors including but not limited to the functionality of the property, the historical financial performance of the property, current market conditions for leasing space at the property, proposed purchase price, terms and conditions, potential cash flows and potential profitability of the property. The number of properties that we will purchase will depend on the amount of funds we raise in this offering and upon the price we pay for the properties we purchase. To identify properties that best fit our investment criteria, our advisor will study regional demographics and market conditions and work through local commercial real estate brokers.

Leases and Tenant Improvements

The properties we acquire will generally have operating type leases. Operating type leases generally have either gross or modified gross payment terms. Under gross leases, the landlord pays all operating expenses of the property. Under modified gross leases, the tenant reimburses the landlord for certain operating expenses. A "net" lease, which is generally not considered an operating-type lease, provides that the tenant pays or reimburses the owner for all or substantially all property operating expenses. As landlord, we will generally have responsibility for certain capital repairs or replacement of specific structural components of a property such as the roof, heating and air conditioning systems, the interior floor or slab of the building as well as parking areas.

When a tenant at one of our properties vacates its space, it is likely that we will be required to expend funds for tenant improvements and refurbishments to the vacated space in order to attract new tenants. If we do not have adequate cash on hand to fund tenant improvements and refurbishments, we may use interim debt financing in order to fulfill our obligations under lease agreements with new tenants.

Joint Ventures and Other Arrangements

We may acquire some of our properties in joint ventures, some of which may be entered into with affiliates of our advisor. We may also enter into joint ventures, general partnerships, co-tenancies and other participations with real estate developers, owners and others for the purpose of owning and leasing real properties. Among other reasons, we may want to acquire properties through a joint venture with third parties or affiliates in order to diversify our portfolio of properties in terms of geographic region, property type and tenant industry group. Joint ventures may also allow us to acquire an interest in a property without requiring that we fund the entire purchase price. In addition, certain properties may be available to us only through joint ventures. In determining whether to recommend a particular joint venture, the advisor will evaluate the real property which such joint venture owns or is being formed to own under the same criteria described elsewhere in this prospectus. These entities may employ debt financing. (See "Borrowing Policies" below.)

Borrowing Policies

We intend to be an all-cash REIT that will own and operate our properties with no permanent indebtedness. Generally, we will pay the entire purchase price of each property in cash or with equity securities, or a combination of each. Being an all-cash REIT mitigates the risks associated with mortgage debt, including the risk of default on the mortgage payments and a resulting foreclosure of a particular property.

During our initial public offering, we will use temporary financing to facilitate acquisitions of properties in anticipation of receipt of offering proceeds. We will endeavor to repay such debt financing promptly upon receipt of proceeds in the offering. To the extent sufficient proceeds from the offering are unavailable to repay such debt financing within a reasonable time as determined by our board of directors, we may sell properties or raise equity capital to repay the debt so that we will own our properties all-cash, with no permanent acquisition financing.

We may incur indebtedness for working capital requirements, tenant improvements, capital improvements, leasing commissions and to make distributions including but not limited to those necessary in order to maintain our qualification as a REIT for federal income tax purposes. We will endeavor to borrow funds on an unsecured basis but we may secure indebtedness with some or all of our portfolio of properties if a majority of our independent directors determine that it is in the best interests of us and our stockholders.

We may also acquire properties encumbered with existing financing which cannot be immediately repaid. To the extent we cannot repay the financing that encumbers these properties within a reasonable time as determined by a majority of our independent directors, we intend to sell properties or raise equity capital to pay debt in order to maintain our all-cash status or reserve an amount of cash sufficient to repay the loan to mitigate the risks of foreclosure.

We may invest in joint venture entities that borrow funds or issue senior equity securities to acquire properties, in which case our equity interest in the joint venture would be junior to rights of the lender or preferred stockholders. In some cases, our advisor may control the joint venture.

Our charter limits our borrowings to the equivalent of 75% of our cost, before deducting depreciation or other non-cash reserves, of all our assets unless any excess borrowing is approved by a majority of our independent directors and is disclosed to our stockholders in our next quarterly report with an explanation from our independent directors of the justification for the excess borrowing. While there is no limitation on the amount we may borrow for the purchase of any single property, we intend to repay such debt within a reasonable time or raise additional equity capital or sell properties in order to maintain our all-cash status.

Competition

We compete with a considerable number of other real estate companies seeking to acquire and lease industrial space, most of which may have greater marketing and financial resources than we do. Principal factors of competition in our business are the quality of properties (including the design and condition of improvements), leasing terms (including rent and other charges and allowances for tenant improvements), attractiveness and convenience of location, the quality and breadth of tenant services provided and reputation as an owner and operator of quality office properties in the relevant market. Our ability to compete also depends on, among other factors, trends in the national and local economies, financial condition and operating results of current and prospective tenants, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population trends.

We may hold interests in properties located in the same geographic locations as other entities managed by our advisor or our advisor's affiliates. Our properties may face competition in these geographic regions from such other properties owned, operated or managed by other entities managed our advisor or our advisor's affiliates. Our advisor or its affiliates have interests that may vary from those we may have in such geographic markets.

Government Regulations

Our company and the properties we expect to own are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Federal laws such as the National Environmental Policy Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Resource Conservation and Recovery Act, the Federal Water Pollution Control Act, the Federal Clean Air Act, the Toxic Substances Control Act, the Emergency Planning and Community Right to Know Act and the Hazard Communication Act govern such matters as wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials and the remediation of contamination associated with disposals. Some of these laws and regulations impose joint and several liability on tenants, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. Compliance with these laws and any new or more stringent laws or regulations may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. In addition, there are various federal, state and local fire, health, life-safety and similar regulations with which we may be required to comply, and which may subject us to liability in the form of fines or damages for noncompliance.

Our properties may be affected by our tenants' operations, the existing condition of land when we buy it, operations in the vicinity of our properties, such as the presence of underground storage tanks, or activities of unrelated third parties. The presence of hazardous substances, or the failure to properly remediate these substances, may make it difficult or impossible to sell or rent such property.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous real property owner or operator may be liable for the cost to remove or remediate hazardous or toxic substances on, under or in such property. These costs could be substantial. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures or prevent us from entering into leases with prospective tenants that may be impacted by such laws. Environmental laws provide for sanctions for noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances, including asbestos-containing materials into the air. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of complying with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could be substantial.

Acquisition Activity

At December 31, 2007, we owned eleven properties. All of these properties are consolidated into our accompanying consolidated financials statements and included in the properties summary as provided under "Item 2 Properties" referenced below.

We have acquired our properties to date with a combination of the proceeds from our ongoing initial public offering and debt incurred upon the acquisition of certain properties.

Employees

We have no employees and our executive officers are all employees of our advisor's affiliates. Substantially all of our work is performed by employees of our advisor's affiliates. We are dependent on our advisor and PCC for certain services that are essential to us, including the sale of shares in our ongoing initial public offering; the identification, evaluation, negotiation, purchase and disposition of properties; the management of the daily operations of our real estate portfolio; and other general and administrative responsibilities. In the event that these companies are unable to provide the respective services, we will be required to obtain such services from other sources.

Available Information

Information about us is available on our website (http:// www.crefunds.com). We make available, free of charge, on our Internet website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with the SEC. These materials are also available at no cost in print to any person who requests it by contacting our Investor Services Department at 1920 Main Street, Suite 400, Irvine, California 92614; telephone (877) 805-3333. Our filings with the SEC will be available to the public over the Internet at the SEC's website at http://www.sec.gov. You may read and copy any filed document at the SEC's public reference room in Washington, D.C. at 100 F Street, N.E., Room 1580, Washington D.C. Please call the SEC at (800) SEC-0330 for further information about the public reference rooms.

ITEM 1A. RISK FACTORS

The risk factors described below are not the only ones we face, but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also harm our business.

General

Our limited operating history makes it difficult for you to evaluate us.

We have a limited operating history. The past performance of other real estate investment programs sponsored by affiliates of our advisor may not be indicative of the performance we will achieve. We were formed on October 22, 2004 in order to invest primarily in investment real estate. We have acquired eleven properties as of the date of this report and generated limited income, cash flow, funds from operations or funds from which to make distributions to our shareholders.

Because there is no public trading market for our stock it will be difficult for stockholders to sell their stock. If stockholders do sell your stock, they will likely sell it at a substantial discount.

There is no current public market for our stock and there is no assurance that a public market will ever exist for our stock. Our charter contains restrictions on the ownership and transfer of our stock, and these restrictions may inhibit our stockholders' ability to sell their stock. Our charter prevents any one person from owning more than 9.8% in number of shares or value, whichever is more restrictive, of the outstanding shares of any class or series of our stock unless exempted by our board of directors. Our charter also limits our stockholders' ability to transfer their stock to prospective stockholders unless (i) they meet suitability standards regarding income or net worth and (ii) the transfer complies with minimum purchase requirements. We plan to adopt a stock repurchase program, but it will be limited in terms of the number of shares of stock that may be redeemed annually. Our board of directors may also limit, suspend or terminate our stock repurchase program at any time.

It may be difficult for our stockholders to sell their stock promptly or at all. If our stockholders are able to sell shares of stock, they may only be able to sell them at a substantial discount from the price they paid. This may be the result, in part, of the fact that the amount of funds available for investment is expected to be reduced by sales commissions, dealer manager fees, organization and offering expenses, and acquisition fees and expenses. If our offering expenses are higher than we anticipate, we will have a smaller amount available for investment.

Competition with third parties for properties and other investments may result in our paying higher prices for properties, or impair our ability to sell our properties for an acceptable return, which could reduce our profitability.

We compete with many other entities engaged in real estate investment activities, including individuals, corporations, banks, insurance companies, other REITs, real estate limited partnerships, and other entities engaged in real estate investment activities, many of which have greater resources than we do. Some of these investors may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. In addition, the number of entities and the amount of funds competing for suitable investments may increase. Any such increase would result in increased demand for these assets and increased prices. If competitive pressures cause us to pay higher prices for properties, our ultimate profitability may be reduced and the value of our properties may not appreciate or may decrease significantly below the amount paid for such properties. At the time we elect to dispose of one or more of our properties, we will be in competition with sellers of similar properties to locate suitable purchasers, which may result in us receiving lower proceeds from the disposal or result in us not being able to dispose of the property due to the lack of an acceptable return.

If we are unable to find or experience delays in finding suitable investments, we may experience a delay in the commencement of distributions and a lower rate of return to investors.

Our ability to achieve our investment objectives and to make distributions depends upon the performance of our advisor in the acquisition and operation of our investments and upon the performance of property managers and leasing agents in the management of our properties and identification of prospective tenants. We may be delayed in making investments in properties due to delays in the sale of our stock, delays in negotiating or obtaining the necessary purchase documentation for properties, delays in locating suitable investments or other factors. We cannot be sure that our advisor will be successful in obtaining suitable investments on financially attractive terms or that our investment objectives will be achieved. We may also make other real estate investments such as investments in publicly traded REITs, mortgage funds and other entities that make real estate investments. Until we make real estate investments, we will hold the proceeds from our initial public offering in an interest-bearing account or invest the proceeds in short-term, investment-grade securities. We expect the rates of return on these short-term investments to be substantially less than the returns we make on real estate investments. If we are unable to invest the proceeds from our initial public offering in properties or other real estate investments for an extended period of time, distributions to our stockholders may be delayed and may be lower and the value of our stockholders' investment could be reduced.

If we do not raise substantial funds, we will be limited in the number and type of investments we may make, and our performance will fluctuate with the performance of the specific properties we acquire.

Our initial public offering is being made on a "best efforts" basis and no individual, firm or corporation has agreed to purchase any of our stock. The amount of proceeds we raise in our initial public offering may be substantially less than the amount we would need to achieve a broadly diversified property portfolio. If we are unable to raise substantially more than the minimum offering amount, we will make fewer investments resulting in less diversification in terms of the number of investments owned and the geographic regions in which our investments are located. In that case, the likelihood that any single property's performance would materially reduce our overall profitability will increase. We are not limited in the number or size of our investments or the percentage of net proceeds we may dedicate to a single investment. In addition, any inability to raise substantial funds would increase our fixed operating expenses as a percentage of gross income, and our net income and the distributions we make to stockholders would be reduced.

We may not generate sufficient cash for distributions. The cash distributions our stockholders receive may be less frequent or lower in amount than expected.

If the rental revenues from the properties we own do not exceed our operational expenses, we may not be able to make cash distributions until such time as we sell a property. We currently expect to make distributions to our stockholders monthly, but may make distributions quarterly or not at all. All expenses we incur in our operations, including payment of interest to temporarily finance properties acquisitions, are deducted from cash funds generated by operations prior to computing the amount of cash available to be paid as distributions to our stockholders. Our directors will determine the amount and timing of distributions. Our directors will consider all relevant factors, including the amount of cash available for distribution, capital expenditure and reserve requirements and general operational requirements. We cannot determine how long it may take to generate sufficient available cash flow to make distributions or that sufficient cash will be available to make distributions. We may borrow funds to enable us to make distributions. With no prior operations, we cannot predict the amount of distributions our stockholders may receive. We may be unable to pay or maintain cash distributions or increase distributions over time.

We have, and may in the future, pay distributions from sources other than cash provided from operations.

We declared distributions of approximately $3.2 million during the year ended December 31, 2007. Net cash used in operating activities during the same period was approximately $1.2 million. Because we did not have sufficient positive cash flow from operations and proceeds of borrowings were used to acquire properties during the year ended December 31, 2007, we paid these distributions using proceeds from our public offering. Until proceeds from this offering are invested and generating operating cash flow sufficient to make distributions to stockholders, we intend to pay all or a substantial portion of our distributions from the proceeds of our public offering or from borrowings in anticipation of future cash flow. To the extent that we use offering proceeds to fund distributions to stockholders, the amount of cash available for investment in properties will be reduced.

If we borrow money to meet the REIT minimum distribution requirement or for other working capital needs, our expenses will increase, our net income will be reduced by the amount of interest we pay on the money we borrow and we will be obligated to repay the money we borrow from future earnings or by selling assets, which will decrease future distributions to stockholders.

If we fail for any reason to distribute at least 90% of our REIT taxable income, then we would not qualify for the favorable tax treatment accorded to REITs. It is possible that 90% of our income would exceed the cash we have available for distributions due to, among other things, differences in timing between the actual receipt of income and actual payment of deductible expenses and the inclusion/deduction of such income/expenses when determining our taxable income, nondeductible capital expenditures, the creation of reserves, the use of cash to purchase stock under our stock repurchase program, and required debt amortization payments. We may decide to borrow funds in order to meet the REIT minimum distribution requirements even if our management believes that the then prevailing market conditions generally are not favorable for such borrowings or that such borrowings would not be advisable in the absence of such tax considerations. Distributions made in excess of net income will constitute a return of capital to stockholders.

The inability of our advisor to retain or obtain key personnel, property managers and leasing agents could delay or hinder implementation of our investment strategies, which could impair our ability to make distributions.

Our success depends to a significant degree upon the contributions of Terry G. Roussel, the President and Chief Executive Officer of our advisor. Our advisor does not have an employment agreement with Mr. Roussel. If Mr. Roussel was to cease his affiliation with our advisor, our advisor may be unable to find a suitable replacement, and our operating results could suffer. We believe that our future success depends, in large part, upon our advisor's, property managers' and leasing agents' ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for highly skilled personnel is intense, and our advisor and any property managers we retain may be unsuccessful in attracting and retaining such skilled personnel. If we lose or are unable to obtain the services of highly skilled personnel, property managers or leasing agents, our ability to implement our investment strategies could be delayed or hindered.

FINRA has commenced an investigation of our dealer manager which is in the preliminary stage. We cannot predict the outcome of the investigation. Some potential outcomes could adversely affect our ability to raise proceeds in this offering and the investigation itself could distract our management or the management of our advisor, either of which could increase the risk that you would suffer a loss on your investment.

Our advisor has informed us that the Financial Industry Regulatory Authority ("FINRA") (formerly, the NASD) is conducting a non-public investigation of our affiliated dealer manager that is, we understand, focused on the private placements conducted by our dealer manager during the period from January 1, 2004 through October 31, 2007. The investigation is in the preliminary stage. FINRA's correspondence requesting document production states, "This inquiry should not be construed as an indication that the Enforcement Department or its staff has determined that any violations of federal securities laws or NASD, NYSE or MSRB rules have occurred." We have been advised that our dealer manager is responding to FINRA's request for information and intends to continue to cooperate in the investigation.

Although we cannot, at this time, assess either the duration or the likely outcome or consequences of this investigation, FINRA has the authority to impose sanctions on our dealer manager that could adversely affect its effectiveness in that capacity. Due to our dependence on our dealer manager to raise funds in this offering, and due to the importance of substantial fundraising in order to invest in a diversified portfolio of assets and to reduce our fixed operating expenses as a percentage of gross income, any FINRA action that adversely affects our dealer manager's ability to raise funds in this offering could also adversely affect the value of your investment. In addition, to the extent that the FINRA investigation distracts our management or the management of our advisor from pursuing our business plan, our results and the value of your investment could be adversely affected.

Risks Related to Conflicts of Interest

Our advisor will face conflicts of interest relating to the purchase and leasing of properties, and such conflicts may not be resolved in our favor, which could limit our investment opportunities and impair our ability to make distributions.

We rely on our advisor to identify suitable investment opportunities. We may be buying properties at the same time as other entities that are affiliated with or sponsored by our advisor. Other programs sponsored by our advisor or its affiliates also rely on our advisor for investment opportunities. Many investment opportunities would be suitable for us as well as other programs. Our advisor could direct attractive investment opportunities or tenants to other entities. Such events could result in our investing in properties that provide less attractive returns, thus reducing the level of distributions that we may be able to pay to our stockholders.

If we acquire properties from affiliates of our advisor, the price may be higher than we would pay if the transaction was the result of arm's-length negotiations.

The prices we pay to affiliates of our advisor for our properties will be equal to the prices paid by them, plus the costs incurred by them relating to the acquisition and financing of the properties or if the price to us is in excess of such cost, substantial justification for such excess will exist and such excess will be reasonable and consistent with current market conditions as determined by a majority of our independent directors. Substantial justification for a higher price could result from improvements to a property by the affiliate of our advisor or increases in market value of the property during the period of time the property is owned by the affiliates of our advisor as evidenced by an appraisal of the property. These prices will not be the subject of arm's-length negotiations, which could mean that the acquisitions may be on terms less favorable to us than those negotiated in an arm's-length transaction. Even though we will use an independent third party appraiser to determine fair market value when acquiring properties from our advisor and its affiliates, we may pay more for particular properties than we would have in an arm's-length transaction, which would reduce our cash available for investment in other properties or distribution to our stockholders.

We may purchase properties from persons with whom our advisor or its affiliates have prior business relationships and our advisor's interest in preserving its relationship with these persons could result in us paying a higher price for the properties than we would otherwise pay.

We may have the opportunity to purchase properties from third parties including affiliates of our independent directors who have prior business relationships with our advisor or its affiliates. If we purchase properties from such third parties, our advisor may experience a conflict between our interests and its interest in preserving any ongoing business relationship with these sellers.

Our advisor will face conflicts of interest relating to joint ventures that we may form with affiliates of our advisor, which conflicts could result in a disproportionate benefit to the other venture partners at our expense.

We may enter into joint venture agreements with third parties (including entities that are affiliated with our advisor or our independent directors) for the acquisition or improvement of properties. Our advisor may have conflicts of interest in determining which program should enter into any particular joint venture agreement. The co-venturer may have economic or business interests or goals that are or may become inconsistent with our business interests or goals. In addition, our advisor may face a conflict in structuring the terms of the relationship between our interests and the interest of the affiliated co-venturer and in managing the joint venture. Since our advisor and its affiliates will control both the affiliated co-venturer and, to a certain extent, us, agreements and transactions between the co-venturers with respect to any such joint venture will not have the benefit of arm's-length negotiation of the type normally conducted between unrelated co-venturers. Co-venturers may thus benefit to our detriment.

Our advisor and its affiliates receive commissions, fees and other compensation based upon the sale of our stock, our property acquisitions, the property we own and the sale of our properties and therefore our advisor and its affiliates may make recommendations to us that we buy, hold or sell property in order to increase their compensation. Our advisor will have considerable discretion with respect to the terms and timing of our acquisition, disposition and leasing transactions.

Our advisor and its affiliates receive commissions, fees and other compensation based upon the sale of our stock and based on our investments. Therefore, our advisor may recommend that we purchase properties that generate fees for our advisor, but are not necessarily the most suitable investment for our portfolio. In some instances our advisor and its affiliates may benefit by us retaining ownership of our assets, while our stockholders may be better served by sale or disposition. In other instances they may benefit by us selling the properties which may entitle our advisor to disposition fees and possible success-based sales fees. In addition, our advisor's ability to receive asset management fees and reimbursements depends on our continued investment in properties and in other assets that generate fees to them. Therefore, the interest of our advisor and its affiliates in receiving fees may conflict with our interests.

Our advisor and its affiliates, including our officers and some of our directors, will face conflicts of interest caused by compensation arrangements with us and other advisor-sponsored programs, which could result in actions that are not in the long-term best interests of our stockholders.

Our advisor and its affiliates will receive substantial fees from us. These fees could influence our advisor's advice to us, as well as the judgment of the affiliates of our advisor who serve as our officers or directors. Among other matters, the compensation arrangements could affect their judgment with respect to:

- property acquisitions from other advisor-sponsored programs, which might entitle our advisor to disposition fees and possible success-based sale fees in connection with its services for the seller;
- whether and when we seek to list our common stock on a national securities exchange or the Nasdaq National Market, which listing could entitle our advisor to a success-based listing fee but could also adversely affect its sales efforts for other programs if the price at which our stock trades is lower than the price at which we offered stock to the public; and
- whether and when we seek to sell the company or its assets, which sale could entitle our advisor to success-based fees but could also adversely affect its sales efforts for other programs if the sales price for the company or its assets resulted in proceeds less than the amount needed to preserve our stockholders' capital.

Considerations relating to their compensation from other programs could result in decisions that are not in the best interests of our stockholders, which could hurt our ability to make distributions.

If the competing demands for the time of our advisor, its affiliates and our officers result in them spending insufficient time on our business, we may miss investment opportunities or have less efficient operations which could reduce our profitability and result in lower distributions to stockholders.

We do not have any employees. We rely on the employees of our advisor and its affiliates for the day-to-day operation of our business. We estimate that over the life of the company, our advisor and its affiliates will dedicate, on average, less than half of their time to our operations. The amount of time that our advisor and its affiliates spend on our business will vary from time to time and is expected to be more while we are raising money and acquiring properties. Our advisor and its affiliates, including our officers, have interests in other programs and engage in other business activities. As a result, they will have conflicts of interest in allocating their time between us and other programs and activities in which they are involved. Because these persons have competing interests on their time and resources, they may have conflicts of interest in allocating their time between our business and these other activities. During times of intense activity in other programs and ventures, they may devote less time and fewer resources to our business than are necessary or appropriate to manage our business. We expect that as our real estate activities expand, our advisor will attempt to hire additional employees who would devote substantially all of their time to our business. There is no assurance that our advisor will devote adequate time to our business. If our advisor suffers or is distracted by adverse financial or operational problems in connection with its operations unrelated to us, it may allocate less time and resources to our operations. If any of these things occur, the returns on our investments and our ability to make distributions to stockholders may suffer.

Our officers and some of our directors face conflicts of interest related to the positions they hold with our advisor and its affiliates which could hinder our ability to successfully implement our business strategy and to generate returns to our stockholders.

Our executive officers and some of our directors are also officers and directors of our advisor, our dealer manager and other affiliated entities. As a result, they owe fiduciary duties to these various entities and their stockholders and members, which fiduciary duties may from time to time conflict with the fiduciary duties that they owe to us and our stockholders. Their loyalties to these other entities could result in actions or inactions that are detrimental to our business, which could harm the implementation of our business strategy and our investment, property management and leasing opportunities. If we do not successfully implement our business strategy, we may be unable to generate cash needed to make distributions to our stockholders and to maintain or increase the value of our assets.

Our board's possible loyalties to existing advisor-sponsored programs (and possibly to future advisor-sponsored programs) could result in our board approving transactions that are not in our best interest and that reduce our net income and lower our distributions to stockholders.

Some of our directors are also directors of our advisor which is an affiliate of the managing member of another affiliate-sponsored program. The loyalties of those directors to the other affiliate-sponsored program may influence the judgment of our board when considering issues for us that may affect the other affiliate-sponsored program, such as the following:

- We could enter into transactions with the other program, such as property sales or acquisitions, joint ventures or financing arrangements. Decisions of our board regarding the terms of those transactions may be influenced by our board's loyalties to the other program.
- A decision of our board regarding the timing of a debt or equity offering could be influenced by concerns that the offering would compete with an offering of the other program.
- A decision of our board regarding the timing of property sales could be influenced by concerns that the sales would compete with those of the other program.
- We could also face similar conflicts and some additional conflicts if our advisor or its affiliates sponsor additional REITs, assuming some of our directors are also directors of the additional REITs.
- Our independent directors must evaluate the performance of our advisor with respect to whether our advisor is presenting to us our fair share of investment opportunities. If our advisor is not presenting a sufficient number of investment opportunities to us because it is presenting many opportunities to other advisor-sponsored entities or if our advisor is giving preferential treatment to other advisor-sponsored entities in this regard, our independent directors may need to enforce our rights under the terms of the advisory agreement or seek a new advisor.

If our advisor is unable to adequately fund our offering and organizational activities, we may sell fewer shares in our initial public offering, we may be unable to acquire a diversified portfolio of properties, our operating expenses may be a larger percentage of our revenue and our net income may be lower.

Our advisor is newly formed, has limited capitalization, has incurred losses since its inception and is continuing to incur losses. Our advisor must raise funds through the sale of its own debt or equity securities, or obtain financial support from its affiliates or its sole member, to obtain the cash necessary to provide these advances. Our advisor's sole member is also dependent on raising funds to provide financial support to our advisor. There can be no assurance as to the amount or timing of our advisor's receipt of funds. If our advisor's financial circumstances reduce the amount of funds available to us for offering and organizational activities, we may not be able to raise as much money in this offering. Cornerstone Industrial Properties, LLC, the sole member of our advisor, has limited capitalization, has incurred significant losses since its inception and is continuing to incur significant losses.

Risks Related to Our Corporate Structure

A limit on the percentage of our securities a person may own may discourage a takeover or business combination, which could prevent our stockholders from realizing a premium price for their stock.

In order for us to qualify as a REIT, no more than 50% of our outstanding stock may be beneficially owned, directly or indirectly, by five or fewer individuals (including certain types of entities) at any time during the last half of each taxable year. To assure that we do not fail to qualify as a REIT under this test, our charter restricts direct or indirect ownership by one person or entity to no more than 9.8% in number of shares or value, whichever is more restrictive, of the outstanding shares of any class or series of our stock unless exempted by our board of directors. This restriction may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to our stockholders.

Our charter permits our board of directors to issue stock with terms that may subordinate the rights of our common stockholders or discourage a third party from acquiring us in a manner that could result in a premium price to our stockholders.

Our board of directors may increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue and classify or reclassify any unissued common stock or preferred stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption of any such stock. Our board of directors could authorize the issuance of preferred stock with terms and conditions that could have priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to holders of our common stock.

The payment of the subordinated performance fee due upon termination, and the purchase of interests in our operating partnership held by our advisor and its affiliates as required in our advisory agreement, may discourage a takeover attempt that could have resulted in a premium price to our stockholders.

In the event of a merger in which we are not the surviving entity, and pursuant to which our advisory agreement is terminated, our advisor and its affiliates may require that we pay the subordinated performance fee due upon termination, and that we purchase all or a portion of the operating partnership units they hold at any time thereafter for cash, or our stock, as determined by the seller. The subordinated performance fee due upon termination ranges from a low of 5% if the sum of the appraised value of our assets minus our liabilities on the date the advisory agreement is terminated plus total distributions (other than stock distributions) paid prior to termination of the advisory agreement exceeds the amount of invested capital plus annualized returns of 6%, to a high of 15% if the sum of the appraised value of our assets minus our liabilities plus all prior distributions (other than stock distributions) exceeds the amount of invested capital plus annualized returns of 10% or more. This deterrence may limit the opportunity for stockholders to receive a premium for their stock that might otherwise exist if an investor attempted to acquire us through a merger.

Our rights to recover claims against our directors, officers, employees and other agents are limited, which could reduce our recovery against them if they are liable to us for their conduct.

Maryland law provides that a director has no liability as a director if he performs his duties in good faith, in a manner he reasonably believes to be in the best interests of the company and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Our charter also provides that we will generally indemnify our directors, our officers, our advisor and its affiliates and their respective officers, directors, managers and employees for losses they may incur by reason of their service in those capacities unless:

- their act or omission was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;
- they actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, they had reasonable cause to believe that the act or omission was unlawful.

In addition to the above provisions of the Maryland General Corporation Law, our charter provides that in order for a director, an officer, our advisor or its affiliates to be exonerated from liability or receive indemnification, all of the following conditions must be met:

- our directors, our advisor or its affiliates have determined, in good faith, that the course of conduct that caused the loss or liability was in our best interests;
- our directors, our officers, our advisor or its affiliates were acting on our behalf or performing services for us;
- in the case of our independent directors, the liability or loss was not the result of gross negligence or willful misconduct by the party seeking indemnification;
- in the case of our non-independent directors, our advisor or its affiliates, the liability or loss was not the result of negligence or misconduct by the party seeking indemnification; and

- the indemnification is recoverable only out of our net assets or the proceeds of insurance and not from the stockholders.

As a result, we may have more limited rights against our directors, officers, employees and other agents than might otherwise exist under common law, which could reduce our recovery from such persons if they cause us to incur losses. In addition, we may be obligated to fund the defense costs incurred by our directors (as well as by our officers, employees and agents) in some cases, which would decrease the cash otherwise available to us to make distributions to our stockholders.

Payment of fees to our advisor and its affiliates will reduce cash available for investment and distribution.

Our advisor and its affiliates will perform services for us in connection with the offer and sale of our stock, the selection and acquisition of our properties, and possibly the management and leasing of our properties. They will be paid significant fees for these services, which will reduce the amount of cash available for investment in properties and distribution to stockholders. The fees to be paid to our advisor and its affiliates were not determined on an arm's-length basis. We cannot assure you that a third-party unaffiliated with our advisor would not be willing to provide such services to us at a lower price. The expenses we incur in connection with the offer and sale of our stock, excluding acquisition fees and expenses, may exceed the amount we expect and could be as high as 13.5% of gross proceeds. These fees increase the risk that the amount available for payment of distributions to our stockholders upon a liquidation of our portfolio would be less than the purchase price of the shares of stock.

If we are unable to obtain funding for future capital needs, cash distributions to our stockholders could be reduced and the value of our investments could decline.

If we need additional capital in the future to improve or maintain our properties or for any other reason, we will have to obtain financing from other sources, such as cash flow from operations, borrowings, property sales or future equity offerings. These sources of funding may not be available on attractive terms or at all. If we cannot procure additional funding for capital improvements, our investments may generate lower cash flows or decline in value, or both.

General Risks Related to Investments in Real Estate

Economic and regulatory changes that impact the real estate market may reduce our net income and the value of our properties.

We are subject to risks related to the ownership and operation of real estate, including but not limited to:

- worsening general or local economic conditions and financial markets could cause lower demand, tenant defaults, and reduced occupancy and rental rates, some or all of which would cause an overall decrease in revenue from rents;

- increases in competing properties in an area which could require increased concessions to tenants and reduced rental rates;

- increases in interest rates or unavailability of permanent mortgage funds which may render the sale of a property difficult or unattractive; and

- changes in laws and governmental regulations, including those governing real estate usage, zoning and taxes.

Some or all of the foregoing factors may affect our properties, which would reduce our net income, and our ability to make distributions to our stockholders.

Lease terminations could reduce our revenues from rents and our distributions to our stockholders.

The success of our investments depends upon the occupancy levels, rental income and operating expenses of our properties and our company. In the event of a tenant default or bankruptcy, we may experience delays in enforcing our rights as landlord and may incur costs in protecting our investment and re-leasing our property. We may be unable to re-lease the property for the rent previously received. We may be unable to sell a property with low occupancy without incurring a loss. These events and others could cause us to reduce the amount of distributions we make to stockholders.

Rising expenses at both the property and the company level could reduce our net income and our cash available for distribution to stockholders.

Our properties will be subject to operating risks common to real estate in general, any or all of which may reduce our net income. If any property is not substantially occupied or if rents are being paid in an amount that is insufficient to cover operating expenses, we could be required to expend funds with respect to that property for operating expenses. The properties will be subject to increases in tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses. If we are unable to lease properties on a basis requiring the tenants to pay such expenses, we would be required to pay some or all of those costs which would reduce our income and cash available for distribution to stockholders.

Costs incurred in complying with governmental laws and regulations may reduce our net income and the cash available for distributions.

Our company and the properties we expect to own are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Federal laws such as the National Environmental Policy Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Resource Conservation and Recovery Act, the Federal Water Pollution Control Act, the Federal Clean Air Act, the Toxic Substances Control Act, the Emergency Planning and Community Right to Know Act and the Hazard Communication Act govern such matters as wastewater discharges, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials and the remediation of contamination associated with disposals. The properties we acquire will be subject to the Americans with Disabilities Act of 1990 which generally requires that certain types of buildings and services be made accessible and available to people with disabilities. These laws may require us to make modifications to our properties. Some of these laws and regulations impose joint and several liability on tenants, owners or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. Compliance with these laws and any new or more stringent laws or regulations may require us to incur material expenditures. Future laws, ordinances or regulations may impose material environmental liability. In addition, there are various federal, state and local fire, health, life-safety and similar regulations with which we may be required to comply, and which may subject us to liability in the form of fines or damages for noncompliance.

Our properties may be affected by our tenants' operations, the existing condition of land when we buy it, operations in the vicinity of our properties, such as the presence of underground storage tanks, or activities of unrelated third parties. The presence of hazardous substances, or the failure to properly remediate these substances, may make it difficult or impossible to sell or rent such property. Any material expenditures, fines, or damages we must pay will reduce our ability to make distributions.

Discovery of environmentally hazardous conditions may reduce our cash available for distribution to our stockholders.

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous real property owner or operator may be liable for the cost to remove or remediate hazardous or toxic substances on, under or in such property. These costs could be substantial. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures or prevent us from entering into leases with prospective tenants that may be impacted by such laws. Environmental laws provide for sanctions for noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances, including asbestos-containing materials into the air. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of complying with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could be substantial and reduce our ability to make distributions.

Any uninsured losses or high insurance premiums will reduce our net income and the amount of our cash distributions to stockholders.

Our advisor will attempt to obtain adequate insurance to cover significant areas of risk to us as a company and to our properties. However, there are types of losses at the property level, generally catastrophic in nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, which are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. We may not have adequate coverage for such losses. If any of our properties incurs a casualty loss that is not fully insured, the value of our assets will be reduced by any such uninsured loss. In addition, other than any working capital reserve or other reserves we may establish, we have no source of funding to repair or reconstruct any uninsured damaged property. Also, to the extent we must pay unexpectedly large amounts for insurance, we could suffer reduced earnings that would result in lower distributions to stockholders.

We may have difficulty selling real estate investments, and our ability to distribute all or a portion of the net proceeds from such sale to our stockholders may be limited.

Equity real estate investments are relatively illiquid. We will have a limited ability to vary our portfolio in response to changes in economic or other conditions. We will also have a limited ability to sell assets in order to fund working capital and similar capital needs. When we sell any of our properties, we may not realize a gain on such sale. We may not elect to distribute any proceeds from the sale of properties to our stockholders; for example, we may use such proceeds to:

- purchase additional properties;
- repay debt, if any;
- buy out interests of any co-venturers or other partners in any joint venture in which we are a party;
- create working capital reserves; or
- make repairs, maintenance, tenant improvements or other capital improvements or expenditures to our remaining properties.

Our ability to sell our properties may also be limited by our need to avoid a 100% penalty tax that is imposed on gain recognized by a REIT from the sale of property characterized as dealer property. In order to ensure that we avoid such characterization, we may be required to hold our properties for a minimum period of time, generally four years, and comply with certain other requirements in the Internal Revenue Code.

Real estate market conditions at the time we decide to dispose of a property may be unfavorable which could reduce the price we receive for a property.

We intend to hold the properties in which we invest until we determine that selling or otherwise disposing of properties would help us to achieve our investment objectives. General economic conditions, availability of financing, interest rates and other factors, including supply and demand, all of which are beyond our control, affect the real estate market. We may be unable to sell a property for the price, on the terms, or within the time frame we want.

As part of otherwise attractive portfolios of properties, substantially all of which we can own on an all-cash basis, we may acquire some properties with existing lock-out provisions which may inhibit us from selling a property, or may require us to maintain specified debt levels for a period of years on some properties.

Loan provisions could materially restrict us from selling or otherwise disposing of or refinancing properties. These provisions would affect our ability to turn our investments into cash and thus affect cash available for distributions to our stockholders. Loan provisions may prohibit us from reducing the outstanding indebtedness with respect to properties, refinancing such indebtedness on a non-recourse basis at maturity, or increasing the amount of indebtedness with respect to such properties.

Loan provisions could impair our ability to take actions that would otherwise be in the best interests of our stockholders and, therefore, may have an adverse impact on the value of our stock, relative to the value that would result if the loan provisions did not exist. In particular, loan provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best interests of our stockholders.

If we sell properties by providing financing to purchasers of our properties, distribution of net sales proceeds to our stockholders would be delayed and defaults by the purchasers could reduce our cash available for distribution to stockholders.

If we provide financing to purchasers, we will bear the risk that the purchaser may default. Purchaser defaults could reduce our cash distributions to our stockholders. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or their reinvestment in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced or otherwise disposed of or completion of foreclosure proceedings.

Actions of our joint venture partners could subject us to liabilities in excess of those contemplated or prevent us from taking actions that are in the best interests of our stockholders which could result in lower investment returns to our stockholders.

We are likely to enter into joint ventures with affiliates and other third parties to acquire or improve properties. We may also purchase properties in partnerships, co-tenancies or other co-ownership arrangements. Such investments may involve risks not otherwise present when acquiring real estate directly.

Risks Associated with Debt Financing

We have used temporary acquisition financing to acquire properties and otherwise incur other indebtedness, which will increase our expenses and could subject us to the risk of losing properties in foreclosure if our cash flow is insufficient to make loan payments.

We used temporary acquisition financing to acquire eight of the eleven properties we owned as of December 31, 2007. We may continue to use temporary acquisition financing to acquire additional properties. This will enable us to acquire properties before we have raised offering proceeds for the entire purchase price. We plan to use subsequently raised offering proceeds to pay off the temporary acquisition financing.

We may borrow funds for operations, tenant improvements, capital improvements or for other working capital needs. We may also borrow funds to make distributions including but not limited to funds to satisfy the REIT tax qualification requirement that we distribute at least 90% of our annual REIT taxable income to our stockholders. We may also borrow if we otherwise deem it necessary or advisable to ensure that we maintain our qualification as a REIT for federal income tax purposes. To the extent we borrow funds, we may raise additional equity capital or sell properties to pay such debt.

If there is a shortfall between the cash flow from a property and the cash flow needed to service temporary acquisition financing on that property, then the amount available for distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but we would not receive any cash proceeds. We may give full or partial guarantees to lenders of mortgage debt to the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any mortgages contain cross-collateralization or cross-default provisions, a default on a single property could affect multiple properties.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

When providing financing, a lender may impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan documents we have enter into contain covenants that limit our ability to further mortgage the property, discontinue insurance coverage, or replace our advisor. These or other limitations may limit our flexibility and prevent us from achieving our operating plans.

High levels of debt or increases in interest rates could increase the amount of our loan payments, reduce the cash available for distribution to stockholders and subject us to the risk of losing properties in foreclosure if our cash flow is insufficient to make loan payments.

Our policies do not limit us from incurring debt. High debt levels would cause us to incur higher interest charges, would result in higher debt service payments, and could be accompanied by restrictive covenants. Interest we pay could reduce cash available for distribution to stockholders. Additionally, variable rate debt could result in increases in interest rates which would increase our interest costs, which would reduce our cash flows and our ability to make distributions to our stockholders. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments and could result in a loss.

Risks Associated with Being a REIT

If we fail to qualify as a REIT, we will be subjected to tax on our income and the amount of distributions we make to our stockholders will be less.

We intend to qualify as a REIT under the Internal Revenue Code. A REIT generally is not taxed at the corporate level on income it currently distributes to its stockholders. Qualification as a REIT involves the application of highly technical and complex rules for which there are only limited judicial or administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to continue to qualify as a REIT. In addition, new legislation, regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification.

If we elected to be taxed as a REIT and then were to fail to qualify as a REIT in any taxable year:

- we would not be allowed to deduct our distributions to our stockholders when computing our taxable income;
- we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates;
- we would be disqualified from being taxed as a REIT for the four taxable years following the year during which qualification was lost, unless entitled to relief under certain statutory provisions;
- we would have less cash to make distributions to our stockholders; and
- we might be required to borrow additional funds or sell some of our assets in order to pay corporate tax obligations we may incur as a result of our disqualification.

Even if we qualify and maintain our status as a REIT, we may be subject to federal and state income taxes in certain events, which would reduce our cash available for distribution to our stockholders.

Net income from a "prohibited transaction" will be subject to a 100% tax. We may not be able to pay sufficient distributions to avoid excise taxes applicable to REITs. We may also decide to retain income we earn from the sale or other disposition of our property and pay income tax directly on such income. In that event, our stockholders would be treated as if they earned that income and paid the tax on it directly. However, stockholders that are tax-exempt, such as charities or qualified pension plans, would have no benefit from their deemed payment of such tax liability. We may also be subject to state and local taxes on our income or property, either directly or at the level of our operating partnership or at the level of the other companies through which we indirectly own our assets. Any federal or state taxes we pay will reduce the cash available to make distributions to our stockholders.

If our operating partnership is classified as a "publicly-traded partnership" under the Internal Revenue Code, it will be subjected to tax on our income and the amount of distributions we make to our stockholders will be less.

We structured our operating partnership so that it would be classified as a partnership for federal income tax purposes. In this regard, the Internal Revenue Code generally classifies "publicly traded partnerships" (as defined in Section 7704 of the Internal Revenue Code) as associations taxable as corporations (rather than as partnerships), unless substantially all of their taxable income consists of specified types of passive income. In order to minimize the risk that the Internal Revenue Code would classify our operating partnership as a "publicly traded partnership" for tax purposes, we placed certain restrictions on the transfer and/or redemption of partnership units in our operating partnership. If the Internal Revenue Service were to assert successfully that our operating partnership is a "publicly traded partnership," and substantially all of our operating partnership's gross income did not consist of the specified types of passive income, the Internal Revenue Code would treat our operating partnership as an association taxable as a corporation. In such event, the character of our assets and items of gross income would change and would prevent us from qualifying and maintaining our status as a REIT. In addition, the imposition of a corporate tax on our operating partnership would reduce the amount of cash distributable to us from our operating partnership and therefore would reduce our amount of cash available to make distributions to you.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. PROPERTIES

As of December 31, 2007, our portfolio consists of eleven properties which was approximately 96.9% leased. The following table provides summary information regarding our properties and each property is briefly discussed after the table.

Property	Location	Date Purchased	Square Footage		Purchase Price		Debt	December 31, 2007 % Leased
2111 South Industrial Park	North Tempe, AZ	June 1, 2006	26,800	$	1,975,000	$	—	94.0%
Shoemaker Industrial Buildings	Santa Fe Springs, CA	June 30, 2006	18,921		2,400,000		—	100.0%
15172 Goldenwest Circle	Westminster, CA	December 1, 2006	102,200		11,200,000		6,650,000	100.0%
20100 Western Avenue	Torrance, CA	December 1, 2006	116,434		19,650,000		12,732,000	100.0%
Mack Deer Valley	Phoenix, AZ	January 21, 2007	180,985		23,150,000		12,908,000	97.3%
Marathon Center	Tampa Bay, FL	April 2, 2007	52,020		4,450,000		—	84.5%
Pinnacle Park Business Center	Phoenix, AZ	October 2, 2007	158,976		20,050,000		10,989,000	96.1%
Orlando Small Bay Portfolio								
Carter	Winter Garden, FL	November 15, 2007	49,125					92.4%
Goldenrod	Orlando, FL	November 15, 2007	78,646					100.0%
Hanging Moss	Orlando, FL	November 15, 2007	94,200					100.0%
Monroe South	Sanford, FL	November 15, 2007	172,500					95.4%
			394,471		37,128,000		22,420,000	97.0%
			1,050,807	$	120,003,000	$	65,699,000	96.9%

Following are descriptions of our properties:

2111 South Industrial Park, North Tempe, Arizona

The 2111 South Industrial Park is an industrial building located in a master planned business park environment in the North Tempe submarket of Phoenix. At December 31, 2007, the property is approximately 94.0% leased to 14 tenants ranging in size from 1,600 to 2,800 square foot.

Shoemaker Industrial Buildings. Santa Fe Springs, California

Shoemaker Industrial Buildings consists of three single-story buildings located on approximately one acre of land in Santa Fe Springs, California. At December 31, 2007, the property was 100% leased to four tenants whose spaces range in size from approximately 4,600 square feet to 5,121 square feet.

15172 Goldenwest Circle, Westminster, California

15172 Goldenwest Circle consists one single building located on approximately 5.4 acres of land in Westminster, California. At December 31, 2007, the property was 100% leased to a single tenant, a provider of steel and concrete construction products for residential, commercial and government contractors. The current lease will expire on May 31, 2013.

20100 Western Avenue, Torrance, California

20100 Western Avenue consists of one building located on approximately 6.3 acres of land in Torrance, California. At December 31, 2007, the property was 100% leased to five tenants whose size range in size from approximately 11,700 to 29,800 square feet.

Mack Deer Valley - Phoenix, Arizona

Mack Deer Valley consists of two single-story buildings located on approximately 11.7 acres of land in a master planned business park in Phoenix, Arizona. At December 31, 2007, the property was approximately 97.3% leased to 11 tenants whose spaces range in size from approximately 4,879 to 35,782 square feet.

Marathon Center - Tampa, Florida

Marathon Center consists of two single-story buildings located on approximately 4.8 acres of land near Tampa Bay, Florida. At December 31, 2007, the property was approximately 84.5% leased to nine tenants whose spaces range in size from approximately 1,300 square feet to approximately 25,117square feet.

Pinnacle Park Business Center - Phoenix, Arizona

Pinnacle Park Business Center consists of three single-story buildings located on approximately 11.9 acres of land in Phoenix, Arizona. At December 31, 2007, the property was approximately 96.1% leased to seven tenants whose spaces range in size from approximately 6,208 square feet to approximately 57,846 square feet. One tenant, operating an assembly and distribution of military equipment business occupies 36.2% of the property, and another tenant, operating a pet furniture distribution business, occupies 31.9% of the property.

Orlando Small Bay – Orlando, Florida

Orlando Small Bay is located in the metropolitan Orlando, Florida area. Orlando Small Bay consists of four industrial business parks comprised of 18 buildings, with 93 units providing approximately 394,471 leaseable square feet of space on approximately 33.9 acres of land.

The following table sets forth certain information with respect to the business parks comprising Orlando Small Bay.

Property	Total Building Area	Number of Units	Number of Buildings	Space Range (Sq. Feet)
Carter	3.4 acres	16	2	1,875 to 6,000
Goldenrod	9.9 acres	20	3	2,000 to 12,216
Hanging Moss	7.3 acres	23	5	1,875 to 16,500
Monroe South	13.3 acres	34	8	1,250 to 22,500

At December 31, 2007, Orlando Small Bay was approximately 97.0% leased to 90 tenants. Currently, one tenant, a building material distributor, occupies approximately 47,500 square feet of space or approximately 12.6% of the Orlando Small Bay portfolio.

Portfolio Lease Expirations

The following table sets forth lease expiration information at December 31, 2007:

Year Ending December 31	No. of Leases Expiring	Approx. Amount of Expiring Leases (Sq. Feet)	Base Rent of Expiring Leases (Annual $)	Percent of Total Leasable Area Expiring (%)	Percent of Total Annual Base Rent Expiring (%)
2008	33	211,983	$ 1,550,000	20.2%	20.9%
2009	16	85,112	641,000	8.1%	8.6%
2010	34	112,172	923,000	10.7%	12.4%
2011	38	258,882	2,397,000	24.6%	32.3%
2012 and thereafter	17	340,174	2,622,000	32.4%	25.8%
	138	1,008,323	$ 8,133,000	96.0%	100.0%

ITEM 3. LEGAL PROCEEDINGS

From time to time in the ordinary course of business, we may become subject to legal proceeding, claims, or disputes. As of the date hereof, we are not a party to any pending legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our stockholders during the fourth quarter of 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

During the period covered by this report, there was no established public trading market for our shares of common stock.

In order for FINRA members and their associated persons to participate in the offering and sale of shares of common stock pursuant to our ongoing public offering, we are required pursuant to NASD Rule 2710(f)(2)(M) to disclose in each annual report distributed to stockholders a per share estimated value of the shares, the method by which it was developed and the date of the data used to develop the estimated value. In addition, we prepare annual statements of estimated share values to assist fiduciaries of retirement plans subject to the annual reporting requirements of ERISA in the preparation of their reports relating to an investment in our shares. For these purposes, the deemed value is $8.00 per share as of December 31, 2007. There is no public trading market for the shares at this time, and there can be no assurance that stockholders would receive $8.00 per share if such a market did exist and they sold their shares or that they will be able to receive such amount for their shares in the future. Nor does this deemed value reflect the distributions that stockholders would be entitled to receive if our properties were sold and the sale proceeds were distributed upon liquidation of our company. Such a distribution upon liquidation is likely to be less than $8.00 per share primarily due to the fact that the funds initially available for investment in properties were reduced from the gross offering proceeds in order to pay selling commissions and dealer manager fees, organization and offering expenses, and acquisitions and advisory fees. We do not currently anticipate obtaining appraisals for the properties we acquire, and accordingly, the deemed values should not be viewed as an accurate reflection of the fair market value of those properties, nor do they represent the amount of net proceeds that would result from an immediate sale of those properties.

Stock Repurchase Program

Our board of directors has adopted a stock repurchase program that enables our stockholders to sell their stock to us in limited circumstances. Our board of directors may amend, suspend or terminate the program at any time upon thirty days prior notice to our stockholders.

As long as our common stock is not listed on a national securities exchange or the Nasdaq National Market, our stockholders who have held their stock for at least one year may be able to have all or any portion of their shares of stock redeemed. At that time, we may, subject to the conditions and limitations described below, redeem the shares of stock presented for redemption for cash to the extent that we have sufficient funds available to us to fund such redemption. Currently, amount that we may pay to redeem stock will be the redemption price set forth in the following table which is based upon the number of years the stock is held:

Number Years Held	Redemption Price
Less than 1	No Redemption Allowed
1 or more but less than 2	90% of your purchase price
2 or more but less than 3	95% of your purchase price
Less than 3 in the event of death	100% of your purchase price
3 or more but less than 5	100% of your purchase price
5 or more	Estimated liquidation value

The estimated liquidation value for the repurchase of shares of stock held for 5 or more years will be determined by our advisor or another person selected for such purpose and will be approved by our board of directors. The stock repurchase price is subject to adjustment as determined from time to time by our board of directors. At no time will the stock repurchase price exceed the price at which we are offering our common stock for sale at the time of the repurchase.

During our initial public offering and each of the first five years following the closing of the offering, we do not intend to redeem more than the lesser of (i) the number of shares that could be redeemed using the proceeds from our distribution reinvestment plan or (ii) 5% of the number of shares outstanding at the end of the prior calendar year.

We have adopted a share redemption program for investors who have held their shares for at lease one year, unless the shares are being redeemed in connection with a stockholder's death. Under our current stock repurchase program, the repurchase price will vary depending on the purchase price paid by the stockholder and the number of years the shares were held.

During the year ended December 31, 2007, we redeemed shares pursuant to our stock repurchase program follows (in thousands, except per-share amounts):

Period	Total Number of Shares Redeemed(1)	Average Price Paid per Share	Approximate Dollar Value of Shares Available That May Yet Be Redeemed Under the Program
January 2007	—	$ —	(1)
February 2007	—	—	(1)
March 2007	—	—	(1)
April 2007	2,500	8.00	(1)
May 2007	—	—	(1)
June 2007	—	—	(1)
July 2007	—	—	(1)
August 2007	12,500	7.20	(1)
September 2007	—	—	(1)
October 2007	7,255	7.44	(1)
November 2007	35,180	7.19	(1)
December 2007	—	$ —	(1)
	57,435		

(1) As long as our common stock is not listed on a national securities exchange or traded on an other-the-counter market, our stockholders who have held their stock for at least one year may be able to have all or any portion of their shares redeemed in accordance with the procedures outlined in the prospectus relating to the shares they purchased. Under our current stock repurchase program, the repurchase price will vary depending on the purchase price paid by the stockholder and the number of years the shares were held. During our offering and each of the first five years following the closing of our offering, we do not intend to redeem more than the lesser of (i) the number of shares that could be redeemed using the proceeds from our distribution reinvestment plan or (ii) 5% of the number of shares outstanding at the end of the prior calendar year. Beginning five years after termination of this offering, the number of shares that we redeem under the stock repurchase program is not expected to exceed 10% of the number outstanding at the end of the prior year.

Our board of directors may modify our stock repurchase program so that we can redeem stock using the proceeds from the sale of our real estate investments or other sources.

Stockholders

As of March 7, 2008, we had approximately 11.0 million shares of common stock outstanding held by approximately 2,851 stockholders of record.

Distributions

In order to meet the requirements for being treated as a REIT under the Internal Revenue Code, we must pay distributions to our shareholders each taxable year equal to at least 90% of our net ordinary taxable income. Until proceeds from our offerings are invested and generating operating cash flow sufficient to make distributions to stockholders, we intend to pay all or a substantial portion of our distributions from the proceeds of our offering and or from borrowings in anticipation of future cash flow. Our board generally declares distributions on a quarterly basis, portions of which are paid on a monthly basis. Monthly distributions are paid based on daily record and distribution declaration dates so our investor will be entitled to be paid distributions beginning on the day that they purchase shares.

During the years ended December 31, 2007 and 2006, we paid distributions, including any distributions reinvested, aggregating approximately $3.0 million and $0.4 million, respectively to our stockholders. The following table shows the distributions paid for the fiscal years ended December 31, 2007 and 2006. We paid distributions based on daily record dates for each day during the period commencing January 1, 2006 through December 31, 2007, aggregated by quarter as follows:

	Distribution Declared (1)		
Period	Cash	Reinvested	Total
First quarter 2006	$ 8,000	$ 6,000	$ 14,000
Second quarter 2006	45,000	35,000	80,000
Third quarter 2006	88,000	77,000	165,000
Fourth quarter 2006	150,000	177,000	327,000
	$ 291,000	$ 295,000	$ 586,000
First quarter 2007	$ 223,000	$ 283,000	$ 506,000
Second quarter 2007	322,000	422,000	744,000
Third quarter 2007	385,000	523,000	908,000
Fourth quarter 2007	423,000	615,000	1,038,000
	$ 1,353,000	$ 1,843,000	$ 3,196,000

(1) 100% of the distributions declared during 2007 represented a return of capital for tax purposes.

The declaration of distributions is at the discretion of our board of directors and our board will determine the amount of distributions on a regular basis. The amount of distributions will depend on our funds from operations, financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors our board of directors deems relevant.

Recent Sales of Unregistered Securities

On August 8, 2007, we granted our non-employee directors nonqualified stock options to purchase an aggregate of 20,000 shares of our common stock at an exercise price at $8.00 per share under our Employee and Director Incentive Stock Plan pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933.

Use of Proceeds from Registered Securities

Our registration statement (SEC File No. 333-121238) for our initial public offering of up to 44,400,000 shares of our common stock at $8.00 per share and up to 11,000,000 additional shares at $7.60 per share pursuant to our distribution reinvestment plan was declared effective on September 22, 2005. The aggregate offering amount of the shares registered for sale in our initial public offering, assuming the maximum number of shares is sold, is $438,800,000. The offering commenced on January 13, 2006 and has not terminated.

As of December 31, 2007, excluding issuance of 253,266 shares under our distribution reinvestment plan, we had sold approximately 9.7 million shares of common stock in our ongoing offering, raising gross offering proceeds of approximately $77.7 million. From this amount, we incurred approximately $7.7 million in selling commissions and dealer manager fees payable to our dealer manager and approximately $1.6 million in acquisition fees payable to our advisor. We used approximately $52.3 million of the net offering proceeds to acquire properties as of December 31, 2007.

Equity Compensation Plans

Information about securities authorized for issuance under our equity compensation plans required for this Item is incorporated by reference from our definitive Proxy Statement to be filed in connection with our 2008 annual meeting of stockholders.

ITEM 6. SELECTED FINANCIAL DATA

The following should be read with the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes thereto.

	As of December 31,		
	2007	2006	2005
Balance Sheet Data:			
Total assets	$ 129,922,000	$ 50,012,000	$ 224,000
Investments in real estate, net	$ 120,994,000	$ 36,057,000	$ —
Stockholders' equity (deficit)	$ 60,248,000	$ 26,719,000	$ (93,000)

	Year Ended December 31,		
	2007	2006	2005
Operating Data:			
Revenues	$ 5,865,000	$ 404,000	$ —
General and administrative expense	$ 2,359,000	$ 1,294,000	$ 95,000
Net loss	$ (2,601,000)	$ (1,306,000)	$ (94,000)
Net loss per common share, basic and diluted (1)	$ (0.40)	$ (1.58)	$ (752.00)
Distributions declared	$ 3,196,000	$ 586,000	$ —
Distributions per common share (1)	$ 0.50	$ 0.71	$ —
Weighted average number of shares outstanding (1):			
Basic and diluted	6,429,323	827,147	125
Other Data:			
Cash flows used in operating activities	$ (1,156,000)	$ (139,000)	$ (84,000)
Cash flows used in investing activities	$ (84,799,000)	$ (37,447,000)	$ —
Cash flows provided by financing activities	$ 81,562,000	$ 48,510,000	$ 200,000

(1) Net loss and distributions per share are based upon the weighted average number of shares of common stock outstanding.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and notes appearing elsewhere in this Form 10-K.

Overview

We were incorporated on October 22, 2004 for the purpose of engaging in the business of investing in and owning commercial real estate. Prior to commencing our initial public offering on January 6, 2006, we had approximately $200,000 in assets and no real estate operations. In February 2006, we received the minimum offering amount of $1.0 million and in June 2006, we began acquiring real estate assets. As of December 31, 2007, we raised approximately $77.7 million of gross proceeds from the sale of 9.7 million shares of our common stock, and we acquired eleven real estate properties.

Accordingly, our results of operations for the years ended December 31, 2007 and 2006 reflect growing operational revenues and expenses resulting from the acquisition of properties and interest expense resulting from the use of acquisition financing.

Results of Operations

Our results of operations are not indicative of those expected in future periods as we expect that rental income, tenant reimbursements, operating expenses, asset management fees, depreciation, amortization, and net income will each increase in future periods as a result of owning the assets acquired during 2007 for an entire year and as a result of anticipated future acquisitions of real estate assets.

As of December 31, 2007, we had acquired eleven properties, including one portfolio which consisted of four properties. During 2006, we acquired a total of four properties, two in June 2006 and two in December 2006. During 2007, we acquired seven properties. The properties were acquired in January 2007, April 2007, October 2007 and November 2007, respectively. Accordingly, the results of our operations for the year December 31, 2007 are not directly comparable with the year ended December 31, 2006 and 2005. In 2005, our operating results consisted primarily of general and administrative expenses associated with insurance and third party professional, legal and accounting fees related to our periodic reporting requirements under the Securities Act of 1934.

We have no paid employees and are externally advised and managed by Cornerstone Realty Advisors, LLC.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Rental income, tenant reimbursements and other income increased to approximately $4,723,000 and $1,142,000, respectively, for the year ended December 31, 2007 from approximately $359,000 and $45,000, respectively, for the year ended December 31, 2006.

Property operating and maintenance costs increased to approximately $1,332,000 for the year ended December 31, 2007 from approximately $102,000 and $38,000, respectively, for the year ended December 31, 2006.

Depreciation of real estate and amortization of lease costs increased to approximately $1,529,000 for the year ended December 31, 2007 from approximately $99,000 for the year ended December 31, 2006.

The increases in rental income and tenant reimbursements and other income as well as the increases in operating costs, asset management fees and depreciation and amortization are primarily due to the acquisition of properties during 2007 and owning the properties acquired in 2006 for a full year.

General and administrative expenses and asset management fees increased to approximately $2,359,000 and $707,000, respectively for the year ended December 31, 2007 from approximately $1,294,000 and $38,000, respectively for the year ended December 31, 2006 as a result of costs incurred with respect to abandoned acquisitions costs of approximately $838,000 and higher fees incurred to the advisor because we owned more properties in 2007 versus 2006.

Interest income increased to approximately $605,000 for the year ended December 31, 2007 from approximately $203,000 for the year ended December 31, 2006 primarily due to higher cash available for investment from the net proceeds of our public offering.

Interest expense increased to approximately $3,147,000 for the year ended December 31, 2007 from approximately $391,000 for the year ended December 31, 2006 primarily due to increased financing used to facilitate the acquisition of eight properties versus two properties in the prior year.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Rental revenues increased to $404,000, property operating and maintenance expense increased to $102,000 and depreciation and amortization expense increased to $99,000 in 2006. We earned no rental revenue and incurred no property operating and maintenance or depreciation and amortization expense in 2005.

General and administrative expenses and asset management fees increased to $1,294,000 and $38,000, respectively in 2006 from $95,000 and $0, respectively in 2005. The increase is primarily attributable to higher professional fees and advisor administrative expense reimbursement associated with a full year of operations and regulatory reporting, and the addition of lender reporting obligations in 2006.

Interest income increased to $203,000 in 2006 from $1,000 in 2005 due to higher cash available for investment from the net proceeds of our public offering, which commenced in 2006.

Interest expense increased to $391,000 in 2006 from $0 in 2005 due primarily to temporary financing used to facilitate the acquisition of two of our real estate investments.

Liquidity and Capital Resources

We expect that primary sources of capital over the long term will include net proceeds from the sale of our common stock and net cash flows from operations. We expect that our primary uses of capital will be for property acquisitions, for the payment of tenant improvements and leasing commissions, for the payment of operating expenses, including interest expense on any outstanding indebtedness, and for the payment of distributions.

As of December 31, 2007, excluding shares issued under the distribution reinvestment plan, approximately 9.7 million shares of our common stock had been sold in the Offering for aggregate gross proceeds of approximately $77.7 million. At that date, we had approximately $6.6 million in cash and cash equivalents on hand and approximately $6.7 million available under our acquisition credit facility with HSH Nordbank. Our liquidity will increase as additional subscriptions are accepted and decrease as net offering proceeds are expended in connection with the acquisition and operation of properties.

There may be a delay between the sale of our shares and the purchase of properties. During this period, net offering proceeds will be temporarily invested in short-term, liquid investments that could yield lower returns than investment in real estate.

Generally, cash needs for items other than property acquisitions will be met from operations, and cash needs for property acquisitions will be met from public offerings of our shares or from borrowings on our credit facility.

Until proceeds from our offering are invested and generating operating cash flow sufficient to make distributions to stockholders, we intend to pay all or a substantial portion of our distributions from the proceeds of our offering or from borrowings in anticipation of future cash flow.

We are currently dependent on our advisor to fund a portion of our organization and offering activities because the amount we can spend on organization and offering expenses is limited by our charter. At December 31, 2007, our advisor had incurred $3.5 million of organization and offering costs on our behalf. Of this amount, $2.8 million had been reimbursed to our advisor. Organization and offering expenses (other than sales commissions and dealer manager fees) consist of all expenses incurred by us or on our behalf in connection with our initial public offering, including our legal, accounting, printing, mailing and filing fees, charges of our escrow holder and other accountable offering expenses, including, but not limited to: (i) amounts to reimburse our advisor for all marketing related costs and expenses such as salaries and direct expenses of employees of or advisor and its affiliates in connection with registering and marketing our shares (ii) technology costs associated with the offering of our shares; (iii) our costs of conducting our training and education meetings; (iv) our costs of attending retail seminars conducted by participating broker-dealers; and (v) payment or reimbursement of bona fide due diligence expenses. Our advisor will advance us money for these organization and offering expenses or pay those expenses on our behalf. Our advisor will not charge us interest on these advances. We will repay these advances and reimburse our advisor for expenses paid on our behalf using the gross proceeds of our initial public offering, but in no event will we have any obligation to reimburse our advisor for these costs totaling in excess of 3.5% of the gross proceeds from our primary offering. Our advisor will pay all of our organization and offering expenses described above that are in excess this 3.5% limitation. In addition, our advisor will pay all of our organization and offering expenses that, when combined with the sales commissions and dealer manager fees that we incur, exceed 13.5% of the gross proceeds from our initial public offering.

We will not rely on advances from our advisor to acquire properties but our advisor and its affiliates may loan funds to special purposes entities that may acquire properties on our behalf pending our raising sufficient proceeds from our initial public offering to purchase the properties from the special purpose entity.

Our advisor is newly formed, has limited capitalization, has incurred losses since its inception and is continuing to incur losses. Our advisor must obtain financial support from its affiliates or sole member or raise funds through the sale of its own debt or equity securities to obtain the cash necessary to provide these advances. There can be no assurance as to the amount or timing of our advisor's receipt of funds. Adverse changes in the financial condition of our advisor could adversely affect us. If our advisor's financial condition affects the amount of funds available to us for offering and organizational activities, our ability to raise funds in our initial public offering could be adversely affected. Cornerstone Industrial Properties, LLC, the sole member of our advisor, has limited capitalization, has incurred significant losses since its inception and is continuing to incur significant losses.

We will endeavor to repay any temporary acquisition debt financing promptly upon receipt of proceeds in our initial public offering. To the extent sufficient proceeds from our offering are unavailable to repay such debt financing within a reasonable time as determined by our board of directors, we will endeavor to raise additional equity or sell properties to repay such debt so that we will own our properties all-cash with no permanent financing. In the event that our initial public offering is not fully sold, our ability to diversify our investments may be diminished.

We are not aware of any material trends or uncertainties, favorable or unfavorable, other than national or regional economic conditions affecting real estate generally, which we anticipate may have a material impact on either capital resources or the revenues or income to be derived from the operation of real estate properties

Election as a REIT

We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, for the year ended December 31, 2007. Under the Internal Revenue Code of 1986, we are not be subject to federal income tax on income that we distribute to our stockholders. REITs are subject to numerous organizational and operational requirements in order to avoid taxation as a regular corporation, including a requirement that they generally distribute at least 90% of their annual taxable income to their stockholders. If we fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates, and we may be precluded from qualifying for treatment as a REIT for the four-year period following our failure to qualify. Our failure to qualify as a REIT could result in us having a significant liability for taxes.

Other Liquidity Needs

Property Acquisitions

We expect to purchase properties and have expenditures for capital improvements, tenant improvements and lease commissions in the next twelve months, however, those amounts cannot be estimated at this time. We cannot assure, however, that we will have sufficient funds to make any acquisitions or related capital expenditures at all.

Debt Service Requirements

On June 30, 2006, we entered into a Credit Agreement with HSH Nordbank AG, New York Branch, for a temporary credit facility that we will use during the offering period to facilitate our acquisitions of properties in anticipation of the receipt of offering proceeds. The Credit Agreement permits us to borrow up to $50,000,000 secured by real property at a borrowing rate based on LIBOR plus a margin ranging from 1.15% to 1.35% and requires payment of a usage premium of up to 0.15% and an annual administrative fee. We may use the entire credit facility to acquire real estate investments and we may use up to 10% of the credit facility for working capital. We are entitled to prepay the obligations at any time without penalty. The principal balance is due on June 30, 2008 with two one-year extensions at the option of the borrower. The obligations under the Credit Agreement may be accelerated in the event of a default as defined in the Credit Agreement. In connection with documentation and closing the Credit Agreement, we have paid fees and expenses totaling approximately $1.0 million. As of March 1, 2008, the outstanding balance of borrowings under this credit facility was approximately $40.9 million.

The loan agreement entered with Wachovia Bank, National Association was to facilitate the acquisition of Orlando Small Bay portfolio. Pursuant to the terms of the loan agreement, we may borrow $22.4 million at an interest rate 140 basis points over 30-day LIBOR, secured by specified real estate properties. The loan agreement has a maturity date of November 13, 2009, and may be prepaid without penalty. As of March 1, 2008, we have an outstanding balance of approximately $22.4 million loan payable due to Wachovia Bank, National Association.

Contractual Obligations

The following table reflects our contractual obligations as December 31, 2007, specifically our obligations under long-term debt agreements and purchase obligations:

	Payment due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-Term Debt Obligations	$ 65,699,000	$ 43,278,000	$ 22,421,000	—	—
Interest Expense related to long term debt (1)	$ 3,806,000	$ 2,603,000	$ 1,203,000	—	—

(1) Interest expense is calculated based on the loan balance outstanding at December 31, 2007, one month LIBOR at December 31, 2007 plus appropriate margin ranging from 1.15% to 1.40%.

Off-Balance Sheet Arrangements

There are no off-balance sheet transactions, arrangements or obligations (including contingent obligations) that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in the financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Inflation

Although the real estate market has not been affected significantly by inflation in the recent past due to the relatively low inflation rate, we expect that the majority of our tenant leases will include provisions that would protect us to some extent from the impact of inflation. Where possible, our leases will include provisions for rent escalations and partial reimbursement to us of expenses. Our ability to include provisions in the leases that protect us against inflation is subject to competitive conditions that vary from market to market.

Subsequent Events

Declaration of Distributions

On February 8, 2008, the board of directors of Cornerstone Core Properties REIT, Inc. declared a daily distribution on its common stock in the amount of $0.001315 per share to each stockholder of record as of the close of business on each day of March, April, May and June 2008 to be paid in cumulative amounts on or before April 15, 2008, May 15, 2008, June 15, 2008 and July 15, 2008, respectively. The amount of daily distributions, if paid each day over a 365-day period, would equal a 6.0% annualized rate based on a share price of $8.00 per share.

Sale of Shares of Common Stock

From January 1, 2008 through March 7, 2008, we raised approximately $8.1 million through the issuance of approximately 1.0 million shares of our common stock under our Offering.

Long Term Debt Obligation

On February 29, 2008, we made a payment approximately in the amount of $2.3 million to HSH Nordbank, AG.

Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We believe that our critical accounting policies are those that require significant judgments and estimates such as those related to real estate purchase price allocation, evaluation of possible impairment of real property assets, revenue recognition and valuation of receivables, and income taxes. These estimates are made and evaluated on an on-going basis using information that is currently available as well as various other assumptions believed to be reasonable under the circumstances. Actual results could vary from those estimates, perhaps in material adverse ways, and those estimates could be different under different assumptions or conditions.

Real Estate Purchase Price Allocation

We account for all acquisitions in accordance with Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations" ("FAS 141"). The results of operations of acquired properties are included in our Consolidated Statements of Operation after the date of acquisition. Upon acquisition of a property, we allocate the purchase price of the property based upon the fair value of the assets acquired and liabilities assumed, which generally consist of land, buildings, site improvements, tenant improvements, leasing commissions and intangible assets including in-place leases and above market and below market leases. We allocate the purchase price to the fair value of the tangible assets of an acquired property by valuing the property as if it were vacant. The value of the building is depreciated over an estimated useful life of 39 years. The value of site improvements is depreciated over an estimated useful life of 15-20 years. The value of tenants improvements is depreciated generally the shorter of lease term or useful life.

The purchase price is further allocated to in-place lease values based on management's evaluation of the specific characteristics of each tenant's lease and our overall relationship with the respective tenant. The value of in-place lease intangibles, which is included as a component of investments in real estate, is amortized to expense over the remaining lease term.

Acquired above and below market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates over the remaining lease term. The value of acquired above and below market leases is amortized over the remaining non-cancelable terms of the respective leases as an adjustment to rental revenue on our consolidated statements of operations. Should a tenant terminate its lease, the unamortized portion of the above or below market lease value will be charged to revenue. If a lease is terminated prior to its expiration, the unamortized portion of the tenant improvements, leasing commissions, intangible lease assets or liabilities and the in-place lease value will be immediately charged to expense.

The estimated useful lives for lease intangibles range from 1 month to 10 years.

Evaluation of Possible Impairment of Real Property Assets

Management will continually monitor events and changes in circumstances that could indicate that the carrying amounts of the our real estate assets, including those held through joint ventures, may not be recoverable. When indicators of potential impairment are present that indicate that the carrying amounts of real estate assets may not be recoverable, we will assess the recoverability of the real estate assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we will adjust the real estate assets to the fair value and recognize an impairment loss.

Projections of expected future cash flows require us to estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to re-lease the property and the number of years the property is held for investment. The use of certain assumptions in the future cash flows analysis would result in an incorrect assessment of the property's future cash flows and fair value and could result in the overstatement of the carrying value of our real estate assets and net income if those assumptions ultimately prove to be incorrect.

Revenue Recognition and Valuation of Receivables

Our revenues, which are comprised largely of rental income, include rents reported on a straight-line basis over the initial term of the lease. Since our leases may provide for free rent, lease incentives or rental increases at specified intervals, we will be required to straight-line the recognition of revenue, which will result in the recording of a receivable for rent not yet due under the lease terms. Accordingly, our management will be required to determine, in its judgment, to what extent the unbilled rent receivable applicable to each specific tenant is collectible. Management will review unbilled rent receivable on a quarterly basis and take into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. In the event that the collectability of unbilled rent with respect to any given tenant is in doubt, we will record an increase in our allowance for doubtful accounts or record a direct write-off of the specific rent receivable.

Income Taxes

We have elected to be taxed as a REIT for federal income tax purposes beginning with our taxable year ending December 31, 2006. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90% of the REIT's ordinary taxable income to stockholders. As a REIT, we generally will not be subject to federal income tax on taxable income that it distributes to its stockholders. If we fail to qualify as a REIT in any taxable year, we will then be subject to federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost unless the Internal Revenue Service granted us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. However, we believe that we will be organized and operate in such a manner as to qualify for treatment as a REIT, beginning with our taxable year ending December 31, 2007, and intend to operate in the foreseeable future in such a manner so that we will remain qualified as a REIT in subsequent tax years for federal income tax purposes. Due to the early stage of our operations, during 2007, all distributions constituted a return of capital.

Recently Issued Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, ("FIN 48"), which clarifies the relevant criteria and approach for the recognition, derecognition, and measurement of uncertain tax positions. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 on January 1, 2007 did not have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements to increase consistency and comparability of fair value measurements. In February 2008, the FASB issued FASB Staff Position SFAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* ("FSP FAS 157-1"). FSP FAS 157-1 defers the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. FSP FAS 157-1 also excludes from the scope of SFAS 157 certain leasing transactions accounted for under Statement of Financial Accounting Standards No. 13, *Accounting for Leases*. The Company adopted SFAS 157 and FSP FAS 157-1 on a prospective basis effective January 1, 2008. The adoption of SFAS 157 and FSP FAS 157-1 is not expected to have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 on January 1, 2008 did not have a material effect on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (R), "*Business Combinations*" ("SFAS 141(R)"). In summary, SFAS 141(R) requires the acquirer of a business combination to measure at fair value the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, with limited exceptions. The standard is effective for fiscal years beginning after December 15, 2008, and is to be applied prospectively, with no earlier adoption permitted. The adoption of this standard may have an impact on the accounting for certain costs related to our future acquisitions.

In December 2007, FASB issued Statements No. 160, "Noncontrolling Interests in Consolidated Financial Statements," an amendment to Accounting Research Board No. 51 ("SFAS 160"). SFAS 160 objective is to improve the relevance, comparability and transparency of financial information that a reporting entity provides in its consolidated financial statements. The key aspects of SFAS 160 are (i) the minority interests in subsidiaries should be presented in the consolidated balance sheet within equity of the consolidated group, separate from the parent's shareholders' equity, (ii) acquisitions or dispositions of noncontrolling interests in a subsidiary that do not result in a change of control should be accounted for as equity transactions, (iii) a parent recognizes a gain or loss in net income when a subsidiary is deconsolidated, measured using the fair value of the non-controlling equity investment, (iv) the acquirer should attribute net income and each component of other comprehensive income between controlling and noncontrolling interests based on any contractual arrangements or relative ownership interests, and (v) a reconciliation of beginning to ending total equity is required for both controlling and noncontrolling interests. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 and should be applied prospectively. We are currently evaluating the provisions for SFAS 160 to determine the potential impact, if any, the adoption will have on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. We invest our cash and cash equivalents in government backed securities and FDIC insured savings account which, by its nature, are subject to interest rate fluctuations. However, we expect that the primary market risk to which we will be exposed is interest rate risk relating to our credit facility.

Our credit facility with HSH Nordbank AG, permits us to borrow up to $50,000,000 secured by real property at a borrowing rate based on LIBOR plus a margin ranging from 1.15% to 1.35% and requires payment of a usage premium of up to 0.15% and an annual administrative fee. We may use the entire credit facility to acquire real estate investments and we may use up to 10% of the credit facility for working capital. We are entitled to prepay the obligations at any time without penalty. The principal balance is due on June 30, 2008. We have a one time option to extend the maturity date by one year to June 30, 2009. Upon acceptance of the one year extension by HSH Nordbank AG, we will have an additional one time option to extend the maturity date for another year to June 30, 2010. As of March 1, 2008, we have an outstanding balance of approximately $40.9 million loan payable due to HSH Nordbank AG, New York Branch.

The loan agreement entered with Wachovia Bank, National Association was to facilitate the acquisition of Orlando Small Bay portfolio. Pursuant to the terms of the loan agreement, we may borrow $22.4 million at an interest rate 140 basis points over 30-day LIBOR, secured by specified real estate properties. The loan agreement has a maturity date of November 13, 2009, and may be prepaid without penalty. As of March 1, 2008, we have an outstanding balance of approximately $22.4 million loan payable due to Wachovia Bank, National Association.

We may be exposed to the effects of interest rate changes primarily as a result of debt under our credit facilities used to maintain liquidity and fund expansion of our real estate investment portfolio and operations. Our interest rate risk management objectives will be to monitor and manage the impact of interest rate changes on earnings and cash flows by considering using certain derivative financial instruments such as interest rate swaps and caps in order to mitigate our interest rate risk on variable rate debt. We will not enter into derivative or interest rate transactions for speculative purposes.

As of December 31, 2007, we had borrowed approximately $65.7 million under our credit facility and loan agreement. The credit facility with HSH Nordbank and future borrowing on the credit facility is subject to a variable rate through its maturity date of June 30, 2008. The loan agreement with Wachovia Bank, National Association is subject to a variable rate through its maturity date of November 13, 2009. An increase in the variable interest rate on the facilities constitutes a market risk as a change in rates would increase or decrease interest incurred and therefore cash flows available for distribution to shareholders. Based on the debt outstanding as of December 31, 2007, a 1% change in interest rates would result in a change in interest expense of approximately $657,000 per year.

On September 7, 2007, we entered into a swap transaction with HSH NordBank AG which capped our interest rate at 6% LIBOR through June 30, 2008.

In addition to changes in interest rates, the value of our real estate is subject to fluctuations based on changes in the real estate capital markets, market rental rates for office space, local, regional and national economic conditions and changes in the creditworthiness of tenants. All of these factors may also affect our ability to refinance our debt if necessary.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the index included at Item 15. Exhibits, Financial Statement Schedules.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A(T). CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our senior management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and our Chief Financial Officer have reviewed the effectiveness of our disclosure controls and procedures and have concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Based on their evaluation as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that we maintained effective internal control over financial reporting as of December 31, 2007.

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference from our definitive Proxy Statement to be filed with the Securities and Exchange Commission no later than April 29, 2008.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from our definitive Proxy Statement to be filed with the Securities and Exchange Commission no later than April 29, 2008.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from our definitive Proxy Statement to be filed with the Securities and Exchange Commission no later than April 29, 2008.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item is incorporated by reference from our definitive Proxy Statement to be filed with the Securities and Exchange Commission no later than April 29, 2008.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference from our definitive Proxy Statement to be filed with the Securities and Exchange Commission no later than April 29, 2008.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The following financial statements are included in a separate section of this Annual Report on Form 10-K commencing on the page numbers specified below:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2007 and 2006

Consolidated Statements of Operations for the Years Ended December 31, 2007, 2006 and 2005

Consolidated Statements of Stockholders' Equity (Deficit) for the Years Ended December 31, 2007, 2006, and 2005

Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2006 and 2005

Notes to Financial Statements

(2) Financial Statement Schedule

Schedule III - Real Estate and Accumulated Depreciation

(3) Exhibits

The exhibits listed on the Exhibit Index (following the signatures section of this report) are included, or incorporated by reference, in this annual report

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Cornerstone Core Properties REIT, Inc.

We have audited the accompanying consolidated balance sheets of Cornerstone Core Properties REIT, Inc. and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years ended December 31, 2007, 2006 and 2005. Our audit also included the financial statement schedule listed in the index at item 15. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cornerstone Core Properties REIT, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years ended December 31, 2007, 2006 and 2005 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
March 14, 2008

CORNERSTONE CORE PROPERTIES REIT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2007 and 2006

	December 31, 2007	December 31, 2006
ASSETS		
Cash and cash equivalents	$ 6,648,000	$ 11,041,000
Investments in real estate		
Land	36,762,000	16,310,000
Buildings and improvements, net	81,441,000	18,416,000
Intangible lease assets, net	2,791,000	1,331,000
	120,994,000	36,057,000
Deferred acquisition costs and deposits	633,000	1,599,000
Deferred financing costs, net	412,000	697,000
Tenant and other receivables, net	540,000	206,000
Other assets, net	695,000	412,000
Total assets	$ 129,922,000	$ 50,012,000
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY		
Liabilities:		
Notes payable	$ 65,699,000	$ 20,180,000
Accounts payable and accrued liabilities	1,062,000	505,000
Payable to related parties	899,000	1,955,000
Prepaid rent and security deposits	766,000	202,000
Property taxes payable	126,000	13,000
Intangible lease liabilities, net	446,000	111,000
Distributions payable	367,000	146,000
Total liabilities	69,365,000	23,112,000
Minority interest	309,000	181,000
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; no shares were issued or outstanding at December 31, 2007 and 2006	—	—
Common stock, $0.001 par value; 290,000,000 shares authorized; 9,908,551 and 4,328,186 shares issued and outstanding at December 31, 2007 and 2006, respectively	10,000	4,000
Additional paid-in capital	64,239,000	28,115,000
Accumulated deficit	(4,001,000)	(1,400,000)
Total stockholders' equity	60,248,000	26,719,000
Total liabilities, minority interest and stockholders' equity	$ 129,922,000	$ 50,012,000

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

CORNERSTONE CORE PROPERTIES REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2007, 2006 and 2005

	Year ended December 31, 2007	2006	2005
Revenues:			
Rental revenues	$ 4,723,000	$ 359,000	$ —
Tenant reimbursements & other income	1,142,000	45,000	—
	5,865,000	404,000	—
Expenses:			
Property operating and maintenance	1,332,000	102,000	—
General and administrative	2,359,000	1,294,000	95,000
Asset management fees	707,000	38,000	
Depreciation and amortization	1,529,000	99,000	—
	5,927,000	1,533,000	95,000
Operating loss	(62,000)	(1,129,000)	(95,000)
Interest income	605,000	203,000	1,000
Interest expense	(3,147,000)	(391,000)	—
Loss before minority interest	(2,604,000)	(1,317,000)	(94,000)
Minority interest	(3,000)	(11,000)	—
Net loss	$ (2,601,000)	$ (1,306,000)	$ (94,000)
Loss per share - basic and diluted	$ (0.40)	$ (1.58)	$ (752.00)
Weighted average number of common shares	6,429,323	827,147	125

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

CORNERSTONE CORE PROPERTIES REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY (DEFICIT)
For the Years Ended December 31, 2007, 2006 and 2005

	Preferred Stock		Common Stock				
	Number of Shares	Preferred Stock Par Value	Number of Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Deficit	Total
BALANCE — December 31, 2004	—	—	125	$ —	$ 1,000	$ —	$ 1,000
Net loss	—	—	—	—	—	(94,000)	(94,000)
BALANCE — December 31, 2005	—	—	125	—	1,000	(94,000)	(93,000)
Issuance of common stock	—	—	4,328,061	4,000	34,609,000	—	34,613,000
Stock-based compensation expense	—	—	—	—	2,000	—	2,000
Offering costs	—	—	—	—	(5,911,000)	—	(5,911,000)
Distributions declared	—	—	—	—	(586,000)	—	(586,000)
Net loss	—	—	—	—	—	(1,306,000)	(1,306,000)
BALANCE — December 31, 2006	—	—	4,328,186	4,000	28,115,000	(1,400,000)	26,719,000
Issuance of common stock	—	—	5,637,800	6,000	45,008,000	—	45,014,000
Redeemed shares	—	—	(57,435)	—	(417,000)	—	(417,000)
Offering costs	—	—	—	—	(5,271,000)	—	(5,271,000)
Distributions declared	—	—	—	—	(3,196,000)	—	(3,196,000)
Net loss	—	—	—	—	—	(2,601,000)	(2,601,000)
BALANCE — December 31, 2007	—	$ —	9,908,551	$ 10,000	$ 64,239,000	$ (4,001,000)	$ 60,248,000

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

CORNERSTONE CORE PROPERTIES REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2007, 2006 and 2005

	Year Ended December 31, 2007	2006	2005
Cash flows from operating activities:			
Net loss	$ (2,601,000)	$ (1,306,000)	$ (94,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of deferred financing costs	505,000	238,000	—
Depreciation and amortization	1,529,000	99,000	—
Straight line rents and amortization of acquired above/below market lease intangibles	(41,000)	(5,000)	—
Stock-based compensation expense	—	2,000	—
Minority interest	(3,000)	(11,000)	—
Change in operating assets and liabilities:			
Tenant and other receivables	(299,000)	(73,000)	—
Payable to related parties	(532,000)	621,000	(11,000)
Other assets	(443,000)	(101,000)	(93,000)
Accounts payable, accrued expenses and other	729,000	397,000	114,000
Net cash used in operating activities	(1,156,000)	(139,000)	(84,000)
Cash flows from investing activities:			
Real estate acquisitions	(83,645,000)	(35,763,000)	—
Additions to real estate	(36,000)	(85,000)	—
Deferred acquisition costs and fees	(868,000)	(349,000)	—
Escrow deposits	(250,000)	(1,250,000)	—
Net cash used in investing activities	(84,799,000)	(37,447,000)	—
Cash flows from financing activities			
Issuance of common stock	43,309,000	34,391,000	—
Issuance of operating partnership units	—	—	200,000
Redeemed shares	(417,000)	—	—
Minority interest contributions	145,000	—	—
Proceeds from notes payable	49,809,000	20,180,000	—
Repayment of notes payable	(4,161,000)	—	—
Other receivables	211,000	(341,000)	—
Offering costs	(5,828,000)	(4,567,000)	—
Distributions paid to stockholders	(1,272,000)	(219,000)	—
Distributions paid to minority interest	(14,000)	—	—
Deferred financing costs	(220,000)	(934,000)	—
Net cash provided by financing activities	81,562,000	48,510,000	200,000
Net (decrease) increase in cash and cash equivalents	(4,393,000)	10,924,000	116,000
Cash and cash equivalents - beginning of period	11,041,000	117,000	1,000
Cash and cash equivalents - end of period	$ 6,648,000	$ 11,041,000	$ 117,000
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 2,215,000	$ 117,000	$ —
Supplemental disclosure of noncash activities:			
Distributions declared not paid	$ 364,000	$ 137,000	$ —
Distributions reinvested	$ 1,703,000	$ 219,000	$ —
Payables to related parties	$ 854,000	$ 1,344,000	$ —
Accrued distribution to minority interest	$ 3,000	$ 8,000	$ —
Accrued additions to real estate	$ 25,000	$ —	$ —
Receivable from seller	$ 96,000	$ —	$ —
Security deposits assumed upon acquisition of real estate	$ 503,000	$ 202,000	$ —

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

CORNERSTONE CORE PROPERTIES REIT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2007, 2005 and 2006

1. Organization

Cornerstone Core Properties REIT, Inc., a Maryland corporation, was formed on October 22, 2004 under the General Corporation Law of Maryland for the purpose of engaging in the business of investing in and owning commercial real estate. As used in this report, "we," "us" and "our" refer to Cornerstone Core Properties REIT, Inc. and its consolidated subsidiaries except where the context otherwise requires. We are newly formed and are subject to the general risks associated with a start-up enterprise, including the risk of business failure. Subject to certain restrictions and limitations, our business is managed by an affiliate, Cornerstone Realty Advisors, LLC, a Delaware limited liability company that was formed on November 30, 2004 (the "advisor") pursuant to an advisory agreement.

On November 9, 2004, Terry G. Roussel, an affiliate of the advisor, purchased 125 shares of common stock for $1,000 and became our initial stockholder. Our articles of incorporation authorize 290,000,000 shares of common stock with a par value of $0.001 and 10,000,000 shares of preferred stock with a par value of $0.001.

Cornerstone Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership") was formed on November 30, 2004. At December 31, 2007, we owned 99.74% general partner interest in the Operating Partnership while the advisor owned a 0.26% limited partnership interest. We anticipate that we will conduct all or a portion of our operations through the Operating Partnership. Our financial statements and the financial statements substantial of the Operating Partnership are consolidated in the accompanying condensed consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Public Offering

On January 6, 2006, we commenced a public offering of a minimum of 125,000 shares and a maximum of 55,400,000 shares of our common stock, consisting of 44,400,000 shares for sale to the public (the "Primary Offering") and 11,000,000 shares for sale pursuant to our distribution reinvestment plan (collectively, the "Offering"). We retained Pacific Cornerstone Capital, Inc. ("PCC"), an affiliate of the advisor, to serve as the dealer manager for the Offering. PCC is responsible for marketing our shares being offered pursuant to the Offering. On February 28, 2006, offering proceeds exceeded the $1,000,000 offering minimum and proceeds were released to us from escrow.

We intend to invest the net proceeds from the Offering primarily in investment real estate including multi-tenant industrial real estate located in major metropolitan markets in the United States. As of December 31, 2007, a total of 9.7 million shares of our common stock had been sold for aggregate gross proceeds of $77.7 million.

3. Summary of Significant Accounting Policies

The summary of significant accounting policies presented below is designed to assist in understanding our consolidated financial statements. Such financial statements and accompanying notes are the representations of our management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, or GAAP, in all material respects, and have been consistently applied in preparing the accompanying consolidated financial statements.

Cash and Cash Equivalents

We consider all short-term, highly liquid investments that are readily convertible to cash with a maturity of three months or less at the time of purchase to be cash equivalents.

Real Estate Purchase Price Allocation

We account for all acquisitions in accordance with Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations" ("FAS 141"). The results of operations of acquired properties are included in our Consolidated Statements of Operation after the date of acquisition. Upon acquisition of a property, we allocate the purchase price of the property based upon the fair value of the assets acquired and liabilities assumed, which generally consist of land, buildings, site improvements, tenant improvements, leasing commissions and intangible assets including in-place leases and above market and below market leases. We allocate the purchase price to the fair value of the tangible assets of an acquired property by valuing the property as if it were vacant. The value of the building is depreciated over an estimated useful life of 39 years. The value of site improvements is depreciated over an estimated useful life of 15-20 years. The value of tenants improvements is depreciated generally the shorter of lease term or useful life.

The purchase price is further allocated to in-place lease values based on management's evaluation of the specific characteristics of each tenant's lease and our overall relationship with the respective tenant. The value of in-place lease intangibles, which is included as a component of investments in real estate, is amortized to expense over the remaining lease term.

Acquired above and below market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates over the remaining lease term. The value of acquired above and below market leases is amortized over the remaining non-cancelable terms of the respective leases as an adjustment to rental revenue on our consolidated statements of operations. Should a tenant terminate its lease, the unamortized portion of the above or below market lease value will be charged to revenue. If a lease is terminated prior to its expiration, the unamortized portion of the tenant improvements, leasing commissions, intangible lease assets or liabilities and the in-place lease value will be immediately charged to expense.

The estimated useful lives for lease intangibles range from 1 month to 10 years. The weighted-average amortization period for in-place lease, acquired above market leases and acquired below market leases are 4.2 years, 5.0 years and 3.5 years, respectively.

Amortization associated with the lease intangible assets and liabilities for the years ended December 31, 2007, 2006 and 2005 were $434,000, $28,000 and $0, respectively.

Anticipated amortization for each of the five following years ended December 31, 2007 is as follows:

	Lease Intangibles
2008	$ 602,000
2009	$ 599,000
2010	$ 558,000
2011	$ 414,000
2012	$ 104,000

As of December 31, 2007, cost and accumulated depreciation and amortization related to real estate assets and related lease intangibles were as follows:

	Buildings and Improvements	Site Improvements	In-Place Lease	Acquired Above Market Leases	Acquired Below Market Leases
Cost	$ 74,587,000	$ 8,127,000	$ 1,779,000	$ 1,613,000	$ (586,000)
Accumulated depreciation and amortization	(1,177,000)	(96,000)	(326,000)	(275,000)	140,000
Net	$ 73,410,000	$ 8,031,000	$ 1,453,000	$ 1,338,000	$ (446,000)

As of December 31, 2006, cost and accumulated depreciation and amortization related to real estate assets and related lease intangibles were as follows:

	Buildings and Improvements	In-Place Lease	Acquired Above Market Leases	Acquired Below Market Leases
Cost	$ 18,492,000	$ 397,000	$ 972,000	$ (121,000)
Accumulated depreciation and amortization	(76,000)	(21,000)	(17,000)	10,000
Net	$ 18,416,000	$ 376,000	$ 955,000	$ (111,000)

Depreciation expense associated with buildings and improvements and site improvements the years ended December 31, 2007, 2006 and 2005 were $1,197,000, $76,000 and $0, respectively.

Impairment of Real Estate Assets

Management continually monitors events and changes in circumstances that could indicate that the carrying amounts of our real estate assets, including those held through joint ventures may not be recoverable. When indicators of potential impairment are present that indicate that the carrying amounts of real estate assets may not be recoverable, we will assess the recoverability of the real estate assets by determining whether the carrying value of the real estate assets will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we will adjust the real estate assets to the fair value and recognize an impairment loss.

Projections of expected future cash flows require us to estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to re-lease the property and the number of years the property is held for investment. The use of certain assumptions in the future cash flows analysis would result in an incorrect assessment of the property's future cash flows and fair value and could result in the overstatement of the carrying value of our real estate assets and net income if those assumptions ultimately prove to be incorrect.

Tenant and Other Receivables, net

Tenant and other receivables are comprised of rental and reimbursement billings due from tenants and the cumulative amount of future adjustments necessary to present rental income on a straight-line basis. Tenant receivables are recorded at the original amount earned, less an allowance for any doubtful accounts, which approximates fair value. Management assesses the realizability of tenant receivables on an ongoing basis and provides for allowances as such balances, or portions thereof, become uncollectible. Provisions for bad debts amounts to approximately $2,000 for the year ended December 31, 2007 which is included in property operating and maintenance expenses in the accompanying consolidated statements of operations. No bad debt expenses were recorded during the years ended December 31, 2006 and 2005.

Other Assets

Other assets consist primarily of leasing commissions and prepaid insurance. Additionally, other assets will be amortized to expense over their service in future periods. Balances without future economic benefit are expensed as they are identified.

Deferred Financing Costs

Costs incurred in connection with debt financing are recorded as deferred financing costs. Deferred financing costs are amortized using the straight-line method of accounting, over the contractual terms of the respective financings.

Consolidation Considerations for Our Investments in Joint Ventures

The FASB issued Interpretation No. 46 ("FIN 46R") (revised December 2003), "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" ("ARB 51"), which addresses how a business enterprise should evaluate whether it has a controlling interest in an entity through means other than voting rights and accordingly should consolidate the entity. Before concluding that it is appropriate to apply the ARB 51 voting interest consolidation model to an entity, an enterprise must first determine that the entity is not a variable interest entity (VIE). We evaluate, as appropriate, our interests, if any, in joint ventures and other arrangements to determine if consolidation is appropriate.

Revenue Recognition and Valuation of Receivables

Our revenues, which are comprised largely of rental income, include rents reported on a straight-line basis over the initial term of the lease. When our leases provide for free rent, lease incentives or other rental increases at specified intervals, we are required to straight-line the recognition of revenue, which results in the recording of a receivable for rent not yet due under the lease terms.

Depreciation of Real Property Assets

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives.

Depreciation of our assets is being charged to expense on a straight-line basis over the assigned useful lives.

Organizational and Offering Costs

The advisor funds organization and offering costs on our behalf. We are required to reimburse the advisor for such organization and offering costs up to 3.5% of the cumulative capital raised in the Primary Offering. Organization and offering costs include items such as legal and accounting fees, marketing, due diligence, promotional and printing costs and amounts to reimburse our advisor for all costs and expenses such as salaries and direct expenses of employees of our advisor and its affiliates in connection with registering and marketing our shares. 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 we become liable for the payment of these amounts.

Minority Interest in Consolidated Subsidiary

Minority interests relate to the interest in the consolidated entities that are not wholly-owned by us.

Income Taxes

We have elected to be taxed as a REIT, under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code) beginning with our taxable year ending December 31, 2006. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to currently distribute at least 90% of the REIT's ordinary taxable income to stockholders. As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will then be subject to federal income taxes on our taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost unless the Internal Revenue Service granted us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. However, we believe that we will be organized and operate in such a manner as to qualify for treatment as a REIT and intend to operate in the foreseeable future in such a manner so that we will remain qualified as a REIT for federal income tax purposes.

Due to the early stage of our operations, during 2007, all distributions constituted a return of capital.

Concentration of Credit Risk

Financial instruments that potentially subject us to a concentration of credit risk are primarily cash investments. Cash is generally invested in government backed securities and investment-grade short-term instruments and the amount of credit exposure to any one commercial issuer is limited. We have cash in financial institutions which is insured by the Federal Deposit Insurance Corporation, or FDIC, up to $100,000 per institution. At December 31, 2007, we had cash accounts in excess of FDIC insured limits.

As of December 31, 2007, we owned three properties in state of California, three properties in the state of Arizona and five properties in the state of Florida. Accordingly, there is a geographic concentration of risk subject to fluctuations in each State's economy.

Fair Value of Financial Instruments

The SFAS No. 107, *Disclosures About Fair Value of Financial Instruments,* requires the disclosure of fair value information about financial instruments whether or not recognized on the face of the balance sheet, for which it is practical to estimate that value. SFAS No. 107 defines fair value as the quoted market prices for those instruments that are actively traded in financial markets. In cases where quoted market prices are not available, fair values are estimated using present value or other valuation techniques such as discounted cash flow analysis. The fair value estimates are made at the end of each year based on available market information and judgments about the financial instrument, such as estimates of timing and amount of expected future cash flows. Such estimates do not reflect any premium or discount that could result from offering for sale at one time our entire holdings of a particular financial instrument, nor do they consider that tax impact of the realization of unrealized gains or losses. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instrument.

Our consolidated balance sheets include the following financial instruments: cash and cash equivalents, deferred acquisition costs and deposits, other assets, prepaid rent, security deposits, amounts due from/to related parties, accounts payable and accrued expenses and notes payable. We consider the carrying values of cash and cash equivalents, deferred acquisition costs and deposits, other assets, due from/to related parties, accounts payable, accrued expenses, prepaid rent and security deposits, and notes payable to approximate fair value for these financial instruments because of the short period of time between origination of the instruments and their expected realization as well as the variable interest rate for notes payable.

Per Share Data

We report earnings per share pursuant to SFAS No. 128, "Earnings Per Share." Basic earnings per share attributable for all periods presented are computed by dividing the net loss by the weighted average number of shares outstanding during the period. Diluted earnings per share are computed based on the weighted average number of shares and all potentially dilutive securities, if any.

Net loss per share is calculated as follows:

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
Net loss	$ (2,601,000)	$ (1,306,000)	$ (94,000)
Net loss per share — basic and diluted	$ (0.40)	$ (1.58)	$ (752.00)
Weighted average number of shares outstanding — basic and diluted	6,429,323	827,147	125

We follow SFAS No. 123(R), *Share-Based Payment*, to account for our stock compensation pursuant to our 2007 Employee and Director Incentive Stock Plan. See Note 7, Stockholders' Equity.

Use of Estimates

The preparation of our financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could materially differ from those estimates.

Segment Disclosure

We internally evaluate all of our properties as one industry segment and, accordingly, do not report segment information.

Recently Issued Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, ("FIN 48"), which clarifies the relevant criteria and approach for the recognition, derecognition, and measurement of uncertain tax positions. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 on January 1, 2007 did not have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements to increase consistency and comparability of fair value measurements. In February 2008, the FASB issued FASB Staff Position SFAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* ("FSP FAS 157-1"). FSP FAS 157-1 defers the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. FSP FAS 157-1 also excludes from the scope of SFAS 157 certain leasing transactions accounted for under Statement of Financial Accounting Standards No. 13, *Accounting for Leases*. The Company adopted SFAS 157 and FSP FAS 157-1 on a prospective basis effective January 1, 2008. The adoption of SFAS 157 and FSP FAS 157-1 is not expected to have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 on January 1, 2008 did not have a material effect on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (R), "Business Combinations" ("SFAS 141(R)"). In summary, SFAS 141(R) requires the acquirer of a business combination to measure at fair value the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, with limited exceptions. The standard is effective for fiscal years beginning after December 15, 2008, and is to be applied prospectively, with no earlier adoption permitted. The adoption of this standard may have an impact on the accounting for certain costs related to our future acquisitions.

In December 2007, the FASB issued Statements No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment to Accounting Research Board No. 51 ("SFAS 160")". SFAS 160 objective is to improve the relevance, comparability and transparency of financial information that a reporting entity provides in its consolidated financial statements. The key aspects of SFAS 160 are (i) the minority interests in subsidiaries should be presented in the consolidated balance sheet within equity of the consolidated group, separate from the parent's shareholders' equity, (ii) acquisitions or dispositions of noncontrolling interests in a subsidiary that do not result in a change of control should be accounted for as equity transactions, (iii) a parent recognizes a gain or loss in net income when a subsidiary is deconsolidated, measured using the fair value of the non-controlling equity investment, (iv) the acquirer should attribute net income and each component of other comprehensive income between controlling and noncontrolling interests based on any contractual arrangements or relative ownership interests, and (v) a reconciliation of beginning to ending total equity is required for both controlling and noncontrolling interests. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 and should be applied prospectively. We are currently evaluating the provisions for SFAS 160 to determine the potential impact, if any, the adoption will have on our consolidated financial statements.

4. Investments in Real Estate

On January 22, 2007, we purchased Mack Deer Valley, a multi-tenant industrial property located in Phoenix, Arizona, for approximately $23.2 million. The purchase price of the property was funded with net proceeds raised from our public offering and $16.4 million of borrowings under our credit agreement with HSH Nordbank AG, New York Branch.

On April 2, 2007, we acquired an existing multi-tenant industrial property known as Marathon Center located near Tampa Bay, Florida for a purchase price of $4.5 million. We acquired the property in a joint venture with JBK Capital, LLC. We are the managing partner of the venture and own a 97% interest in the venture. The property was purchased with no debt financing.

On October 2, 2007, we purchased an existing multi-tenant industrial property known as Pinnacle Park Business Center for approximately $20.1 million. The purchase price of was funded with net proceeds raised from our public offering and approximately $11.0 million of borrowings under our credit agreement with HSH Nordbank AG, New York Branch.

On November 15, 2007, we purchased an existing portfolio of properties known as Orlando Small Bay for approximately $37.1 million funded with our net proceeds raised from our public offering and approximately $22.4 million of borrowings under an agreement with Wachovia Bank, National Association.

5. Payable to Related Parties

Payable to related parties at December 31, 2007 consists of a leasing commission payable to a company owned by an employee of an affiliate of our Advisor. Payable to related parties at December 31, 2006 consists of organizational and offering costs and acquisition fees payable to our advisor, broker dealer management fees payable to PCC and expense reimbursements payable to our advisor.

6. Minority Interests

Minority interests relate to the interest in the consolidated entities that are not wholly-owned by us.

7. Stockholders' Equity

Common Stock

Our articles of incorporation authorize 290,000,000 additional shares of common stock with a par value of $0.01 and 10,000,000 shares of preferred stock with a par value of $0.01. As of December 31, 2007, we have cumulatively issued approximately 9.7 million shares of common stock for a total of approximately $77.7 million of gross proceeds. As of December 31, 2006, we have issued approximately 4.3 million shares of common stock for a total of approximately $34.4 million of gross proceeds.

Distribution Reinvestment Plan

We have adopted a distribution reinvestment plan that allows our stockholders to have distributions and other distributions otherwise distributable to them invested in additional shares of our common stock. We have registered 11,000,000 shares of our common stock for sale pursuant to the distribution reinvestment plan. The purchase price per share is 95% of the price paid by the purchaser for our common stock, but not less than $7.60 per share. As of December 31, 2007, approximately 253,000 shares had been issued under the distribution reinvestment plan. As of December 31, 2006, approximately 29,000 shares had been issued under the distribution reinvestment plan. We may amend or terminate the distribution reinvestment plan for any reason at any time upon 10 days prior written notice to participants.

Stock Repurchase Program

We have adopted a share redemption program for investors who have held their shares for at lease one year, unless the shares are being redeemed in connection with a stockholder's death. Under our current stock repurchase program, the repurchase price will vary depending on the purchase price paid by the stockholder and the number of years the shares were held.

During the year ended December 31, 2007, we redeemed shares pursuant to our stock repurchase program follows (in thousands, except per-share amounts):

Period	Total Number of Shares Redeemed(1)	Average Price Paid per Share	Approximate Dollar Value of Shares Available That May Yet Be Redeemed Under the Program
January 2007	—	$ —	(1)
February 2007	—	—	(1)
March 2007	—	—	(1)
April 2007	2,500	8.00	(1)
May 2007	—	—	(1)
June 2007	—	—	(1)
July 2007	—	—	(1)
August 2007	12,500	7.20	(1)
September 2007	—	—	(1)
October 2007	7,255	7.44	(1)
November 2007	35,180	7.19	(1)
December 2007	—	$ —	(1)
	57,435		

(1) As long as our common stock is not listed on a national securities exchange or traded on an other-the-counter market, our stockholders who have held their stock for at least one year may be able to have all or any portion of their shares redeemed in accordance with the procedures outlined in the prospectus relating to the shares they purchased. Under our current stock repurchase program, the repurchase price will vary depending on the purchase price paid by the stockholder and the number of years the shares were held. During our offering and each of the first five years following the closing of our offering, we do not intend to redeem more than the lesser of (i) the number of shares that could be redeemed using the proceeds from our distribution reinvestment plan or (ii) 5% of the number of shares outstanding at the end of the prior calendar year. Beginning five years after termination of this offering, the number of shares that we redeem under the stock repurchase program is not expected to exceed 10% of the number outstanding at the end of the prior year.

Our board of directors may modify our stock repurchase program so that we can redeem stock using the proceeds from the sale of our real estate investments or other sources.

Employee and Director Incentive Stock Plan

We have adopted an Employee and Director Incentive Stock Plan ("the Plan") which provides for the grant of awards to our directors and full-time employees, as well as other eligible participants that provide services to us. We have no employees, and we do not intend to grant awards under the Plan to persons who are not directors of ours. Awards granted under the Plan may consist of nonqualified stock options, incentive stock options, restricted stock, share appreciation rights, and distribution equivalent rights. The term of the Plan is 10 years. The total number of shares of common stock reserved for issuance under the Plan is equal to 10% of our outstanding shares of stock at any time.

Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards No. 123R ("SFAS 123R"), "Share-Based Payment," which requires the measurement and recognition of compensation expense for all share-based payment awards to employees and directors based on estimated fair values. On August 8, 2007 and May 10, 2006, we granted our nonemployee directors nonqualified stock options to purchase an aggregate of 20,000 and 40,000 shares of common stock, respectively, at an exercise price of $8.00 per share. Outstanding stock options became immediately exercisable in full on the grant date, expire in ten years after the grant date, and have no intrinsic value as of December 31, 2007. We amortized approximately $0 and $2,200 of non-cash compensation expense for years ended December 31, 2007 and 2006, respectively. There was no related compensation expense for the years ended December 31, 2005. Such amounts are included in general and administrative expenses in the accompanying condensed consolidated statements of operations.

We record compensation expense for nonemployee stock options based on the estimated fair value of the options on the date of grant using the Black-Scholes option-pricing model. These assumptions include the risk-free interest rate, the expected life of the options, the expected stock price volatility over the expected life of the options, and the expected distribution yield. Compensation expense for employee stock options is recognized ratably over the vesting term. The assumptions used to estimate the fair value of options granted during the year ended December 31, 2006 using the Black-Scholes option-pricing model were 5% distribution yield, a 4.99% risk-free interest rate based on the 10-year U.S. Treasury Bond, an expected life of 5 years, and a volatility rate of 1.02%. The assumptions used to estimate the fair value of options granted during the year ended December 30, 2007 using the Black-Scholes option-pricing model were 5.5% distribution yield, a 4.86% risk-free interest rate based on the 10-year U.S. Treasury Bond, an expected life of 5 years and a volatility rate of 1.02%. No stock options were exercised or canceled during the year ended December 31, 2007.

The expected life of the options is based on evaluations of expected future exercise behavior. The risk free interest rate is based on the U.S. Treasury yield curve at the date of grant with maturity dates approximately equal to the expected term of the options at the date of the grant. Volatility is based on historical volatility of our stock. The valuation model applied in this calculation utilizes highly subjective assumptions that could potentially change over time, including the expected stock price volatility and the expected life of an option. Therefore, the estimated fair value of an option does not necessarily represent the value that will ultimately be realized by a nonemployee director.

Equity Compensation Plan Information

Our equity compensation plan information as of December 31, 2007 is as follows:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders	60,000	$ 8.00	See footnote(1)
Equity compensation plans not approved by security holders	—	—	—
Total	60,000	$ 8.00	See footnote(1)

(1) Our Employee and Director Incentive Stock Plan was approved by our security holders and provides that the total number of shares issuable under the plan is a number of shares equal to ten percent (10%) of our outstanding common stock. The maximum number of shares that may be granted under the plan with respect to "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code is 5,000,000. As of December 31, 2007, there were approximately 9.9 million shares of our common stock issued and outstanding.

Our equity compensation plan information as of December 31, 2006 is as follows:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders	40,000	$ 8.00	See footnote(1)
Equity compensation plans not approved by security holders	—	—	—
Total	40,000	$ 8.00	See footnote(1)

(1) Our Employee and Director Incentive Stock Plan was approved by our security holders and provides that the total number of shares issuable under the plan is a number of shares equal to ten percent (10%) of our outstanding common stock. The maximum number of shares that may be granted under the plan with respect to "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code is 5,000,000. As of December 31, 2006, there were approximately 4.3 million shares of our common stock issued and outstanding.

8. Related Party Transactions

For the year ended December 31, 2007, we incurred approximately $65,000 of leasing consulting to a company owned by an employee of an affiliate of our Advisor.

Our company has no employees. Our advisor is primarily responsible for managing our business affairs and carrying out the directives of our board of directors. We have an advisory agreement with the advisor and a dealer manager agreement with PCC which entitle the advisor and PCC to specified fees upon the provision of certain services with regard to the Offering and investment of funds in real estate projects, among other services, as well as reimbursement for organizational and offering costs incurred by the advisor and PCC on our behalf and reimbursement of certain costs and expenses incurred by the advisor in providing services to us.

Advisory Agreement

Under the terms of the advisory agreement, our advisor will use commercially reasonable efforts to present to us investment opportunities to provide a continuing and suitable investment program consistent with the investment policies and objectives adopted by our board of directors. The advisory agreement calls for our advisor to provide for our day-to-day management and to retain property managers and leasing agents, subject to the authority of our board of directors, and to perform other duties.

The fees and expense reimbursements payable to our advisor under the advisory agreement are described below.

Organizational and Offering Costs. Organizational and offering costs of the Offering are being paid by the advisor on our behalf and will be reimbursed to the advisor from the proceeds of the Offering. Organizational and offering costs consist of all expenses (other than sales commissions and the dealer manager fee) to be paid by us in connection with the offering, including our legal, accounting, printing, mailing and filing fees, charges of our escrow holder and other accountable offering expenses, including, but not limited to, (i) amounts to reimburse our advisor for all marketing related costs and expenses such as salaries and direct expenses of employees of or advisor and its affiliates in connection with registering and marketing our shares (ii) technology costs associated with the offering of our shares; (iii) our costs of conducting our training and education meetings; (iv) our costs of attending retail seminars conducted by participating broker-dealers; and (v) payment or reimbursement of bona fide due diligence expenses. In no event will we have any obligation to reimburse the advisor for organizational and offering costs totaling in excess of 3.5% of the gross proceeds from the Primary Offering. As of December 31, 2007, the advisor and its affiliates had incurred on our behalf organizational and offering costs totaling approximately $3.5 million, including approximately $110,000 of organizational costs that have been expensed and approximately $3.4 million of offering costs which reduce net proceeds of our offering. As of December 31, 2006, the advisor and its affiliates had incurred on our behalf organizational and offering costs totaling approximately $2.6 million, including approximately $110,000 of organizational costs that have been expensed and approximately $2.5 million of offering costs which reduce net proceeds of our offering.

Acquisition Fees and Expenses. The advisory agreement requires us to pay the advisor acquisition fees in an amount equal to 2% of the gross proceeds of the Primary Offering. We will pay the acquisition fees upon receipt of the gross proceeds from the Offering. However, if the advisory agreement is terminated or not renewed, the advisor must return acquisition fees not yet allocated to one of our investments. In addition, we are required to reimburse the advisor for direct costs the advisor incurs and amounts the advisor pays to third parties in connection with the selection and acquisition of a property, whether or not ultimately acquired. As of December 31, 2007 and 2006, the advisor earned approximately $1.6 million and $0.7 million of acquisition fees, respectively, which are to be capitalized as part of the cost of real estate investment. No acquisition fees were earned in 2005.

Management Fees. The advisory agreement requires us to pay the advisor a monthly asset management fee of one-twelfth of 1.0% of the sum of the aggregate basis book carrying values of our assets invested, directly or indirectly, in equity interests in and loans secured by real estate before reserves for depreciation or bad debts or other similar non-cash reserves, calculated in accordance with generally accepted accounting principals in the United States of America (GAAP). In addition, we will reimburse the advisor for the direct costs and expenses incurred by the advisor in providing asset management services to us. These fees and expenses are in addition to management fees that we expect to pay to third party property managers. For the years ended 2007 and 2006, the advisor earned approximately $707,000 and $38,000 of asset management fees, respectively, which were expensed. No asset management fees were paid to the advisor in 2005.

Operating Expenses. The advisory agreement provides for reimbursement of our advisor's direct and indirect costs of providing administrative and management services to us. For years ended December 31, 2007 and 2006, approximately $517,000 and $529,000 of such costs, respectively, were reimbursed. No such costs were reimbursed in 2005. The advisor must pay or reimburse us the amount by which our aggregate annual operating expenses exceed the greater of 2% of our average invested assets or 25% of our net income unless a majority of our independent directors determine that such excess expenses were justified based on unusual and non-recurring factors.

Disposition Fee. The advisory agreement provides that if the advisor or its affiliate provides a substantial amount of the services (as determined by a majority of our directors, including a majority of our independent directors) in connection with the sale of one or more properties, we will pay the advisor or such affiliate shall receive at closing a disposition fee up to 3% of the sales price of such property or properties. This disposition fee may be paid in addition to real estate commissions paid to non-affiliates, provided that the total real estate commissions (including such disposition fee) paid to all persons by us for each property shall not exceed an amount equal to the lesser of (i) 6% of the aggregate contract sales price of each property or (ii) the competitive real estate commission for each property. We will pay the disposition fees for a property at the time the property is sold.

Subordinated Participation Provisions. The advisor is entitled to receive a subordinated participation upon the sale of our properties, listing of our common stock or termination of the advisor, as follows:

- After stockholders have received cumulative distributions equal to $8 per share (less any returns of capital) plus cumulative, non-compounded annual returns on net invested capital, the advisor will be paid a subordinated participation in net sale proceeds ranging from a low of 5% of net sales provided investors have earned annualized returns of 6% to a high of 15% of net sales proceeds if investors have earned annualized returns of 10% or more.
- Upon termination of the advisory agreement, the advisor will receive the subordinated performance fee due upon termination. This fee ranges from a low of 5% of the amount by which the sum of the appraised value of our assets minus our liabilities on the date the advisory agreement is terminated plus total distributions (other than stock distributions) paid prior to termination of the advisory agreement exceeds the amount of invested capital plus annualized returns of 6%, to a high of 15% of the amount by which the sum of the appraised value of our assets minus its liabilities plus all prior distributions (other than stock distributions) exceeds the amount of invested capital plus annualized returns of 10% or more.
- In the event we list our stock for trading, the advisor will receive a subordinated incentive listing fee instead of a subordinated participation in net sales proceeds. This fee ranges from a low of 5% of the amount by which the market value of our common stock plus all prior distributions (other than stock distributions) exceeds the amount of invested capital plus annualized returns of 6%, to a high of 15% of the amount by which the sum of the market value of our stock plus all prior distributions (other than stock distributions) exceeds the amount of invested capital plus annualized returns of 10% or more.

Dealer Manager Agreement

PCC, as dealer manager, is entitled to receive a sales commission of up to 7% of gross proceeds from sales in the Primary Offering. PCC, as Dealer Manager, is also entitled to receive a dealer manager fee equal to up to 3% of gross proceeds from sales in the Primary Offering. The Dealer Manager is also entitled to receive a reimbursement of bona fide due diligence expenses up to 0.5% of the gross proceeds from sales in the Primary Offering. The advisory agreement requires the advisor to reimburse us to the extent that offering expenses including sales commissions, dealer manager fees and organization and offering expenses (but excluding acquisition fees and acquisition expenses discussed above) to the extent are in excess of 13.5% of gross proceeds from the Offering. As of December 31, 2007 and 2006, we incurred approximately $7.7 million and $3.4 million, respectively, payable to PCC for dealer manager fees and sales commissions. Much of this amount was reallowed by PCC to third party broker dealers. No such dealer manager fees or sales commissions were incurred in 2005. Dealer manager fees and sales commissions paid to PCC are a cost of capital raised and, as such, are included as a reduction of additional paid in capital in the accompanying consolidated balance sheets.

9. Credit Facilities

On June 30, 2006, we entered into a Credit Agreement with HSH Nordbank AG, New York Branch, for a temporary credit facility that we will use during the offering period to facilitate our acquisitions of properties in anticipation of the receipt of offering proceeds. As of December 31, 2007and 2006, we had net borrowings of approximately $43.3 million and $20.2 million, respectively, under the Credit Agreement.

The Credit Agreement permits us to borrow up to $50,000,000 secured by real property at a borrowing rate based on LIBOR plus a margin ranging from 1.15% to 1.35% and requires payment of a usage premium of up to 0.15% and an annual administrative fee. We may use the entire credit facility to acquire real estate investments and we may use up to 10% of the credit facility for working capital. We are entitled to prepay the borrowings under the credit facility at any time without penalty. The principal balance is due on June 30, 2008 with two one-year extensions at the option of the borrower. The repayment of obligations under the Credit Agreement may be accelerated in the event of a default, as defined in the Credit Agreement. The facility contains various covenants including financial covenants with respect to consolidated interest and fixed charge coverage and secured debt to secured asset value. As of December 31, 2007, we were in compliance with all these financial covenants. During years ended 2007, 2006 and 2005, we incurred approximately $2,455,000, $153,000 and $0, respectively, of interest expense related to the Credit Agreement.

On November 13, 2007, we entered into a loan agreement with Wachovia Bank, National Association to facilitate the acquisition of properties during our offering period. Pursuant to the terms of the loan agreement, we may borrow $22.4 million at an interest rate of 140 basis points over 30-day LIBOR, secured by specified real estate properties. The loan agreement has a maturity date of November 13, 2009, and may be prepaid without penalty. The entire $22.4 million available under the terms of the Loan was used to finance an acquisition of properties that closed on November 15, 2007. During 2007, we incurred approximately $187,000 of interest expense related to the loan agreement.

In connection with documentation and closing the credit agreement with HSH Nordbank and loan agreement with Wachovia Bank, during the years ended December 31, 2007 and 2006, we incurred financing costs totaling approximately $1.2 million and $0.9 million, respectively. These financing costs have been capitalized and are being amortized over the life of the agreement. For the years ended December 31, 2007, 2006 and 2005, approximately $505,000, $238,000 and $0, respectively, of deferred financing costs were amortized and included in interest expense in the consolidated statements of operations.

Consistent with our borrowing policies, during our Primary Offering, we will borrow periodically to acquire properties and for working capital. We will determine whether to use the proceeds of our Offering to repay amounts borrowed under the Credit Agreement depending on a number of factors, including the investments that are available to us for purchase at the time and the cost of the credit facility. Following the closing of our Primary Offering, we will endeavor to repay all amounts owing under the Credit Agreement or that are secured by our properties and which have not previously been paid. To the extent sufficient proceeds from our Offering are unavailable to repay the indebtedness secured by properties within a reasonable time following the closing of our Primary Offering as determined by our board of directors, we may sell properties or raise equity capital to repay the secured debt, so that we will own our properties with no permanent acquisition financing.

10. Commitments and Contingencies

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

Our commitments and contingencies include the usual obligations of real estate owners and operators in the normal course of business. In the opinion of management, these matters are not expected to have a material impact on our consolidated financial position and results of operations. We are not presently subject to any material litigation nor, to our knowledge, is any material litigation threatened against the Company which if determined unfavorably to us would have a material adverse effect on our cash flows, financial condition or results of operations.

Our Advisor has informed us that the Financial Industry Regulatory Authority ("FINRA", formerly, NASD) is conducting a non-public investigation of Pacific Cornerstone Capital, Inc. ("PCC"), our affiliated dealer manager, that is, we understand, focused on the private placements conducted by PCC during the period from January 1, 2004 through October 31, 2007. The investigation is in the preliminary stage. FINRA's correspondence requesting document production states, "This inquiry should not be construed as an indication that the Enforcement Department or its staff has determined that any violations of federal securities laws or NASD, NYSE or MSRB rules have occurred." We have been advised that PCC is responding to FINRA's request for information and intends to continue to cooperate in the investigation. Although we cannot, at this time, assess either the duration or the likely outcome or consequences of this investigation, FINRA has the authority to impose sanctions on PCC that could adversely affect its effectiveness and ability to raise funds in this offering.

Other commitments and contingencies include the usual obligations of real estate owners and operators in the normal course of business. In the opinion of management, these matters are not expected to have a material impact on our consolidated financial position and results of operations.

11. Selected Quarterly Data (unaudited)

Set forth below is certain unaudited quarterly financial information. We believe that all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly, and in accordance with generally accepted accounting principles, the selected quarterly information when read in conjunction with the consolidated financial statements.

	Quarters Ended			
	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
Revenues	$ 2,184,000	$ 1,376,000	$ 1,234,000	$ 1,071,000
Expenses	2,408,000	1,233,000	1,247,000	1,039,000
Operating loss	(224,000)	143,000	(13,000)	32,000
Net loss	$ (1,164,000)	$ (330,000)	$ (581,000)	$ (526,000)
Loss per share — basic and diluted	$ (0.13)	$ (0.04)	$ (0.09)	$ (0.11)
Weighted average shares	9,212,369	8,057,934	6,482,651	4,814,342

	Quarters Ended			
	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
Revenues	$ 291,000	$ 96,000	$ 17,000	$ —
Expenses	521,000	391,000	305,000	316,000
Operating loss	(230,000)	(295,000)	(288,000)	(316,000)
Net loss	$ (385,000)	$ (360,000)	$ (250,000)	$ (311,000)
Loss per share — basic and diluted	$ (0.13)	$ (0.23)	$ (0.36)	$ (3.29)
Weighted average shares	2,963,521	1,556,451	693,711	94,396

12. Pro Forma Financial Information (Unaudited)

During the years ended December 31, 2007 and 2006 we acquired seven and four properties, for total investments of approximately $84.8 million and $36.0 million , respectively, plus closing costs. The following unaudited pro forma information for the years ended December 31, 2007 and 2006 has been prepared to reflect the incremental effect of the acquisitions as if such transactions had occurred on January 1, 2006. As these acquisitions are assumed to have been made on January 1, 2006, the shares outstanding as of December 31, 2007 and 2006 are assumed to have been sold and outstanding as of January 1, 2006 for purposes of calculating per share data.

	Year Ended December 31, 2007	Year Ended December 31, 2006
Revenues	$ 9,845,000	$ 6,942,000
Depreciation and amortization	2,918,000	2,754,000
Net loss	$ (2,877,000)	$ (2,368,000)
Loss per share — basic and diluted	$ (0.37)	$ (0.31)
Shares outstanding — Basic and diluted	7,760,445	7,760,445

13. Subsequent Events

Declaration of Distributions

On February 8, 2008, the board of directors of Cornerstone Core Properties REIT, Inc. declared a daily distribution on its common stock in the amount of $0.001315 per share to each stockholder of record as of the close of business on each day of March, April, May and June 2008 to be paid in cumulative amounts on or before April 15, 2008, May 15, 2008, June 15, 2008 and July 15, 2008, respectively. The amount of daily distributions, if paid each day over a 365-day period, would equal a 6.0% annualized rate based on a share price of $8.00 per share.

Sale of Shares of Common Stock

From January 1, 2008 through March 7, 2008, we raised approximately $8.1 million through the issuance of approximately 1.0 million shares of our common stock under our Offering.

Long Term Debt Obligation

On February 29, 2008, we made a principle payment approximately in the amount of $2.3 million to HSH Nordbank, AG.

CORNERSTONE CORE PROPERTIES REIT, INC. AND SUBSIDIARY

Schedule III

REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2007

		Initial Cost		Costs	Gross Amount Invested						Life on which
				Captialized							Depreciation in
			Building &	Subsequent to		Building and		Accumulated	Date of	Date	Latest Income Statement is
Description	Encumbrance	Land	Improv.	Acquisition	Land	Improv.	Total	Depreciation	Construct	Acquired	Computed
2111 S. Industrial Park, Tempe, AZ	—	$ 590,000	$ 1,482,000	$ 24,000	$ 590,000	$ 1,506,000	$ 2,096,000	$ 63,000	1974	06/01/06	39 years
Shoemaker Industrial Building Santa Fe Spring, CA	—	950,000	1,518,000	—	950,000	1,518,000	2,468,000	59,000	2001	06/30/06	39 years
15172 Goldenwest CircleWest minister, CA	—	7,100,000	4,282,000	5,000	7,100,000	4,287,000	11,387,000	118,000	1968	12/01/06	39 years
20100 Western Avenue Torrance, CA	—	7,670,000	11,096,000	118,000	7,670,000	11,214,000	18,884,000	328,000	2001	12/1/06	39 years
Mack Deer Valley Phoenix, AZ	—	6,216,000	16,810,000		6,216,000	16,810,000	23,026,000	411,000	2005	01/21/07	39 years
Marathon Tampa Bay, FL	—	980,000	3,561,000	12,000	980,000	3,573,000	4,553,000	68,000	1989-1994	04/02/07	39 years
Pinnacle Peak Phoenix, AZ	—	6,717,000	13,198,000	—	6,717,000	13,198,000	19,915,000	92,000	2006	10/02/07	39 years
Orlando Small Bay Portfolio Orlando, FL	—	6,539,000	30,608,000	—	6,539,000	30,608,000	37,147,000	134,000	2002-2005	11/15/07	39 years
Totals	—	$ 36,762,000	$ 82,555,000	$ 159,000	$ 36,762,000	$ 82,714,000	$ 119,476,000	$ 1,273,000			

	Cost	Accumulated Depreciation
Balance at December 31, 2004	$ —	$ —
2005 Additions	—	—
Balance at December 31, 2005	$ —	$ —
2006 Additions	34,802,000	76,000
Balance at December 31, 2006	$ 34,802,000	$ 76,000
2007 Additions	84,674,000	1,197,000
Balance at December 31, 2007	$ 119,476,000	$ 1,273,000

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) 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.

CORNERSTONE CORE PROPERTIES REIT, INC.

By: /s/ TERRY G. ROUSSEL
TERRY G. ROUSSEL
Chief Executive Officer, President and Chairman of the Board of Directors

Date: March 14, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 14, 2008.

Name	Title
/s/ Terry G. Roussel Terry G. Roussel	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Sharon C. Kaiser Sharon C. Kaiser	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Paul Danchik Paul Danchik	Director
/s/ Joseph H. Holland Joseph H. Holland	Director
/s/ Daniel L. Johnson Daniel L. Johnson	Director
/s/ Lee Powell Stedman Lee Powell Stedman	Director

EXHIBIT INDEX

Ex.	Description
1.1	Amended and Restated Dealer Manager Agreement (incorporated by reference to Exhibit 1.1 to Post-Effective Amendment No. 1 to the Registration Statement on Form S-11 (No. 333-121238) filed on December 23, 2005 ("Post-Effective Amendment No. 1")
1.2	Form of Participating Broker Agreement (incorporated by reference to Exhibit 1.2 to Post-Effective Amendment No. 1)
3.1	Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to Pre-Effective Amendment No. 2 to the Registration Statement on Form S-11 (No. 333-121238) filed on May 25, 2005)
3.2	Amendment and Restatement of Articles of Incorporation (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K filed on March 24, 2006)
3.3	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.3 to Post-Effective Amendment No. 1)
4.1	Subscription Agreement (incorporated by reference to Appendix A to the prospectus included on Post-Effective Amendment No. 5 to the Registration Statement on Form S-11 (No. 333-121238) filed on February 28, 2007)
4.2	Statement regarding restrictions on transferability of shares of common stock (to appear on stock certificate or to be sent upon request and without charge to stockholders issued shares without certificates) (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-11 (No. 333-121238) filed on December 14, 2004)
4.3	Distribution Reinvestment Plan (incorporated by reference to Appendix B to the prospectus included on Post-Effective Amendment No. 1)
4.4	Escrow Agreement between registrant and U.S. Bank, N.A. (incorporated by reference to Exhibit 4.4 to Pre-Effective Amendment No. 2 to the Registration Statement on Form S-11 (No. 333-121238) filed on May 25, 2005)
10.1	Amended and Restated Advisory Agreement (incorporated by reference to Exhibit 10.1 to Post-Effective Amendment No. 1)
10.2	Agreement of Limited Partnership of Cornerstone Operating Partnership, L.P. (incorporated by reference to Exhibit 10.2 to Pre-Effective Amendment No. 4 to the Registration Statement on Form S-11 (No. 333-121238) filed on August 30, 2005)
10.3	Form of Employee and Director Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Pre-Effective Amendment No. 2 to the Registration Statement on Form S-11 (No. 333-121238) filed on May 25, 2005)
10.4	Purchase and Sale Agreement, dated April 28, 2006, by and between Cornerstone Operating Partnership, L.P. and Mack Deer Valley Phase II, LLC (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on May 18, 2006)
10.5	Purchase and Sale Agreement, dated April 6, 2006, as amended as of May 23, 2006, by and between Cornerstone Operating Partnership, L.P., Squamar Limited Partnership and IPM, Inc. (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on May 26, 2006)
10.6	Purchase and Sale Agreement, dated June 16, 2006, by and between Cornerstone Operating Partnership, L.P. and First Industrial Harrisburg, LP (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on June 29, 2006)
10.7	Amendment to Agreement of Purchase and Sale, dated June 19, 2006, by and between Cornerstone Operating Partnership, L.P. and First Industrial Harrisburg, LP (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed on June 29, 2006)

Ex.	Description
10.8	Credit Agreement, dated as of June 30, 2006, among Cornerstone Operating Partnership, L.P., Cornerstone Core Properties REIT, Inc., Cornerstone Realty Advisors, LLC, and HSH Nordbank AG, New York Branch (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on July 7, 2006)
10.9	Purchase and Sale Agreement by and between Cornerstone Operating Partnership, L.P. and See Myin & Ock Ja Kymm Family Trust dated August 17, 2006 (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on October 13, 2006)
10.10	Amendment to Agreement of Purchase and Sale by and between Cornerstone Operating Partnership, L.P. and Myin & Ock Ja Kymm Family Trust, dated September 18, 2006 (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed on October 13, 2006)
10.11	Purchase and Sale Agreement by and between the registrant and WESCO Harbor Gateway, L.P. dated November 1, 2006 (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on November 21, 2006)
10.12	15172 Goldenwest Circle Lease (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on December 1, 2006)
14.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 14.1 to the Registrant's Annual Report on Form 10-K filed on March 24, 2006)
21.1	List of Subsidiaries (filed herewith)
31.1	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Interim Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

Exhibit 21.1

List of Subsidiaries

Entity	Jurisdiction
Cornerstone Operating Partnership, L.P.	Delaware

Exhibit 31.1

CERTIFICATIONS

I, Terry G. Roussel, certify that:

1. I have reviewed this annual report on Form 10-K of Cornerstone Core Properties REIT, Inc.;

2. Based on my knowledge, this annual 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 annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 we 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 annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this reported our conclusions about the effectiveness of the disclosure controls and procedures, as of the period covered by this annual 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 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 registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's 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.

Date: March 14, 2008

/s/ TERRY G. ROUSSEL
Terry G. Roussel
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Sharon C. Kaiser, certify that:

1. I have reviewed this annual report on Form 10-K of Cornerstone Core Properties REIT, Inc.;

2. Based on my knowledge, this annual 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 annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 we 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 annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this reported our conclusions about the effectiveness of the disclosure controls and procedures, as of the period covered by this annual 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 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 registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's 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.

Date: March 14, 2008

/s/ SHARON C. KAISER
Sharon C. Kaiser
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATIONS PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

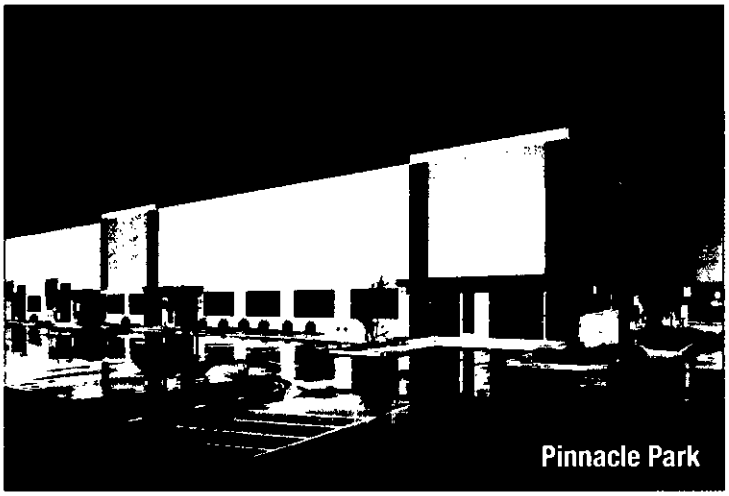
Terry G. Roussel and Sharon C. Kaiser, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his or her knowledge, the Annual Report of Cornerstone Core Properties REIT, Inc. on Form 10-K for the twelve month period ended December 31, 2007 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Cornerstone Core Properties REIT, Inc.

Date: March 14, 2008

/s/ TERRY G. ROUSSEL
Terry G. Roussel
Chief Executive Officer (Principal Executive Officer)

Date: March 14, 2008

/s/ SHARON C. KAISER
Sharon C. Kaiser
Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)



Pinnacle Park

Shoemaker Indstrial

Property	Purchase Date	Price	Location	Square Ft.
2111 South Industrial Park	June 1, 2006	$1.975 Million	Phoenix, Arizona	26,800
Shoemaker Industrial Buildings	June 23, 2006	$2.54 Million	Santa Fe Springs, California	18,921
15172 Goldenwest Circle	October 11, 2006	$11.2 Million	Orange County, California	102,200
20100 Western Ave	November 21, 2006	$19.7 Million	Los Angeles County, California	116,223
Mack Deer Valley	January 22, 2007	$23.2 Million	Phoenix, Arizona	180,985
Marathon Center	March 30, 2007	$4.5 Million	Largo, Florida	52,020
Pinnacle Park	October 2, 2007	$20.1 Million	Phoenix, Arizona	158,976
Orlando Small Bay	November 15, 2007	$37.2 Million	Orlando, Florida	394,471

END

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