

Grubb & Ellis Healthcare REIT, Inc.

Form 424B3

June 02, 2008

Table of Contents

**Filed Pursuant to Rule 424(b)(3)
Registration No. 333-133652**

GRUBB & ELLIS HEALTHCARE REIT, INC.

**SUPPLEMENT NO. 9 DATED JUNE 2, 2008
TO THE PROSPECTUS DATED DECEMBER 14, 2007**

This document supplements, and should be read in conjunction with, our prospectus dated December 14, 2007, as supplemented by Supplement No. 1, dated January 4, 2008, Supplement No. 2, dated January 30, 2008, Supplement No. 3, dated February 12, 2008, Supplement No. 4, dated February 27, 2008, Supplement No. 5, dated March 17, 2008, Supplement No. 6, dated April 7, 2008, Supplement No. 7, dated April 24, 2008, and Supplement No. 8, dated May 7, 2008, relating to our offering of 221,052,632 shares of common stock. The purpose of this Supplement No. 9 is to disclose:

the status of our initial public offering;

the conclusion of the SEC investigation of Triple Net Properties, LLC without any enforcement action;

our acquisition of Amarillo Hospital in Amarillo, Texas;

our acquisition of 5995 Plaza Drive in Cypress, California;

our proposed acquisition of SouthCrest Medical Plaza in Stockbridge, Georgia;

Management's Discussion and Analysis of Financial Condition and Results of Operations as of March 31, 2008 and for the three months ended March 31, 2008 and 2007; and

our unaudited financial statements as of March 31, 2008 and December 31, 2007, and for the three months ended March 31, 2008 and 2007.

Status of Our Initial Public Offering

As of May 16, 2008, we had received and accepted subscriptions in our offering for 32,836,850 shares of our common stock, or approximately \$327,993,000, excluding shares issued under our distribution reinvestment plan.

Conclusion of the SEC Investigation of Triple Net Properties, LLC

On June 2, 2008, Grubb & Ellis Company, or our sponsor, announced that the staff of the Securities and Exchange Commission, or the SEC, has informed our sponsor that the SEC is closing the previously disclosed investigation referred to as "In the matter of Triple Net Properties, LLC," without any enforcement action against Triple Net Properties, LLC, the managing member of Grubb & Ellis Healthcare REIT Advisor, LLC, our advisor, or NNN Capital Corp., our dealer-manager. In connection with the December 7, 2007 merger between NNN Realty Advisors, Inc., which previously served as our sponsor, and Grubb & Ellis Company, Triple Net Properties, LLC and NNN Capital Corp. became subsidiaries of our sponsor and changed their names to Grubb & Ellis Realty Investors, LLC and Grubb & Ellis Securities, Inc., respectively.

Acquisition of Amarillo Hospital

On May 15, 2008, we, through our subsidiary G&E Healthcare REIT Amarillo Hospital, LLC, acquired a fee simple interest in certain real property and improvements associated with Amarillo Hospital, located in Amarillo, Texas, from an unaffiliated third party, for a purchase price of \$20,000,000, plus closing costs. We financed the purchase price of Amarillo Hospital using \$20,000,000 in borrowings under our secured revolving line of credit with LaSalle Bank National Association, or LaSalle, and KeyBank National Association, or KeyBank, as disclosed in our prospectus, and funds from this offering. An acquisition fee of \$600,000, or 3.0% of the purchase price, was paid to Grubb & Ellis Healthcare REIT Advisor, LLC, or our advisor, and its affiliate in connection with the acquisition. For a description of the property, please see Supplement No. 8, dated May 7, 2008, to our prospectus.

Table of Contents**Acquisition of 5995 Plaza Drive**

On May 29, 2008, we, through our subsidiary, G&E Healthcare REIT 5995 Plaza Drive, LLC, acquired a fee simple interest in 5995 Plaza Drive located in Cypress, California, from an unaffiliated third party for a purchase price of \$25,700,000, plus closing costs.

Financing and Fees

We financed the purchase price of 5995 Plaza Drive with \$26,050,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank, and funds from this offering. An acquisition fee of \$771,000, or 3.0% of the purchase price, was paid to our advisor and its affiliate.

Description of the Property

5995 Plaza Drive is a Class A, five-story office building located on approximately 5.0 acres of land in Cypress, California. Completed in 1986, 5995 Plaza Drive consists of approximately 104,000 square feet of gross leaseable area, or GLA, and as of June 2008 is 100% leased to a single tenant, United HealthCare Services, Inc., a provider of healthcare plans and service, pursuant to a lease that expires in May 2013. The rental rate per annum for 2008 is approximately \$1,941,000, or \$18.60 per square foot. The rental rate per annum for 2013, the year the lease expires, will be approximately \$2,292,000, or \$22.04 per square foot.

5995 Plaza Drive faces competition from other nearby office buildings in and around the West Orange County submarket of Cypress, California including 3010 Old Ranch Parkway, I-5 Centerpointe Drive, 10833 Valley View and 5665 Plaza Drive, which are multi-story office buildings that are located within approximately five miles of 5995 Plaza Drive.

Triple Net Properties Realty, Inc. serves as the property manager and provides services and receives certain fees and expense reimbursements in connection with the operation and management of 5995 Plaza Drive.

Management currently has no renovation plans for 5995 Plaza Drive and believes that 5995 Plaza Drive is suitable for its intended purpose and adequately covered by insurance. For federal income tax purposes, we estimate that the depreciable basis in 5995 Plaza Drive will be approximately \$16.2 million. We depreciate buildings based upon an estimated useful life of 39 years. For 2007, 5995 Plaza Drive paid real estate taxes of approximately \$169,000 at a rate of 1.04%.

The following table shows the average occupancy rate and the average effective annual rental rate per square foot for 5995 Plaza Drive for the last five years:

Year	Average Occupancy Rate	Average Effective Annual Rental Rate per Square Foot
2003	100%	\$ 10.62
2004	100%	\$ 10.95
2005	100%	\$ 11.31
2006	100%	\$ 11.87
2007	100%	\$ 12.25

Proposed Acquisition of SouthCrest Medical Plaza

On June 2, 2008, our board of directors approved the acquisition of SouthCrest Medical Plaza, or the SouthCrest property. The SouthCrest property is comprised of two Class A, two-story, multi-tenant medical office buildings located on approximately 9.0 acres of land in the Atlanta suburb of Stockbridge, Georgia. Completed in 2006, the SouthCrest property consists of approximately 81,000 square feet of GLA and is 78.6% leased as of June 2008. The principal tenants occupying the buildings are healthcare providers.

We anticipate purchasing the SouthCrest property for a purchase price of \$20,756,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay

Table of Contents

our advisor and its affiliate an acquisition fee of \$623,000, or 3.0% of the purchase price, in connection with the acquisition.

We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of the SouthCrest property.

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

The use of the words we, us or our refers to Grubb & Ellis Healthcare REIT, Inc. and its subsidiaries, including Grubb & Ellis Healthcare REIT Holdings, L.P., except where the context otherwise requires.

The following discussion should be read in conjunction with our interim unaudited condensed consolidated financial statements and notes appearing elsewhere in this supplement. Such consolidated financial statements and information have been prepared to reflect our financial position as of March 31, 2008 and December 31, 2007, together with our results of operations and cash flows for the three months ended March 31, 2008 and 2007.

Forward-Looking Statements

Historical results and trends should not be taken as indicative of future operations. Our statements contained in this supplement that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Actual results may differ materially from those included in the forward-looking statements. We intend those forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations, are generally identifiable by use of the words believe, expect, intend, anticipate, estimate, project, prospects, or similar expressions. Our ability to predict results or the actual of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions generally and the real estate market specifically; legislative and regulatory changes, including changes to laws governing the taxation of real estate investment trusts, or REITs; the availability of capital; changes in interest rates; competition in the real estate industry; the supply and demand for operating properties in our proposed market areas; changes in accounting principles generally accepted in the United States of America, or GAAP, policies and guidelines applicable to REITs; the availability of properties to acquire; the availability of financing; our ongoing relationship with Grubb & Ellis Company, or Grubb & Ellis, or our sponsor, and its affiliates; and litigation, including without limitation, the investigation of Triple Net Properties, LLC by the Securities and Exchange Commission, or the SEC. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning us and our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

Overview and Background

Grubb & Ellis Healthcare REIT, Inc. (formerly known as NNN Healthcare/Office REIT, Inc.), a Maryland corporation, was incorporated on April 20, 2006. We were initially capitalized on April 28, 2006 and therefore we consider that our date of inception. We provide stockholders the potential for income and growth through investment in a diversified portfolio of real estate properties, focusing primarily on medical office buildings, healthcare-related facilities and quality commercial office properties. We may also invest in real estate related securities. We focus primarily on investments that produce current income. We intend to elect to be treated as a REIT

for federal income tax purposes for our taxable year ended December 31, 2007 when we file our fiscal year 2007 tax return.

Table of Contents

We are conducting a best efforts initial public offering, or our offering, in which we are offering up to 200,000,000 shares of our common stock for \$10.00 per share and up to 21,052,632 shares of our common stock pursuant to our distribution reinvestment plan, or the DRIP, at \$9.50 per share, aggregating up to \$2,200,000,000. As of April 30, 2008, we had received and accepted subscriptions in our offering for 30,869,339 shares of our common stock, or \$308,342,000, excluding shares of our common stock issued under the DRIP.

We conduct substantially all of our operations through Grubb & Ellis Healthcare REIT Holdings, L.P. (formerly known as NNN Healthcare/Office REIT Holdings, L.P.), or our operating partnership. We are externally advised by Grubb & Ellis Healthcare REIT Advisor, LLC (formerly known as NNN Healthcare/Office REIT Advisor, LLC), or our advisor, pursuant to an advisory agreement, or the Advisory Agreement, between us, our advisor and Grubb & Ellis Realty Investors, LLC (formerly known as Triple Net Properties, LLC), or Grubb & Ellis Realty Investors, who is the managing member of our advisor. The Advisory Agreement had a one year term that expired on September 19, 2007 and was subject to successive one year renewals upon the mutual consent of the parties. On September 18, 2007, our board of directors extended the Advisory Agreement on a month-to-month basis. On October 24, 2007, our board of directors authorized the renewal of our Advisory Agreement for a term of one year ending on October 24, 2008. Our advisor supervises and manages our day-to-day operations and selects the properties and securities we acquire, subject to the oversight by our board of directors. Our advisor also provides marketing, sales and client services on our behalf. Our advisor is affiliated with us in that we and our advisor have common officers, some of whom also own an indirect equity interest in our advisor. Our advisor engages affiliated entities, including Triple Net Properties Realty, Inc., or Realty, to provide various services to us, including property management services.

On December 7, 2007, NNN Realty Advisors, Inc., or NNN Realty Advisors, which previously served as our sponsor, merged with and into a wholly owned subsidiary of Grubb & Ellis. The transaction was structured as a reverse merger whereby stockholders of NNN Realty Advisors received shares of common stock of Grubb & Ellis in exchange for their NNN Realty Advisors shares of common stock and, immediately following the merger, former NNN Realty Advisors stockholders held approximately 59.5% of the common stock of Grubb & Ellis. As a result of the merger, we consider Grubb & Ellis to be our sponsor. Following the merger, NNN Healthcare/Office REIT, Inc., NNN Healthcare/Office REIT Holdings, L.P., NNN Healthcare/Office REIT Advisor, LLC, NNN Healthcare/Office Management, LLC, Triple Net Properties, LLC and NNN Capital Corp. changed their names to Grubb & Ellis Healthcare REIT, Inc., Grubb & Ellis Healthcare REIT Holdings, L.P., Grubb & Ellis Healthcare REIT Advisor, LLC, Grubb & Ellis Healthcare Management, LLC, Grubb & Ellis Realty Investors, LLC and Grubb & Ellis Securities, Inc., respectively.

As of March 31, 2008, we had purchased 27 properties comprising 2,762,000 square feet of gross leasable area, or GLA.

Critical Accounting Policies

The complete listing of our Critical Accounting Policies was previously disclosed in our 2007 Annual Report on Form 10-K, as filed with the SEC and there have been no material changes to our Critical Accounting Policies as disclosed therein.

Interim Financial Data

Our accompanying interim unaudited condensed consolidated financial statements have been prepared by us in accordance with GAAP in conjunction with the rules and regulations of the SEC. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, our accompanying interim unaudited condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Our accompanying

interim unaudited condensed consolidated financial statements reflect all adjustments, which are, in our opinion, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim period. Interim results of operations

Table of Contents

are not necessarily indicative of the results to be expected for the full year; such results may be less favorable. Our accompanying interim unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our 2007 Annual Report on Form 10-K, as filed with the SEC.

Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 157, *Fair Value Measurements*, or SFAS No. 157. SFAS No. 157, which will be applied to other accounting pronouncements that require or permit fair value measurements, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and provides for expanded disclosure about fair value measurements. SFAS No. 157 was issued to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position, or FSP, SFAS No. 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*, or FSP SFAS 157-1. FSP SFAS 157-1 excludes from the scope of SFAS No. 157 certain leasing transactions accounted for under SFAS No. 13, *Accounting for Leases*. In February 2008, the FASB also issued FSP SFAS No. 157-2, *Effective Date of FASB Statement No. 157*, or FSP SFAS 157-2. FSP SFAS 157-2 defers the effective date of SFAS No. 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, to fiscal years beginning after November 1, 2008. We adopted SFAS No. 157 and FSP SFAS 157-1 on a prospective basis on January 1, 2008. The adoption of SFAS No. 157 and FSP SFAS 157-1 did not have a material impact on our consolidated financial statements except with regards to enhanced disclosures. We are evaluating the impact that SFAS No. 157 will have on our non-financial assets and non-financial liabilities since the application of SFAS No. 157 for such items was deferred to January 1, 2009 by FSP SFAS 157-2, and we have not yet determined the impact the adoption will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, or SFAS No. 159. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. We adopted SFAS No. 159 on a prospective basis on January 1, 2008. The adoption of SFAS No. 159 did not have a material impact on our consolidated financial statements since we did not elect to apply the fair value option for any of our eligible financial instruments or other items on the January 1, 2008 effective date.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, or SFAS No. 141(R), and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51*, or SFAS No. 160. These two new standards will significantly change the accounting for, and reporting of, business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS No. 141(R) requires an acquiring entity to recognize acquired assets and liabilities assumed in a transaction at fair value as of the acquisition date, changes the disclosure requirements for business combination transactions and changes the accounting treatment for certain items, including contingent consideration agreements which will be required to be recorded at acquisition date fair value and acquisition costs which will be required to be expensed as incurred. SFAS No. 160 requires that noncontrolling interests be presented as a component of consolidated stockholders' equity, eliminates minority interest accounting such that the amount of net income attributable to the noncontrolling interests will be presented as part of consolidated net income in our accompanying condensed consolidated statements of operations and not as a separate component of income and expense, and requires that upon any changes in ownership that result in the loss of control of the subsidiary, the noncontrolling interest be re-measured

at fair value with the resultant gain or loss recorded in net income. SFAS No. 141(R) and SFAS No. 160 require simultaneous adoption and are to be applied prospectively for the first annual reporting period beginning on or after December 15, 2008. Early

Table of Contents

adoption of either standard is prohibited. We will adopt SFAS No. 141(R) and SFAS No. 160 on January 1, 2009. We are evaluating the impact of SFAS No. 141(R) and SFAS No. 160 and have not yet determined the impact the adoption will have on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, or SFAS No. 161. SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS No. 161 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk-related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The adoption of SFAS No. 161 is not expected to have a material impact on our consolidated financial statements.

In April 2008, the FASB issued FSP SFAS No. 142-3, *Determination of the Useful Life of Intangible Assets*, or FSP SFAS 142-3. FSP SFAS 142-3 intends to improve the consistency between the useful life of recognized intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets*, or SFAS No. 142 and the period of expected cash flows used to measure the fair value of the assets under SFAS No. 141(R). FSP SFAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions in determining the useful life of recognized intangible assets. It requires an entity to consider its own historical experience in renewing or extending similar arrangements, or to consider market participant assumptions consistent with the highest and best use of the assets if relevant historical experience does not exist. In addition to the required disclosures under SFAS No. 142, FSP SFAS 142-3 requires disclosure of the entity's accounting policy regarding costs incurred to renew or extend the term of recognized intangible assets, the weighted average period to the next renewal or extension, and the total amount of capitalized costs incurred to renew or extend the term of recognized intangible assets. FSP SFAS 142-3 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. While the standard for determining the useful life of recognized intangible assets is to be applied prospectively only to intangible assets acquired after the effective date, the disclosure requirements shall be applied prospectively to all recognized intangible assets as of, and subsequent to, the effective date. Early adoption is prohibited. The adoption of FSP SFAS 142-3 is not expected to have a material impact on our consolidated financial statements.

Acquisitions in 2008

Unaffiliated Third Party Acquisitions

Medical Portfolio 1 – Overland, Kansas and Largo, Brandon and Lakeland, Florida

On February 1, 2008, we acquired Medical Portfolio 1, located in Overland, Kansas and Largo, Brandon and Lakeland, Florida, or the Medical Portfolio 1 property, for a total purchase price of \$36,950,000, plus closing costs, from an unaffiliated third party. We financed the purchase price of the Medical Portfolio 1 property with a secured loan of \$22,000,000 from Wachovia Bank, National Association, or Wachovia, and \$16,000,000 in borrowings under our secured revolving line of credit with LaSalle Bank National Association, or LaSalle, and KeyBank National Association, or KeyBank, or our secured revolving line of credit with LaSalle and KeyBank. We paid an acquisition fee of \$1,109,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Fort Road Medical Building – St. Paul, Minnesota

On March 6, 2008, we acquired Fort Road Medical Building, located in St. Paul, Minnesota, or the Fort Road property, for a purchase price of \$8,650,000, plus closing costs, from an unaffiliated third party. We financed the purchase price of the Fort Road property with a secured loan of \$5,800,000 from LaSalle, \$3,000,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank and funds

Table of Contents

raised through our offering. We paid an acquisition fee of \$260,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Liberty Falls Medical Plaza Liberty Township, Ohio

On March 19, 2008, we acquired Liberty Falls Medical Plaza, located in Liberty Township, Ohio, or the Liberty Falls property, for a purchase price of \$8,150,000, plus closing costs, from an unaffiliated third party. In connection with the purchase, we received a tenant improvement credit of \$800,000 from the seller. We financed the purchase price of the Liberty Falls property with \$7,600,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank. We paid an acquisition fee of \$245,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Epler Parke Building B Indianapolis, Indiana

On March 24, 2008, we acquired Epler Parke Building B, located in Indianapolis, Indiana for a purchase price of \$5,850,000, plus closing costs, from an unaffiliated third party. We financed the purchase price of Epler Parke Building B with \$6,100,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank. We paid an acquisition fee of \$176,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Cypress Station Medical Office Building Houston, Texas

On March 25, 2008, we acquired Cypress Station Medical Office Building, located in Houston, Texas, or the Cypress property, for a purchase price of \$11,200,000, plus closing costs, from an unaffiliated third party. We financed the purchase price of the Cypress property with a secured loan of \$7,300,000 from National City Bank and \$4,500,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank. We paid an acquisition fee of \$336,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Vista Professional Center Lakeland, Florida

On March 27, 2008, we acquired Vista Professional Center, located in Lakeland, Florida, or the Vista Professional property, for a purchase price of \$5,250,000, plus closing costs, from an unaffiliated third party. We financed the purchase price of the Vista Professional property with \$5,300,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank and the remaining balance from funds raised through our offering. We paid an acquisition fee of \$158,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Senior Care Portfolio 1 Arlington, Galveston, Port Arthur and Texas City, Texas

Senior Care Portfolio 1 consists of a total of six properties, four of which are located in Texas, and two of which are located in California. On March 31, 2008, we acquired the Arlington, Galveston, Port Arthur and Texas City, Texas properties of Senior Care Portfolio 1, or the SCP 1 TX property, for a total purchase price of \$29,900,000, plus closing costs, from an unaffiliated third party. We financed the purchase price of the SCP 1 TX property with a secured loan of \$18,000,000 from Red Mortgage Capital, Inc. and \$14,800,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank. We paid an acquisition fee of \$897,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Probable Unaffiliated Third Party Acquisition

Senior Care Portfolio 1 Lomita and El Monte, California

On March 10, 2008, our board of directors approved the acquisition of the Senior Care Portfolio 1, as described above. We anticipate purchasing the Lomita and El Monte, California properties of Senior Care Portfolio 1, or the SCP 1 CA property, for a purchase price of \$9,700,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$291,000, or 3.0% of the purchase price, in connection with the

Table of Contents

acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of the SCP 1 CA property. On April 2, 2008, we paid a real estate deposit of \$300,000 to be held in escrow and applied towards the purchase of the SCP 1 CA property.

Factors Which May Influence Results of Operations

Rental Income

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

Offering Proceeds

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

Scheduled Lease Expirations

As of March 31, 2008, our consolidated properties were 89.0% leased. 4.8% of the leased GLA expires during the remainder of 2008. Our leasing strategy for 2008 focuses on negotiating renewals for leases scheduled to expire during the remainder of the year. If we are unable to negotiate such renewals, we will try to identify new tenants or collaborate with existing tenants who are seeking additional space to occupy. Of the leases expiring in 2008, we anticipate, but cannot assure, that a majority of the tenants will renew for another term.

Sarbanes-Oxley Act

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

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

Results of Operations

Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

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

Table of Contents

We are not aware of any material trends or uncertainties, other than national economic conditions affecting real estate generally, the financial impact of the downturn of the credit markets, and those Risk Factors previously disclosed in our 2007 Annual Report on Form 10-K filed with the SEC, that may reasonably be expected to have a material impact, favorable or unfavorable, on revenues or income from the acquisition, management and operation of properties.

Except where otherwise noted, the change in our results of operations is due to owning 27 properties as of March 31, 2008, as compared to owning four properties as of March 31, 2007.

Rental Income

For the three months ended March 31, 2008, rental income was \$13,117,000 as compared to \$742,000 for the three months ended March 31, 2007. For the three months ended March 31, 2008, rental income was primarily comprised of base rent of \$9,872,000 and expense recoveries of \$2,441,000. For the three months ended March 31, 2007, rental income was primarily comprised of base rent of \$497,000 and expense recoveries of \$225,000.

Rental Expenses

For the three months ended March 31, 2008, rental expenses were \$4,468,000 as compared to \$298,000 for the three months ended March 31, 2007. For the three months ended March 31, 2008 and 2007, rental expenses represent expenses at our 27 properties and four properties, respectively. For the three months ended March 31, 2008, rental expenses were primarily comprised of real estate taxes of \$1,569,000, utilities of \$856,000, repairs and maintenance of \$698,000, property management fees of \$396,000 and insurance of \$123,000. For the three months ended March 31, 2007, rental expenses were primarily comprised of real estate taxes of \$116,000, utilities of \$60,000, repairs and maintenance of \$56,000, property management fees of \$29,000 and insurance of \$5,000.

General and Administrative

For the three months ended March 31, 2008, general and administrative was \$1,848,000 as compared to \$363,000 for the three months ended March 31, 2007. For the three months ended March 31, 2008, general and administrative consisted primarily of asset management fees of \$1,136,000, professional and legal fees of \$116,000, audit fees for our property acquisitions of \$82,000, director and officer's insurance premiums of \$58,000, restricted stock compensation of \$19,000 and directors' fees of \$16,000. For the three months ended March 31, 2007, general and administrative consisted primarily of audit fees for our four property acquisitions of \$72,000, director and officer's insurance premiums of \$61,000, asset management fees of \$59,000, professional and legal fees of \$47,000, directors' fees of \$22,000, restricted stock compensation of \$10,000, and postage and delivery of \$7,000. The increase in general and administrative was due to managing 27 properties for the three months ended March 31, 2008, as compared to managing four properties for the three months ended March 31, 2007.

Depreciation and Amortization

For the three months ended March 31, 2008, depreciation and amortization was \$6,253,000 as compared to \$342,000 for the three months ended March 31, 2007. For the three months ended March 31, 2008, depreciation and amortization was comprised of depreciation on our properties of \$3,351,000, amortization of identified intangible assets of \$2,892,000 and amortization of lease commissions of \$10,000. For the three months ended March 31, 2007, depreciation and amortization was comprised of depreciation on our properties of \$120,000 and amortization of identified intangible assets of \$222,000.

Interest Expense

For the three months ended March 31, 2008, interest expense was \$7,248,000 as compared to \$272,000 for the three months ended March 31, 2007. For the three months ended March 31, 2008, interest expense was related to interest expense on our mortgage loan payables and our secured revolving line of credit with LaSalle and KeyBank of \$3,520,000, losses on derivative financial instruments of \$3,536,000 related to our interest rate swaps and amortization of loan fees and debt discount of \$192,000 that are being amortized to

Table of Contents

interest expense over the terms of the related debt instruments. For the three months ended March 31, 2007, interest expense was related to interest expense on our mortgage loan payables of \$197,000, interest expense on unsecured note payables to NNN Realty Advisors of \$71,000 and amortization of loan fees of \$4,000 that are being amortized to interest expense over the terms of the related debt instruments.

Interest and Dividend Income

For the three months ended March 31, 2008, interest and dividend income was \$11,000 as compared to \$1,000 for the three months ended March 31, 2007. For the three months ended March 31, 2008 and 2007, interest and dividend income was related primarily to interest earned on our money market accounts. The increase in interest and dividend income was due to higher cash balances in the first quarter of 2008 as compared to the first quarter of 2007.

Minority Interests

For the three months ended March 31, 2008, minority interests were \$79,000 as compared to \$0 for the three months ended March 31, 2007. For the three months ended March 31, 2008, minority interests were primarily related to the minority interest owner's 20.0% share in the Chesterfield Rehabilitation Center.

Net Loss

For the three months ended March 31, 2008, we had a net loss of \$(6,610,000), or \$(0.27) per share, as compared to \$(532,000), or \$(0.73) per share, for the three months ended March 31, 2007. The increase in net loss was due to the factors discussed above.

Liquidity and Capital Resources

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

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

Generally, cash needs for items other than acquisitions of real estate and real estate related securities will be met from operations, borrowing, and the net proceeds of our offering. We believe that these cash resources will be sufficient to satisfy our cash requirements for the foreseeable future, and we do not anticipate a need to raise funds from other than these sources within the next 12 months.

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

common stock and our investments in properties and real estate related securities, which could result in a delay in the benefits to our stockholders, if any, of returns generated from our investments operations.

When we acquire a property, our advisor prepares a capital plan that contemplates the estimated capital needs of that investment. In addition to operating expenses, capital needs may also include costs of refurbishment, tenant improvements or other major capital expenditures. The capital plan also sets forth the anticipated sources of the necessary capital, which may include a line of credit or other loan established with

Table of Contents

respect to the investment, operating cash generated by the investment, additional equity investments from us or joint venture partners or, when necessary, capital reserves. Any capital reserve would be established from the gross proceeds of our offering, proceeds from sales of other investments, operating cash generated by other investments or other cash on hand. In some cases, a lender may require us to establish capital reserves for a particular investment. The capital plan for each investment will be adjusted through ongoing, regular reviews of our portfolio or as necessary to respond to unanticipated additional capital needs.

Other Liquidity Needs

In the event that there is a shortfall in net cash available due to various factors, including, without limitation, the timing of distributions or the timing of the collections of receivables, we may seek to obtain capital to pay distributions by means of secured or unsecured debt financing through one or more third parties, or our advisor or its affiliates. There are currently no limits or restrictions on the use of proceeds from our advisor or its affiliates which would prohibit us from making the proceeds available for distribution. We may also pay distributions from cash from capital transactions, including, without limitation, the sale of one or more of our properties.

As of March 31, 2008, we estimate that our expenditures for capital improvements will require up to \$1,660,000 within the next nine months of 2008. As of March 31, 2008, we had \$2,371,000 of restricted cash in loan impounds and reserve accounts for such capital expenditures and any remaining expenditures will be paid with net cash from operations or borrowings. We cannot provide assurance, however, that we will not exceed these estimated expenditure and distribution levels or be able to obtain additional sources of financing on commercially favorable terms or at all.

If we experience lower occupancy levels, reduced rental rates, reduced revenues as a result of asset sales, or increased capital expenditures and leasing costs compared to historical levels due to competitive market conditions for new and renewal leases, the effect would be a reduction of net cash provided by operating activities. If such a reduction of net cash provided by operating activities is realized, we may have a cash flow deficit in subsequent periods. Our estimate of net cash available is based on various assumptions which are difficult to predict, including the levels of leasing activity at year end and related leasing costs. Any changes in these assumptions could impact our financial results and our ability to fund working capital and unanticipated cash needs. To the extent any distributions are made to stockholders in excess of accumulated earnings, the excess distributions are considered a return of capital to stockholders for federal income tax purposes. Distributions in excess of tax capital are non-taxable to the extent of tax basis. Distributions in excess of tax basis will constitute capital gains.

Cash Flows

Cash flows provided by operating activities for the three months ended March 31, 2008 and 2007, were \$2,586,000 and \$34,000, respectively. For the three months ended March 31, 2008, cash flows provided by operating activities related primarily to operations from our 27 properties. For the three months ended March 31, 2007, cash flows provided by operating activities related primarily to operations from our four properties. We anticipate cash flows from operating activities to continue to increase as we purchase more properties.

Cash flows used in investing activities for the three months ended March 31, 2008 and 2007, were \$107,730,000 and \$20,065,000, respectively. For the three months ended March 31, 2008, cash flows used in investing activities related primarily to the acquisition of real estate operating properties in the amount of \$107,609,000. For the three months ended March 31, 2007, cash flows used in investing activities related primarily to the acquisition of our four properties in the amount of \$18,364,000. We anticipate cash flows used in investing activities to continue to increase as we purchase more properties.

Cash flows provided by financing activities for the three months ended March 31, 2008 and 2007, were \$109,092,000 and \$24,556,000, respectively. For the three months ended March 31, 2008, cash flows provided by financing activities related primarily to funds raised from investors in the amount of \$58,404,000, borrowings on mortgage loan payables of \$53,100,000 and net borrowings under our secured revolving line of credit with LaSalle and KeyBank of \$6,899,000, partially offset by principal repayments of \$252,000 on mortgage loan payables, the payment of the offering costs of \$6,053,000 and distributions of \$2,169,000. For the three months ended March 31, 2007, cash flows provided by financing activities related primarily to funds

Table of Contents

raised from investors in the amount of \$26,516,000, partially offset by the payment of offering costs of \$1,937,000. We anticipate cash flows from financing activities to increase in the future as we raise additional funds from investors and incur additional debt to purchase properties.

Distributions

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

Our board of directors approved a 6.50% per annum distribution to be paid to our stockholders beginning on January 8, 2007, the date we reached our minimum offering of \$2,000,000. The first distribution was paid on February 15, 2007 for the period ended January 31, 2007. On February 14, 2007, our board of directors approved a 7.25% per annum distribution to be paid to our stockholders beginning with our February 2007 monthly distribution, which was paid in March 2007. Distributions are paid to our stockholders on a monthly basis.

If distributions are in excess of our taxable income, such distributions will result in a return of capital to our stockholders. Our distribution of amounts in excess of our taxable income have resulted in a return of capital to our stockholders.

For the three months ended March 31, 2008, we paid distributions of \$4,067,000 (\$2,169,000 in cash and \$1,898,000 in shares of our common stock pursuant to the DRIP) from cash flow from operations of \$2,586,000 for the period. The distributions paid in excess of our cash flow from operations were paid using proceeds from our offering. As of March 31, 2008, we had an amount payable of \$1,695,000 to our advisor and its affiliates for operating expenses, on-site personnel and engineering payroll, lease commissions and asset and property management fees, which will be paid from cash flow from operations in the future as they become due and payable by us in the ordinary course of business consistent with our past practice.

Our advisor and its affiliates have no obligations to defer or forgive amounts due to them. As of March 31, 2008, no amounts due to our advisor or its affiliates have been deferred or forgiven. In the future, if our advisor or its affiliates do not defer or forgive amounts due to them and our cash flow from operations is less than the distributions to be paid, we would be required to pay our distributions, or a portion thereof, with proceeds from our offering or borrowed funds. As a result, the amount of proceeds available for investment and operations would be reduced, or we may incur additional interest expense as a result of borrowed funds.

In addition, for the three months ended March 31, 2008, we did not pay distributions with funds from operations, or FFO. For the three months ended March 31, 2008, our FFO was \$(409,000). See our disclosure regarding FFO below.

Capital Resources

Financing

We anticipate that our aggregate borrowings, both secured and unsecured, will not exceed 60.0% of all of our properties and real estate related securities combined fair market values, as determined at the end of each calendar year beginning with our first full year of operations. For these purposes, the fair market value of each asset will be equal to the purchase price paid for the asset or, if the asset was appraised subsequent to the date of purchase, then the fair market value will be equal to the value reported in the most recent independent appraisal of the asset. Our policies do not limit the amount we may borrow with respect to any individual investment. As of March 31, 2008, our

aggregate borrowings were 57.8% of all of our properties and real estate related securities combined fair market values.

Our charter precludes us from borrowing in excess of 300.0% of the value of our net assets, unless approved by a majority of our independent directors and the justification for such excess borrowing is disclosed to our stockholders in our next quarterly report. Net assets for purposes of this calculation are defined as our total assets (other than intangibles), valued at cost prior to deducting depreciation, reserves for

Table of Contents

bad debts and other non-cash reserves, less total liabilities. As of March 31, 2008, our leverage did not exceed 300.0% of the value of our net assets.

Mortgage Loan Payables

Mortgage loan payables were \$238,747,000 (\$238,653,000, net of discount) and \$185,899,000 (\$185,801,000, net of discount) as of March 31, 2008 and December 31, 2007, respectively. As of March 31, 2008, we had fixed and variable rate mortgage loans with effective interest rates ranging from 3.91% to 6.12% per annum and a weighted average effective interest rate of 4.84% per annum. We had \$90,857,000 (\$90,763,000, net of discount), or 38.1%, of fixed rate debt at a weighted average interest rate of 5.79% per annum and \$147,890,000, or 61.9%, of variable rate debt at a weighted average interest rate of 4.26% per annum. As of December 31, 2007, we had fixed and variable rate mortgage loans with effective interest rates ranging from 5.52% to 6.78% per annum and a weighted average effective interest rate of 6.07% per annum. We had \$90,919,000 (\$90,821,000 net of discount), or 48.9%, of fixed rate debt at a weighted average interest rate of 5.79% per annum and \$94,980,000, or 51.1%, of variable rate debt at a weighted average interest rate of 6.35% per annum. We are required by the terms of the applicable loan documents to meet certain financial covenants, such as debt service coverage ratios and rent coverage ratios and reporting requirements. As of March 31, 2008 and December 31, 2007, we were in compliance with all such covenants and requirements.

Mortgage loan payables consisted of the following as of March 31, 2008 and December 31, 2007:

Property	Interest Rate	Maturity Date	December 31,	
			March 31, 2008	2007
Fixed Rate Debt:				
Southpointe Office Parke and Epler Parke I	6.11%	09/01/16	\$ 9,146,000	\$ 9,146,000
Crawfordsville Medical Office Park and Athens Surgery Center	6.12%	10/01/16	4,264,000	4,264,000
The Gallery Professional Building	5.76%	03/01/17	6,000,000	6,000,000
Lenox Office Park, Building G	5.88%	02/01/17	12,000,000	12,000,000
Commons V Medical Office Building	5.54%	06/11/17	10,000,000	10,000,000
Yorktown Medical Center and Shakerag Medical Center	5.52%	05/11/17	13,530,000	13,530,000
Thunderbird Medical Plaza	5.67%	06/11/17	14,000,000	14,000,000
Gwinnett Professional Center	5.88%	01/01/14	5,671,000	5,699,000
St. Mary Physicians Center	5.80%	09/04/09	8,280,000	8,280,000
Northmeadow Medical Center	5.99%	12/01/14	7,966,000	8,000,000
			90,857,000	90,919,000
Variable Rate Debt:				
1 and 4 Market Exchange	Variable	09/28/10	14,500,000*	14,500,000**
East Florida Senior Care Portfolio	Variable	11/01/10	30,267,000*	30,384,000**
Kokomo Medical Office Park	Variable	11/30/10	8,300,000*	8,300,000**
Park Place Office Park	Variable	12/31/10	10,943,000*	10,943,000**
Highlands Ranch Medical Plaza	Variable	12/31/10	8,853,000*	8,853,000**
Chesterfield Rehabilitation Center	Variable	12/30/10	22,000,000*	22,000,000**
Medical Portfolio 1	Variable	02/28/11	21,927,000*	

Edgar Filing: Grubb & Ellis Healthcare REIT, Inc. - Form 424B3

Fort Road Medical Building	Variable	03/06/11	5,800,000*	
Cypress Station Medical Office Building	Variable	09/01/11	7,300,000	
Senior Care Portfolio 1 Texas	Variable	03/31/10	18,000,000	
			147,890,000	94,980,000
	Total fixed and variable debt		238,747,000	185,899,000
	Less: discount		(94,000)	(98,000)
	Mortgage loan payables	\$	238,653,000	\$ 185,801,000

Table of Contents

- * As of March 31, 2008, we had variable rate mortgage loans with effective interest rates ranging from 3.91% to 4.73% per annum and a weighted average effective interest rate of 4.26% per annum. However, as of March 31, 2008, we had fixed rate interest rate swaps, ranging from 4.70% to 6.02%, on eight of our variable rate mortgage loan payables, thereby effectively fixing our interest rate on those mortgage loan payables.
- ** As of December 31, 2007, we had variable rate mortgage loans with effective interest rates ranging from 6.15% to 6.78% per annum and a weighted average effective interest rate of 6.35% per annum. However, as of December 31, 2007, we had fixed rate interest rate swaps, ranging from 5.52% to 6.02%, on all of our variable rate mortgage loan payables, thereby effectively fixing our interest rate on those mortgage loan payables.

Unsecured Note Payables to Affiliate

As of March 31, 2008 and December 31, 2007, we had no outstanding balances under unsecured note payables to affiliate. Further, we did not borrow any amounts under unsecured note payables to affiliate for the three months ended March 31, 2008.

Line of Credit

We have a loan agreement, or the Loan Agreement, with LaSalle and KeyBank in which we obtained a secured revolving credit facility in an aggregate maximum principal amount of \$80,000,000, or our secured revolving line of credit with LaSalle and KeyBank. The actual amount of credit available under the Loan Agreement is a function of certain loan to cost, loan to value and debt service coverage ratios contained in the Loan Agreement. The maximum principal amount of the Loan Agreement may be increased to \$120,000,000 subject to the terms of the Loan Agreement.

At our option, loans under the Loan Agreement bear interest at per annum rates equal to (a) the London Interbank Offered Rate, or LIBOR, plus a margin of 1.50%, (b) the greater of LaSalle's prime rate or the Federal Funds Rate as defined in the Loan Agreement plus 0.50%, or (c) a combination of these rates.

The Loan Agreement contains various affirmative and negative covenants that are customary for facilities and transactions of this type, including limitations on the incurrence of debt by us and our subsidiaries that own properties that serve as collateral for the Loan Agreement, limitations on the nature of our business, and limitations on distributions by us and our subsidiaries that own properties that serve as collateral for the Loan Agreement. The Loan Agreement also imposes the following financial covenants on us and our operating partnership, as applicable: (a) a minimum ratio of operating cash flow to interest expense, (b) a minimum ratio of operating cash flow to fixed charges, (c) a maximum ratio of liabilities to asset value, (d) a maximum distribution covenant and (e) a minimum net worth covenant, all of which are defined in the Loan Agreement. In addition, the Loan Agreement includes events of default that are customary for facilities and transactions of this type. As of March 31, 2008 and December 31, 2007, we were in compliance with all such covenants and requirements.

As of March 31, 2008 and December 31, 2007, borrowings under our secured revolving line of credit with LaSalle and KeyBank totaled \$58,700,000 and \$51,801,000, respectively. Borrowings as of March 31, 2008 and December 31, 2007 bore interest at a weighted average interest rate of 4.48% and 6.93% per annum, respectively.

REIT Requirements

In order to qualify as a REIT for federal income tax purposes, we are required to make distributions to our stockholders of at least 90.0% of REIT taxable income. In the event that there is a shortfall in net cash available due to factors including, without limitation, the timing of such distributions or the timing of the collections of receivables, we

may seek to obtain capital to pay distributions by means of secured debt financing through one or more third parties. We may also pay distributions from cash from capital transactions including, without limitation, the sale of one or more of our properties.

Table of Contents

Commitments and Contingencies

Organizational, Offering and Related Expenses

Our organizational, offering and related expenses are being paid by our advisor and its affiliates on our behalf. These organizational, offering and related expenses include all expenses (other than selling commissions and the marketing support fee which generally represent 7.0% and 2.5% of our gross offering proceeds, respectively) to be paid by us in connection with our offering. These expenses will only become our liability to the extent selling commissions, the marketing support fee and due diligence expense reimbursements and other organizational and offering expenses do not exceed 11.5% of the gross proceeds of our offering. As of March 31, 2008 and December 31, 2007, our advisor or its affiliates have incurred expenses of \$1,034,000 and \$1,086,000, respectively, in excess of 11.5% of the gross proceeds of our offering, and therefore these expenses are not recorded in our accompanying condensed consolidated financial statements as of March 31, 2008 and December 31, 2007. To the extent we raise additional proceeds from our offering, these amounts may become our liability.

Repairs and Maintenance Expenses

We were required by the terms of the mortgage loan secured by Thunderbird Medical Plaza to complete certain repairs to the property in the amount of \$190,000 which were completed in February 2008. We were also required by the terms of the mortgage loan secured by The Gallery Professional Building to complete certain repairs to the property in the amount of \$63,000 which were completed in January 2008.

Chesterfield Rehabilitation Center

The operating agreement with BD St. Louis Development, LLC, or BD St. Louis, for G&E Healthcare REIT/Duke Chesterfield Rehab, LLC, or the JV Company, which owns Chesterfield Rehabilitation Center, provides that from January 1, 2010 to March 31, 2010, our operating partnership has the right and option to purchase the 20.0% membership interests in the JV Company held by BD St. Louis at a fixed price of \$3,900,000. We anticipate exercising our right to purchase the 20.0% membership interests. However, if we do not exercise that right, the operating agreement provides that from January 1, 2011 to March 31, 2011, BD St. Louis has the right and option to sell all, but not less than all, of its 20.0% membership interests in the JV Company to our operating partnership at the greater of \$10.00 or the fair market value as determined in accordance with the operating agreement. As of March 31, 2008 and December 31, 2007, the estimated redemption value is \$3,090,000.

Debt Service Requirements

One of our principal liquidity needs is the payment of principal and interest on outstanding indebtedness. As of March 31, 2008, we had fixed and variable mortgage loan payables in the principal amount of \$238,747,000 (\$238,653,000, net of discount) outstanding secured by our properties and \$58,700,000 outstanding under our secured revolving line of credit with LaSalle and KeyBank. As of March 31, 2008, the weighted average interest rate on our outstanding debt was 4.77% per annum.

Table of Contents**Contractual Obligations**

The following table provides information with respect to the maturities and scheduled principal repayments of our secured mortgage loan payables and our secured revolving line of credit with LaSalle and KeyBank as of March 31, 2008. The table does not reflect any available extension options.

	Payments Due by Period				Total
	Less than 1 Year (2008)	1-3 Years (2009-2010)	4-5 Years (2011-2012)	More than 5 Years (After 2012)	
Principal payments fixed rate debt	\$ 337,000	\$ 9,706,000	\$ 2,613,000	\$ 78,201,000	\$ 90,857,000
Interest payments fixed rate debt	3,871,000	9,678,000	9,092,000	16,773,000	39,414,000
Principal payments variable rate debt	59,598,000	114,312,000	32,680,000		206,590,000
Interest payments variable rate debt (based on rates in effect as of March 31, 2008)	6,585,000	11,556,000	555,000		18,696,000
Total	\$ 70,391,000	\$ 145,252,000	\$ 44,940,000	\$ 94,974,000	\$ 355,557,000

Off-Balance Sheet Arrangements

As of March 31, 2008, we had no off-balance sheet transactions, nor do we currently have any such arrangements or obligations.

Inflation

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

Funds from Operations

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

We define FFO, a non-GAAP measure, consistent with the standards established by the White Paper on FFO approved by the Board of Governors of NAREIT, as revised in February 2004. The White Paper defines FFO as net income or loss computed in accordance with GAAP, excluding gains or losses from sales of property but including asset

impairment writedowns, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO.

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

Presentation of this information is intended to assist the reader in comparing the operating performance of different REITs, although it should be noted that not all REITs calculate FFO the same way, so comparisons with other REITs may not be meaningful. Furthermore, FFO is not necessarily indicative of cash flow

Table of Contents

available to fund cash needs and should not be considered as an alternative to net income as an indication of our performance. Our FFO reporting complies with NAREIT's policy described above.

The following is the calculation of FFO for the three months ended March 31, 2008 and 2007:

	Three Months Ended March 31,	
	2008	2007
Net loss	\$ (6,610,000)	\$ (532,000)
Add:		
Depreciation and amortization consolidated properties	6,253,000	342,000
Less:		
Depreciation and amortization related to minority interests	(52,000)	
FFO	\$ (409,000)	\$ (190,000)
Weighted average common shares outstanding basic and diluted	24,266,342	730,986

Subsequent Events***Status of our Offering***

As of April 30, 2008, we had received and accepted subscriptions in our offering for 30,869,339 shares of our common stock, or \$308,342,000, excluding shares of our common stock issued under the DRIP.

Share Repurchases

In April 2008, we repurchased 20,000 shares of our common stock, or \$200,000, under our share repurchase plan.

Probable Unaffiliated Third Party Acquisitions***Amarillo Hospital Amarillo, Texas***

On April 4, 2008, we executed a purchase and sale agreement for Amarillo Hospital, located in Amarillo, Texas. On April 30, 2008, our board of directors approved the acquisition of Amarillo Hospital. We anticipate purchasing Amarillo Hospital for a purchase price of \$20,000,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$600,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of Amarillo Hospital.

Proposed Unaffiliated Third Party Acquisitions***Nutfield Professional Center Derry, New Hampshire***

On April 30, 2008, our board of directors approved the acquisition of Nutfield Professional Center, located in Derry, New Hampshire. We anticipate purchasing Nutfield Professional Center for a total purchase price of \$14,200,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$426,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of Nutfield Professional Center.

Table of Contents

Medical Portfolio 2 O Fallon and St. Louis, Missouri and Keller and Wichita Falls, Texas

On April 30, 2008, our board of directors approved the acquisition of Medical Portfolio 2, located in O Fallon and St. Louis, Missouri and Keller and Wichita Falls, Texas. We anticipate purchasing Medical Portfolio 2 for a total purchase price of \$44,800,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$1,344,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of Medical Portfolio 2.

Academy Medical Center Tucson, Arizona

On April 30, 2008, our board of directors approved the acquisition of Academy Medical Center, located in Tucson, Arizona. We anticipate purchasing Academy Medical Center for a purchase price of \$8,250,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$248,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of Academy Medical Center.

Renaissance Medical Centre Bountiful, Utah

On April 30, 2008, our board of directors approved the acquisition of Renaissance Medical Centre, located in Bountiful, Utah. We anticipate purchasing Renaissance Medical Centre for a purchase price of \$30,200,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$906,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of Renaissance Medical Centre.

Medical Portfolio 3 Indianapolis, Indiana

On April 30, 2008, our board of directors approved the acquisition of Medical Portfolio 3, located in Indianapolis, Indiana. We anticipate purchasing Medical Portfolio 3 for a total purchase price of \$90,600,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$2,718,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of Medical Portfolio 3.

5995 Plaza Drive Cypress, California

On April 30, 2008, our board of directors approved the acquisition of 5995 Plaza Drive, located in Cypress, California. We anticipate purchasing 5995 Plaza Drive for a purchase price of \$25,700,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$771,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of 5995 Plaza Drive.

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
Grubb & Ellis Healthcare REIT, Inc.	
As of March 31, 2008 and December 31, 2007, and for the Three Months Ended March 31, 2008 and 2007	
<u>Condensed Consolidated Balance Sheets as of March 31, 2008 (Unaudited) and December 31, 2007 (Unaudited)</u>	F-2
<u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2008 and 2007 (Unaudited)</u>	F-3
<u>Condensed Consolidated Statement of Stockholders' Equity for the Three Months Ended March 31, 2008 (Unaudited)</u>	F-4
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2008 and 2007 (Unaudited)</u>	F-5
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	F-6

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.****CONDENSED CONSOLIDATED BALANCE SHEETS****As of March 31, 2008 and December 31, 2007****(Unaudited)**

	March 31, 2008	December 31, 2007
ASSETS		
Real estate investments:		
Operating properties, net	\$ 442,653,000	\$ 352,994,000
Cash and cash equivalents	9,415,000	5,467,000
Accounts and other receivables, net	2,517,000	1,233,000
Restricted cash	3,951,000	4,605,000
Identified intangible assets, net	76,598,000	62,921,000
Other assets, net	5,672,000	4,392,000
Total assets	\$ 540,806,000	\$ 431,612,000
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS EQUITY		
Liabilities:		
Mortgage loan payables, net	\$ 238,653,000	\$ 185,801,000
Line of credit	58,700,000	51,801,000
Accounts payable and accrued liabilities	10,189,000	7,983,000
Accounts payable due to affiliates, net	3,051,000	2,356,000
Derivative financial instruments	4,913,000	1,377,000
Security deposits, prepaid rent and other liabilities	3,089,000	1,974,000
Identified intangible liabilities, net	2,510,000	1,639,000
Total liabilities	321,105,000	252,931,000
Commitments and contingencies (Note 10)		
Minority interests of limited partners	2,129,000	3,091,000
Stockholders' equity:		
Preferred stock, \$0.01 par value; 200,000,000 shares authorized; none issued and outstanding		
Common stock, \$0.01 par value; 1,000,000,000 shares authorized; 27,394,097 and 21,449,451 shares issued and outstanding as of March 31, 2008 and December 31, 2007, respectively	274,000	214,000
Additional paid-in capital	243,481,000	190,534,000
Accumulated deficit	(26,183,000)	(15,158,000)
Total stockholders' equity	217,572,000	175,590,000

Total liabilities, minority interests and stockholders' equity	\$ 540,806,000	\$ 431,612,000
----------------------------------------------------------------	----------------	----------------

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

F-2

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****For the Three Months Ended March 31, 2008 and 2007****(Unaudited)**

	Three Months Ended March 31,	
	2008	2007
Revenues:		
Rental income	\$ 13,117,000	\$ 742,000
Expenses:		
Rental expenses	4,468,000	298,000
General and administrative	1,848,000	363,000
Depreciation and amortization	6,253,000	342,000
Total expenses	12,569,000	1,003,000
Income (loss) before other income (expense)	548,000	(261,000)
Other income (expense):		
Interest expense (including amortization of deferred financing costs and debt discount):		
Interest expense related to note payables to affiliate		(71,000)
Interest expense related to mortgage loan payables and line of credit	(3,712,000)	(201,000)
Loss on derivative financial instruments	(3,536,000)	
Interest and dividend income	11,000	1,000
Loss before minority interests	(6,689,000)	(532,000)
Minority interests	79,000	
Net loss	\$ (6,610,000)	\$ (532,000)
Net loss per share basic and diluted	\$ (0.27)	\$ (0.73)
Weighted average number of shares outstanding basic and diluted	24,266,342	730,986
Distributions declared per common share	\$ 0.18	\$ 0.16

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

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.**

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
For the Three Months Ended March 31, 2008
(Unaudited)

	Common Stock		Additional	Preferred	Accumulated	Total
	Number of		Paid-In	Stock	Deficit	Stockholders
	Shares	Amount	Capital			Equity
BALANCE						
December 31, 2007	21,449,451	\$ 214,000	\$ 190,534,000	\$	\$ (15,158,000)	\$ 175,590,000
Issuance of common stock	5,757,170	58,000	57,473,000			57,531,000
Offering costs			(6,318,000)			(6,318,000)
Amortization of nonvested common stock compensation			19,000			19,000
Issuance of common stock under the DRIP	199,746	2,000	1,896,000			1,898,000
Repurchase of common stock	(12,270)		(123,000)			(123,000)
Distributions					(4,415,000)	(4,415,000)
Net loss					(6,610,000)	(6,610,000)
 BALANCE March 31, 2008	 27,394,097	 \$ 274,000	 \$ 243,481,000	 \$	 \$ (26,183,000)	 \$ 217,572,000

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

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2008 and 2007
(Unaudited)

	Three Months Ended	
	March 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (6,610,000)	\$ (532,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization (including deferred financing costs, above/below market leases, debt discount, leasehold interests and lease inducements)	5,871,000	355,000
Stock based compensation, net of forfeitures	19,000	10,000
Bad debt expense	58,000	
Change in fair value of derivative financial instruments	3,536,000	
Minority interests	(79,000)	
Changes in operating assets and liabilities:		
Accounts and other receivables	(1,327,000)	(190,000)
Accounts receivable due from affiliates		(36,000)
Other assets	(202,000)	(38,000)
Accounts payable and accrued liabilities	256,000	354,000
Accounts payable due to affiliates, net	452,000	130,000
Prepaid rent	612,000	(19,000)
Net cash provided by operating activities	2,586,000	34,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of real estate operating properties	(107,609,000)	(18,364,000)
Capital expenditures	(775,000)	(4,000)
Restricted cash	654,000	(1,697,000)
Net cash used in investing activities	(107,730,000)	(20,065,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on mortgage loan payables	53,100,000	
Borrowings on unsecured note payables to affiliate		8,500,000
Borrowings under the line of credit, net	6,899,000	
Payments on mortgage loan payables	(252,000)	
Payments on unsecured note payables to affiliate		(8,500,000)
Proceeds from issuance of common stock	58,404,000	26,516,000
Security deposits	(14,000)	
Deferred financing costs	(700,000)	
Repurchase of common stock	(123,000)	
Payment of offering costs	(6,053,000)	(1,937,000)
Distributions	(2,169,000)	(23,000)

Net cash provided by financing activities	109,092,000	24,556,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,948,000	4,525,000
CASH AND CASH EQUIVALENTS Beginning of period	5,467,000	202,000
CASH AND CASH EQUIVALENTS End of period	\$ 9,415,000	\$ 4,727,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	\$ 3,629,000	\$ 178,000
Income taxes	\$	\$ 1,000
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Investing Activities:		
Capital expenditures	\$ 843,000	\$
The following represents the increase in certain assets and liabilities in connection with our acquisitions of operating properties:		
Accounts receivable due from affiliates	\$ 26,000	\$ 45,000
Other assets	\$ 19,000	\$ 25,000
Mortgage loan payables, net	\$	\$ 31,410,000
Accounts payable and accrued liabilities	\$ 946,000	\$ 575,000
Accounts payable due to affiliates	\$ 3,000	\$ 40,000
Security deposits, prepaid rent and other liabilities	\$ 393,000	\$ 167,000
Financing Activities:		
Accrued deferred financing costs due to affiliates	\$	\$ 390,000
Issuance of common stock under the DRIP	\$ 1,898,000	\$ 17,000
Distributions declared but not paid	\$ 1,603,000	\$ 97,000
Accrued offering costs	\$ 1,376,000	\$ 1,041,000
Receivable from transfer agent for issuance of common stock	\$	\$ 36,000
Payable for issuance of common stock	\$ 764,000	\$

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

Table of Contents

Grubb & Ellis Healthcare REIT, Inc.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the Three Months Ended March 31, 2008 and 2007**

The use of the words we, us or our refers to Grubb & Ellis Healthcare REIT, Inc. and its subsidiaries, including Grubb & Ellis Healthcare REIT Holdings, L.P., except where the context otherwise requires.

1. Organization and Description of Business

Grubb & Ellis Healthcare REIT, Inc. (formerly known as NNN Healthcare/Office REIT, Inc.), a Maryland corporation, was incorporated on April 20, 2006. We were initially capitalized on April 28, 2006 and therefore we consider that our date of inception. We provide stockholders the potential for income and growth through investment in a diversified portfolio of real estate properties, focusing primarily on medical office buildings, healthcare-related facilities and quality commercial office properties. We may also invest in real estate related securities. We focus primarily on investments that produce current income. We intend to elect to be treated as a real estate investment trust, or REIT, for federal income tax purposes for our taxable year ended December 31, 2007 when we file our fiscal year 2007 tax return.

We are conducting a best efforts initial public offering, or our offering, in which we are offering up to 200,000,000 shares of our common stock for \$10.00 per share and up to 21,052,632 shares of our common stock pursuant to our distribution reinvestment plan, or the DRIP, at \$9.50 per share, aggregating up to \$2,200,000,000. As of April 30, 2008, we had received and accepted subscriptions in our offering for 30,869,339 shares of our common stock, or \$308,342,000, excluding shares of our common stock issued under the DRIP.

We conduct substantially all of our operations through Grubb & Ellis Healthcare REIT Holdings, L.P. (formerly known as NNN Healthcare/Office REIT Holdings, L.P.), or our operating partnership. We are externally advised by Grubb & Ellis Healthcare REIT Advisor, LLC (formerly known as NNN Healthcare/Office REIT Advisor, LLC), or our advisor, pursuant to an advisory agreement, or the Advisory Agreement, between us, our advisor and Grubb & Ellis Realty Investors, LLC (formerly known as Triple Net Properties, LLC), or Grubb & Ellis Realty Investors, who is the managing member of our advisor. The Advisory Agreement had a one year term that expired on September 19, 2007 and was subject to successive one year renewals upon the mutual consent of the parties. On September 18, 2007, our board of directors extended the Advisory Agreement on a month-to-month basis. On October 24, 2007, our board of directors authorized the renewal of our Advisory Agreement for a term of one year ending on October 24, 2008. Our advisor supervises and manages our day-to-day operations and selects the properties and securities we acquire, subject to the oversight by our board of directors. Our advisor also provides marketing, sales and client services on our behalf. Our advisor is affiliated with us in that we and our advisor have common officers, some of whom also own an indirect equity interest in our advisor. Our advisor engages affiliated entities, including Triple Net Properties Realty, Inc., or Realty, to provide various services to us, including property management services.

On December 7, 2007, NNN Realty Advisors, Inc., or NNN Realty Advisors, which previously served as our sponsor, merged with and into a wholly owned subsidiary of Grubb & Ellis Company, or Grubb & Ellis. The transaction was structured as a reverse merger whereby stockholders of NNN Realty Advisors received shares of common stock of Grubb & Ellis in exchange for their NNN Realty Advisors shares of common stock and, immediately following the merger, former NNN Realty Advisors stockholders held approximately 59.5% of the common stock of Grubb & Ellis. As a result of the merger, we consider Grubb & Ellis to be our sponsor. Following the merger, NNN Healthcare/Office REIT, Inc., NNN Healthcare/Office REIT Holdings, L.P., NNN Healthcare/Office REIT Advisor, LLC, NNN Healthcare/Office Management, LLC, Triple Net Properties, LLC and NNN Capital Corp. changed their names to Grubb & Ellis Healthcare REIT, Inc., Grubb & Ellis Healthcare REIT Holdings, L.P., Grubb & Ellis

Healthcare REIT Advisor, LLC, Grubb & Ellis Healthcare Management, LLC, Grubb & Ellis Realty Investors, LLC and Grubb & Ellis Securities, Inc., respectively.

Table of Contents

Grubb & Ellis Healthcare REIT, Inc.

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

As of March 31, 2008, we had purchased 27 properties comprising 2,762,000 square feet of gross leasable area, or GLA.

2. Summary of Significant Accounting Policies

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

Basis of Presentation

Our accompanying interim unaudited condensed consolidated financial statements include our accounts and those of our operating partnership, the wholly owned subsidiaries of our operating partnership and any variable interest entities, as defined, in Financial Accounting Standards Board Interpretation, or FIN, No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51*, as revised, or FIN No. 46(R), that we have concluded should be consolidated. We operate and intend to continue to operate in an umbrella partnership REIT structure in which our operating partnership, or wholly owned subsidiaries of our operating partnership, own substantially all of the properties acquired on our behalf. We are the sole general partner of our operating partnership and as of March 31, 2008 and December 31, 2007, we owned a 99.99% general partnership interest therein. Our advisor is a limited partner of our operating partnership and as of March 31, 2008 and December 31, 2007, owned a 0.01% limited partnership interest therein. Our advisor is also entitled to certain subordinated distribution rights under the partnership agreement for our operating partnership. Because we are the sole general partner of our operating partnership and have unilateral control over its management and major operating decisions (even if additional limited partners are admitted to our operating partnership), the accounts of our operating partnership are consolidated in our consolidated financial statements. All significant intercompany accounts and transactions are eliminated in consolidation.

Interim Financial Data

Our accompanying interim unaudited condensed consolidated financial statements have been prepared by us in accordance with GAAP in conjunction with the rules and regulations of the Securities and Exchange Commission, or the SEC. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, our accompanying interim unaudited condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. Our accompanying interim unaudited condensed consolidated financial statements reflect all adjustments, which are, in our opinion, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim period. Interim results of operations are not necessarily indicative of the results to be expected for the full year; such results may be less favorable. Our accompanying interim unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our 2007 Annual Report on Form 10-K, as filed with the SEC.

Segment Disclosure

The Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 131, *Disclosures about Segments of an Enterprise and Related Information*, or SFAS No. 131, which establishes standards for reporting financial and descriptive information about an enterprise's reportable

F-7

Table of Contents

Grubb & Ellis Healthcare REIT, Inc.

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

segments. We have determined that we have one reportable segment, with activities related to investing in medical office buildings, healthcare-related facilities and quality commercial office properties. Our investments in real estate are geographically diversified and management evaluates operating performance on an individual property level. However, as each of our properties has similar economic characteristics, tenants, and products and services, our properties have been aggregated into one reportable segment for the three months ended March 31, 2008 and 2007.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, or SFAS No. 157. SFAS No. 157, which will be applied to other accounting pronouncements that require or permit fair value measurements, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and provides for expanded disclosure about fair value measurements. SFAS No. 157 was issued to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. In February 2008, the FASB issued FASB Staff Position, or FSP, SFAS No. 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*, or FSP SFAS 157-1. FSP SFAS 157-1 excludes from the scope of SFAS No. 157 certain leasing transactions accounted for under SFAS No. 13, *Accounting for Leases*. In February 2008, the FASB also issued FSP SFAS No. 157-2, *Effective Date of FASB Statement No. 157*, or FSP SFAS 157-2. FSP SFAS 157-2 defers the effective date of SFAS No. 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, to fiscal years beginning after November 1, 2008. We adopted SFAS No. 157 and FSP SFAS 157-1 on a prospective basis on January 1, 2008. The adoption of SFAS No. 157 and FSP SFAS 157-1 did not have a material impact on our consolidated financial statements except with regards to enhanced disclosures (See Note 7, Derivative Financial Instruments). We are evaluating the impact that SFAS No. 157 will have on our non-financial assets and non-financial liabilities since the application of SFAS No. 157 for such items was deferred to January 1, 2009 by FSP SFAS 157-2, and we have not yet determined the impact the adoption will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, or SFAS No. 159. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. We adopted SFAS No. 159 on a prospective basis on January 1, 2008. The adoption of SFAS No. 159 did not have a material impact on our consolidated financial statements since we did not elect to apply the fair value option for any of our eligible financial instruments or other items on the January 1, 2008 effective date.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, or SFAS No. 141(R), and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – An Amendment of ARB No. 51*, or SFAS No. 160. These two new standards will significantly change the accounting for, and reporting of, business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS No. 141(R) requires an acquiring entity to recognize acquired assets and liabilities assumed in a transaction at fair value as of the acquisition date, changes the disclosure requirements for business combination transactions and changes the accounting treatment for certain items, including contingent consideration agreements which will be required to be recorded at acquisition date fair value and acquisition costs which will be required to be expensed as

incurred. SFAS No. 160 requires that noncontrolling interests be presented as a component of consolidated stockholders' equity, eliminates minority interest accounting such that the amount of net income attributable to the noncontrolling interests will be presented as part of

F-8

Table of Contents

Grubb & Ellis Healthcare REIT, Inc.

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

consolidated net income in our accompanying consolidated statements of operations and not as a separate component of income and expense, and requires that upon any changes in ownership that result in the loss of control of the subsidiary, the noncontrolling interest be re-measured at fair value with the resultant gain or loss recorded in net income. SFAS No. 141(R) and SFAS No. 160 require simultaneous adoption and are to be applied prospectively for the first annual reporting period beginning on or after December 15, 2008. Early adoption of either standard is prohibited. We will adopt SFAS No. 141(R) and SFAS No. 160 on January 1, 2009. We are evaluating the impact of SFAS No. 141(R) and SFAS No. 160 and have not yet determined the impact the adoption will have on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, or SFAS No. 161. SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS No. 161 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk-related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The adoption of SFAS No. 161 is not expected to have a material impact on our consolidated financial statements.

In April 2008, the FASB issued FSP SFAS No. 142-3, *Determination of the Useful Life of Intangible Assets*, or FSP SFAS 142-3. FSP SFAS 142-3 intends to improve the consistency between the useful life of recognized intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets*, or SFAS No. 142, and the period of expected cash flows used to measure the fair value of the assets under SFAS No. 141(R). FSP SFAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions in determining the useful life of recognized intangible assets. It requires an entity to consider its own historical experience in renewing or extending similar arrangements, or to consider market participant assumptions consistent with the highest and best use of the assets if relevant historical experience does not exist. In addition to the required disclosures under SFAS No. 142, FSP SFAS 142-3 requires disclosure of the entity's accounting policy regarding costs incurred to renew or extend the term of recognized intangible assets, the weighted average period to the next renewal or extension, and the total amount of capitalized costs incurred to renew or extend the term of recognized intangible assets. FSP SFAS 142-3 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. While the standard for determining the useful life of recognized intangible assets is to be applied prospectively only to intangible assets acquired after the effective date, the disclosure requirements shall be applied prospectively to all recognized intangible assets as of, and subsequent to, the effective date. Early adoption is prohibited. The adoption of FSP SFAS 142-3 is not expected to have a material impact on our consolidated financial statements.

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****3. Real Estate Investments**

Our investments in our consolidated properties consisted of the following as of March 31, 2008 and December 31, 2007:

	March 31, 2008	December 31, 2007
Land	\$ 64,563,000	\$ 52,428,000
Building and improvements	385,921,000	305,150,000
Furniture and equipment	8,000	5,000
	450,492,000	357,583,000
Less: accumulated depreciation	(7,839,000)	(4,589,000)
	\$ 442,653,000	\$ 352,994,000

Depreciation expense for the three months ended March 31, 2008 and 2007 was \$3,351,000 and \$120,000, respectively.

Acquisitions in 2008***Unaffiliated Third Party Acquisitions******Medical Portfolio 1 Overland, Kansas and Largo, Brandon and Lakeland, Florida***

On February 1, 2008, we acquired Medical Portfolio 1, located in Overland, Kansas and Largo, Brandon and Lakeland, Florida, or the Medical Portfolio 1 property, for a total purchase price of \$36,950,000, plus closing costs, from an unaffiliated third party. We financed the purchase price of the Medical Portfolio 1 property with a secured loan of \$22,000,000 from Wachovia Bank, National Association, or Wachovia, and \$16,000,000 in borrowings under our secured revolving line of credit with LaSalle Bank National Association, or LaSalle, and KeyBank National Association, or KeyBank, or our secured revolving line of credit with LaSalle and KeyBank. We paid an acquisition fee of \$1,109,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Fort Road Medical Building St. Paul, Minnesota

On March 6, 2008, we acquired Fort Road Medical Building, located in St. Paul, Minnesota, or the Fort Road property, for a purchase price of \$8,650,000, plus closing costs, from an unaffiliated third party. We financed the purchase price of the Fort Road property with a secured loan of \$5,800,000 from LaSalle, \$3,000,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank and funds raised through our offering. We paid an acquisition fee of \$260,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Liberty Falls Medical Plaza Liberty Township, Ohio

On March 19, 2008, we acquired Liberty Falls Medical Plaza, located in Liberty Township, Ohio, or the Liberty Falls property, for a purchase price of \$8,150,000, plus closing costs, from an unaffiliated third party. In connection with the purchase, we received a tenant improvement credit of \$800,000 from the seller. We financed the purchase price of the Liberty Falls property with \$7,600,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank. We paid an acquisition fee of \$245,000, or 3.0% of the purchase price, to our advisor and its affiliate.

F-10

Table of Contents

Grubb & Ellis Healthcare REIT, Inc.

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

Epler Parke Building B Indianapolis, Indiana

On March 24, 2008, we acquired Epler Parke Building B, located in Indianapolis, Indiana for a purchase price of \$5,850,000, plus closing costs, from an unaffiliated third party. We financed the purchase price of Epler Parke Building B with \$6,100,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank. We paid an acquisition fee of \$176,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Cypress Station Medical Office Building Houston, Texas

On March 25, 2008, we acquired Cypress Station Medical Office Building, located in Houston, Texas, or the Cypress property, for a purchase price of \$11,200,000, plus closing costs, from an unaffiliated third party. We financed the purchase price of the Cypress property with a secured loan of \$7,300,000 from National City Bank and \$4,500,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank. We paid an acquisition fee of \$336,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Vista Professional Center Lakeland, Florida

On March 27, 2008, we acquired Vista Professional Center, located in Lakeland, Florida, or the Vista Professional property, for a purchase price of \$5,250,000, plus closing costs, from an unaffiliated third party. We financed the purchase price of the Vista Professional property with \$5,300,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank and the remaining balance from funds raised through our offering. We paid an acquisition fee of \$158,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Senior Care Portfolio 1 Arlington, Galveston, Port Arthur and Texas City, Texas

Senior Care Portfolio 1 consists of a total of six properties, four of which are located in Texas, and two of which are located in California. On March 31, 2008, we acquired the Arlington, Galveston, Port Arthur and Texas City, Texas properties of Senior Care Portfolio 1, or the SCP 1 TX property, for a total purchase price of \$29,900,000, plus closing costs, from an unaffiliated third party. We financed the purchase price of the SCP 1 TX property with a secured loan of \$18,000,000 from Red Mortgage Capital, Inc. and \$14,800,000 in borrowings under our secured revolving line of credit with LaSalle and KeyBank. We paid an acquisition fee of \$897,000, or 3.0% of the purchase price, to our advisor and its affiliate.

Probable Unaffiliated Third Party Acquisition

Senior Care Portfolio 1 Lomita and El Monte, California

On March 10, 2008, our board of directors approved the acquisition of the Senior Care Portfolio 1, as described above. We anticipate purchasing the Lomita and El Monte, California properties of Senior Care Portfolio 1, or the SCP 1 CA property, for a purchase price of \$9,700,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$291,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of the SCP 1 CA property. On April 2, 2008, we paid a real estate deposit of

\$300,000 to be held in escrow and applied towards the purchase of the SCP 1 CA property.

F-11

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****4. Identified Intangible Assets**

Identified intangible assets consisted of the following as of March 31, 2008 and December 31, 2007:

	March 31, 2008	December 31, 2007
In place leases, net of accumulated amortization of \$5,159,000 and \$3,326,000 as of March 31, 2008 and December 31, 2007, respectively, (with a weighted average life of 81 months and 79 months as of March 31, 2008 and December 31, 2007, respectively)	\$ 31,253,000	\$ 25,540,000
Above market leases, net of accumulated amortization of \$441,000 and \$265,000 as of March 31, 2008 and December 31, 2007, respectively, (with a weighted average life of 110 months and 119 months as of March 31, 2008 and December 31, 2007, respectively)	4,529,000	3,083,000
Tenant relationships, net of accumulated amortization of \$2,414,000 and \$1,527,000 as of March 31, 2008 and December 31, 2007, respectively, (with a weighted average life of 143 months and 140 months as of March 31, 2008 and December 31, 2007, respectively)	37,362,000	31,184,000
Leasehold interests, net of accumulated amortization of \$12,000 and \$3,000 as of March 31, 2008 and December 31, 2007, respectively, (with a weighted average life of 1,068 months and 1,071 months as of March 31, 2008 and December 31, 2007, respectively)	3,105,000	3,114,000
Master lease, net of accumulated amortization of \$0 as of March 31, 2008 (with a weighted average life of 14 months as of March 31, 2008)	349,000	
	\$ 76,598,000	\$ 62,921,000

Amortization expense recorded on the identified intangible assets for the three months ended March 31, 2008 and 2007 was \$3,077,000 and \$229,000, respectively, which included \$176,000 and \$7,000, respectively, of amortization recorded against rental income for above market leases and \$9,000 and \$0, respectively, of amortization recorded against rental expenses for leasehold interests.

5. Other Assets

Other assets consisted of the following as of March 31, 2008 and December 31, 2007:

	March 31, 2008	December 31, 2007
Deferred financing costs, net of accumulated amortization of \$358,000 and \$170,000 as of March 31, 2008 and December 31, 2007, respectively	\$ 2,854,000	\$ 2,334,000
Lease commissions, net of accumulated amortization of \$17,000 and \$7,000 as of March 31, 2008 and December 31, 2007, respectively	371,000	275,000
Lease inducements, net of accumulated amortization of \$40,000 and \$19,000 as of March 31, 2008 and December 31, 2007, respectively	775,000	773,000
Deferred rent receivable	1,110,000	534,000
Prepaid expenses and deposits	562,000	476,000
	\$ 5,672,000	\$ 4,392,000

Amortization expense recorded on deferred financing costs, lease commissions and lease inducements for the three months ended March 31, 2008 and 2007 was \$219,000 and \$4,000, respectively, of which \$188,000 and \$4,000, respectively, of amortization was recorded against interest expense for deferred financing costs and \$21,000 and \$0, respectively, of amortization was recorded against rental income for lease inducements.

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****6. Mortgage Loan Payables, Net and Unsecured Note Payables to Affiliate*****Mortgage Loan Payables***

Mortgage loan payables were \$238,747,000 (\$238,653,000, net of discount) and \$185,899,000 (\$185,801,000, net of discount) as of March 31, 2008 and December 31, 2007, respectively. As of March 31, 2008, we had fixed and variable rate mortgage loans with effective interest rates ranging from 3.91% to 6.12% per annum and a weighted average effective interest rate of 4.84% per annum. We had \$90,857,000 (\$90,763,000, net of discount), or 38.1%, of fixed rate debt at a weighted average interest rate of 5.79% per annum and \$147,890,000, or 61.9%, of variable rate debt at a weighted average interest rate of 4.26% per annum. As of December 31, 2007, we had fixed and variable rate mortgage loans with effective interest rates ranging from 5.52% to 6.78% per annum and a weighted average effective interest rate of 6.07% per annum. We had \$90,919,000 (\$90,821,000 net of discount), or 48.9%, of fixed rate debt at a weighted average interest rate of 5.79% per annum and \$94,980,000, or 51.1%, of variable rate debt at a weighted average interest rate of 6.35% per annum. We are required by the terms of the applicable loan documents to meet certain financial covenants, such as debt service coverage ratios and rent coverage ratios and reporting requirements. As of March 31, 2008 and December 31, 2007, we were in compliance with all such covenants and requirements.

Mortgage loan payables consisted of the following as of March 31, 2008 and December 31, 2007:

Property	Interest	Maturity	December 31,	
	Rate	Date	March 31, 2008	2007
<i>Fixed Rate Debt:</i>				
Southpointe Office Parke and Epler Parke I Crawfordsville Medical Office Park and Athens Surgery Center	6.11%	09/01/16	\$ 9,146,000	\$ 9,146,000
The Gallery Professional Building	6.12%	10/01/16	4,264,000	4,264,000
Lenox Office Park, Building G	5.76%	03/01/17	6,000,000	6,000,000
Commons V Medical Office Building	5.88%	02/01/17	12,000,000	12,000,000
Yorktown Medical Center and Shakerag Medical Center	5.54%	06/11/17	10,000,000	10,000,000
Thunderbird Medical Plaza	5.52%	05/11/17	13,530,000	13,530,000
Gwinnett Professional Center	5.67%	06/11/17	14,000,000	14,000,000
St. Mary Physicians Center	5.88%	01/01/14	5,671,000	5,699,000
Northmeadow Medical Center	5.80%	09/04/09	8,280,000	8,280,000
	5.99%	12/01/14	7,966,000	8,000,000
			90,857,000	90,919,000
<i>Variable Rate Debt:</i>				
1 and 4 Market Exchange	Variable	09/28/10	14,500,000*	14,500,000**
East Florida Senior Care Portfolio	Variable	11/01/10	30,267,000*	30,384,000**
Kokomo Medical Office Park	Variable	11/30/10	8,300,000*	8,300,000**
Park Place Office Park	Variable	12/31/10	10,943,000*	10,943,000**

Edgar Filing: Grubb & Ellis Healthcare REIT, Inc. - Form 424B3

Highlands Ranch Medical Plaza	Variable	12/31/10	8,853,000*	8,853,000**
Chesterfield Rehabilitation Center	Variable	12/30/10	22,000,000*	22,000,000**
Medical Portfolio 1	Variable	02/28/11	21,927,000*	
Fort Road Medical Building	Variable	03/06/11	5,800,000*	
Cypress Station Medical Office Building	Variable	09/01/11	7,300,000	
Senior Care Portfolio 1 Texas	Variable	03/31/10	18,000,000	
			147,890,000	94,980,000
	Total fixed and variable			
	debt		238,747,000	185,899,000
	Less: discount		(94,000)	(98,000)
	Mortgage loan payables	\$	238,653,000	\$ 185,801,000

F-13

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

* As of March 31, 2008, we had variable rate mortgage loans with effective interest rates ranging from 3.91% to 4.73% per annum and a weighted average effective interest rate of 4.26% per annum. However, as of March 31, 2008, we had fixed rate interest rate swaps, ranging from 4.70% to 6.02%, on eight of our variable rate mortgage loan payables, thereby effectively fixing our interest rate on those mortgage loan payables.

** As of December 31, 2007, we had variable rate mortgage loans with effective interest rates ranging from 6.15% to 6.78% per annum and a weighted average effective interest rate of 6.35% per annum. However, as of December 31, 2007, we had fixed rate interest rate swaps, ranging from 5.52% to 6.02%, on all of our variable rate mortgage loan payables, thereby effectively fixing our interest rate on those mortgage loan payables.

The principal payments due on our mortgage loan payables as of March 31, 2008 for the nine months ended December 31, 2008 and for each of the next four years ending December 31 and thereafter, is as follows:

Year	Amount
2008	\$ 1,235,000
2009	\$ 10,217,000
2010	\$ 113,801,000
2011	\$ 33,936,000
2012	\$ 1,357,000
Thereafter	\$ 78,201,000

Unsecured Note Payables to Affiliate

As of March 31, 2008 and December 31, 2007, we had no outstanding balances under unsecured note payables to affiliate. Further, we did not borrow any amounts under unsecured note payables to affiliate for the three months ended March 31, 2008.

7. Derivative Financial Instruments

The following table lists our derivative financial instruments held by us as of March 31, 2008:

Notional Amount	Index	Rate	Fair Value	Instrument	Maturity
\$ 14,500,000	LIBOR	5.97%	\$ (747,000)	SWAP	09/28/10
\$ 8,300,000	LIBOR	5.86%	\$ (423,000)	SWAP	11/30/10
\$ 8,853,000	LIBOR	5.52%	\$ (319,000)	SWAP	12/31/10
\$ 10,943,000	LIBOR	5.52%	\$ (421,000)	SWAP	12/31/10
\$ 22,000,000	LIBOR	5.59%	\$ (804,000)	SWAP	12/30/10
\$ 30,267,000	LIBOR	6.02%	\$ (1,557,000)	SWAP	10/01/10
\$ 21,927,000	LIBOR	5.26%	\$ (580,000)	SWAP	01/31/11

\$	5,800,000	LIBOR	4.70%	\$	(62,000)	SWAP	03/06/11
----	-----------	-------	-------	----	----------	------	----------

F-14

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

The following table lists our derivative financial instruments held by us as of December 31, 2007:

Notional Amount	Index	Rate	Fair Value	Instrument	Maturity
\$ 14,500,000	LIBOR	5.97%	\$ (306,000)	SWAP	09/28/10
\$ 8,300,000	LIBOR	5.86%	\$ (164,000)	SWAP	11/30/10
\$ 8,853,000	LIBOR	5.52%	\$ (23,000)	SWAP	12/31/10
\$ 10,943,000	LIBOR	5.52%	\$ (65,000)	SWAP	12/31/10
\$ 22,000,000	LIBOR	5.59%	\$ (117,000)	SWAP	12/30/10
\$ 30,383,000	LIBOR	6.02%	\$ (702,000)	SWAP	10/01/10

As of March 31, 2008 and December 31, 2007, the fair value of our derivative financial instruments was \$(4,913,000) and \$(1,377,000), respectively.

For the three months ended March 31, 2008 and 2007, we recorded \$3,536,000 and \$0, respectively, as additional interest expense related to the change in the fair value of our derivative financial instruments.

Fair Value Measurements

In accordance with the provisions of FSP SFAS No. 157-2, we have partially applied the provisions of SFAS No. 157 only to our financial assets and liabilities recorded at fair value, which consist of interest rate swaps. SFAS No. 157 establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. Level 1 inputs, the highest priority, are quoted prices in active markets for identical assets or liabilities. Level 2 inputs reflect other than quoted prices included in Level 1 that are either observable directly or through corroboration with observable market data. Level 3 inputs are unobservable inputs, due to little or no market activity for the asset or liability, such as internally-developed valuation models.

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2008 were as follows:

	Observable Inputs Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Liabilities				
Derivative financial instruments	\$	\$ (4,913,000)	\$	\$ (4,913,000)
Total liabilities at fair value	\$	\$ (4,913,000)	\$	\$ (4,913,000)

The valuation of our derivative financial instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flow of each derivative.

8. Line of Credit

We have a loan agreement, or the Loan Agreement, with LaSalle and KeyBank, in which we obtained a secured revolving credit facility in an aggregate maximum principal amount of \$80,000,000, or our secured revolving line of credit with LaSalle and KeyBank. The actual amount of credit available under the Loan Agreement is a function of certain loan to cost, loan to value and debt service coverage ratios contained in the Loan Agreement. The maximum principal amount of the Loan Agreement may be increased to \$120,000,000 subject to the terms of the Loan Agreement.

At our option, loans under the Loan Agreement bear interest at per annum rates equal to (a) the London Interbank Offered Rate, or LIBOR, plus a margin of 1.50%, (b) the greater of LaSalle's prime rate or the Federal Funds Rate (as defined in the Loan Agreement) plus 0.50%, or (c) a combination of these rates.

The Loan Agreement contains various affirmative and negative covenants that are customary for facilities and transactions of this type, including limitations on the incurrence of debt by us and our subsidiaries that

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

own properties that serve as collateral for the Loan Agreement, limitations on the nature of our business, and limitations on distributions by us and our subsidiaries that own properties that serve as collateral for the Loan Agreement. The Loan Agreement also imposes the following financial covenants on us and our operating partnership, as applicable: (a) a minimum ratio of operating cash flow to interest expense, (b) a minimum ratio of operating cash flow to fixed charges, (c) a maximum ratio of liabilities to asset value, (d) a maximum distribution covenant and (e) a minimum net worth covenant, all of which are defined in the Loan Agreement. In addition, the Loan Agreement includes events of default that are customary for facilities and transactions of this type. As of March 31, 2008 and December 31, 2007, we were in compliance with all such covenants and requirements.

As of March 31, 2008 and December 31, 2007, borrowings under our secured revolving line of credit with LaSalle and KeyBank totaled \$58,700,000 and \$51,801,000, respectively. Borrowings as of March 31, 2008 and December 31, 2007 bore interest at a weighted average interest rate of 4.48% and 6.93% per annum, respectively.

9. Identified Intangible Liabilities

Identified intangible liabilities consisted of the following as of March 31, 2008 and December 31, 2007:

	March 31, 2008	December 31, 2007
Below market leases, net of accumulated amortization of \$375,000 and \$245,000 as of March 31, 2008 and December 31, 2007, respectively, (with a weighted average life of 62 months and 55 months as of March 31, 2008 and December 31, 2007, respectively)	\$ 2,510,000	\$ 1,639,000
	\$ 2,510,000	\$ 1,639,000

Amortization expense recorded on the identified intangible liabilities for the three months ended March 31, 2008 and 2007 was \$203,000 and \$4,000, respectively, which is recorded to rental income in our accompanying condensed consolidated statements of operations.

10. Commitments and Contingencies***Litigation***

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

Environmental Matters

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

Organizational, Offering and Related Expenses

Our organizational, offering and related expenses are being paid by our advisor and its affiliates on our behalf. These organizational, offering and related expenses include all expenses (other than selling commissions and the marketing support fee which generally represent 7.0% and 2.5% of our gross offering proceeds, respectively) to be paid by us in connection with our offering. These expenses will only become our

Table of Contents

Grubb & Ellis Healthcare REIT, Inc.

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

liability to the extent selling commissions, the marketing support fee and due diligence expense reimbursements and other organizational and offering expenses do not exceed 11.5% of the gross proceeds of our offering. As of March 31, 2008 and December 31, 2007, our advisor or Grubb & Ellis Realty Investors have incurred expenses of \$1,034,000 and \$1,086,000, respectively, in excess of 11.5% of the gross proceeds of our offering, and therefore these expenses are not recorded in our accompanying condensed consolidated financial statements as of March 31, 2008 and December 31, 2007. To the extent we raise additional proceeds from our offering, these amounts may become our liability. See Note 11, Related Party Transactions – Offering Stage, for a further discussion of organizational, offering and related expenses during our offering stage.

Repairs and Maintenance Expenses

We were required by the terms of the mortgage loan secured by Thunderbird Medical Plaza to complete certain repairs to the property in the amount of \$190,000 which were completed in February 2008. We were also required by the terms of the mortgage loan secured by The Gallery Professional Building to complete certain repairs to the property in the amount of \$63,000 which were completed in January 2008.

Chesterfield Rehabilitation Center

The operating agreement with BD St. Louis Development, LLC, or BD St. Louis, for G&E Healthcare REIT/Duke Chesterfield Rehab, LLC, or the JV Company, which owns Chesterfield Rehabilitation Center, provides that from January 1, 2010 to March 31, 2010, our operating partnership has the right and option to purchase the 20.0% membership interests in the JV Company held by BD St. Louis at a fixed price of \$3,900,000. We anticipate exercising our right to purchase the 20.0% membership interests. However, if we do not exercise that right, the operating agreement provides that from January 1, 2011 to March 31, 2011, BD St. Louis has the right and option to sell all, but not less than all, of its 20.0% membership interests in the JV Company to our operating partnership at the greater of \$10.00 or the fair market value as determined in accordance with the operating agreement. As of March 31, 2008 and December 31, 2007, the estimated redemption value is \$3,090,000.

Other

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

11. Related Party Transactions

Fees and Expenses Paid to Affiliates

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

aggregate, for the three months ended March 31, 2008 and 2007, we incurred to our advisor or its affiliates \$11,563,000 and \$4,626,000, respectively, as detailed below.

F-17

Table of Contents

Grubb & Ellis Healthcare REIT, Inc.

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

Offering Stage

Selling Commissions

Our dealer manager receives selling commissions of up to 7.0% of the gross offering proceeds from the sale of shares of our common stock in our offering other than shares of our common stock sold pursuant to the DRIP. Our dealer manager may re-allow all or a portion of these fees to participating broker-dealers. For the three months ended March 31, 2008 and 2007, we incurred \$3,985,000 and \$1,826,000, respectively, in selling commissions to our dealer manager. Such selling commissions are charged to stockholders' equity as such amounts are reimbursed to our dealer manager from the gross proceeds of our offering.

Marketing Support Fees and Due Diligence Expense Reimbursements

Our dealer manager receives non-accountable marketing support fees and due diligence expense reimbursements up to 2.5% of the gross offering proceeds from the sale of shares of our common stock in our offering other than shares of our common stock sold pursuant to the DRIP. Our dealer manager may re-allow up to 1.5% of the gross offering proceeds to participating broker-dealers. In addition, we may reimburse our dealer manager or its affiliates an additional accountable 0.5% of the gross offering proceeds for bona fide due diligence expenses. Our dealer manager may re-allow all or a portion up to 0.5% of the gross offering proceeds to participating broker-dealers. For the three months ended March 31, 2008 and 2007, we incurred \$1,469,000 and \$753,000, respectively, in marketing support fees and due diligence expense reimbursements to our dealer manager. Such fees and reimbursements are charged to stockholders' equity as such amounts are reimbursed to our dealer manager or its affiliates from the gross proceeds of our offering.

Other Organizational and Offering Expenses

Our organizational and offering expenses are paid by our advisor or Grubb & Ellis Realty Investors on our behalf. Our advisor or Grubb & Ellis Realty Investors are reimbursed for actual expenses incurred up to 1.5% of the gross offering proceeds from the sale of shares of our common stock in our offering other than shares of our common stock sold pursuant to the DRIP. For the three months ended March 31, 2008 and 2007, we incurred \$864,000 and \$399,000, respectively, in other organizational and offering expenses to our advisor or Grubb & Ellis Realty Investors. Other organizational expenses are expensed as incurred, and offering expenses are charged to stockholders' equity as such amounts are reimbursed to our advisor or Grubb & Ellis Realty Investors from the gross proceeds of our offering.

Acquisition and Development Stage

Acquisition Fees

Our advisor or its affiliates receive, as compensation for services rendered in connection with the investigation, selection and acquisition of properties, an acquisition fee of up to 3.0% of the contract purchase price for each property acquired or up to 4.0% of the total development cost of any development property acquired, as applicable. For the three months ended March 31, 2008 and 2007, we incurred \$3,181,000 and \$1,470,000, respectively, in acquisition fees to our advisor or its affiliates. Acquisition fees are capitalized as part of the purchase price allocations.

Reimbursement of Acquisition Expenses

Our advisor or its affiliates are reimbursed for acquisition expenses related to selecting, evaluating, acquiring and investing in properties. Acquisition expenses, excluding amounts paid to third parties, will not exceed 0.5% of the purchase price of the properties. The reimbursement of acquisition fees and expenses, including real estate commissions paid to unaffiliated parties, will not exceed, in the aggregate, 6.0% of the purchase price or total development costs, unless fees in excess of such limits are approved by a majority of

F-18

Table of Contents

Grubb & Ellis Healthcare REIT, Inc.

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

our disinterested independent directors. For the three months ended March 31, 2008 and 2007, we incurred \$5,000 and \$0, respectively, for such expenses to our advisor or its affiliates, excluding amounts our advisor or its affiliates paid directly to third parties. Acquisition expenses are capitalized as part of the purchase price allocations.

Operational Stage

Asset Management Fee

Our advisor or its affiliates are paid a monthly fee for services rendered in connection with the management of our assets equal to one-twelfth of 1.0% of the average invested assets calculated as of the close of business on the last day of each month, subject to our stockholders receiving annualized distributions in an amount equal to 5.0% per annum on average invested capital. For the three months ended March 31, 2008 and 2007, we incurred \$1,136,000 and \$59,000, respectively, in asset management fees to our advisor or its affiliates, which is included in general and administrative in our accompanying condensed consolidated statements of operations.

Property Management Fees

Our advisor or its affiliates are paid a monthly property management fee equal to 4.0% of the gross cash receipts from each property managed. For properties managed by other third parties besides our advisor or its affiliates, our advisor or its affiliates will be paid up to 1.0% of the gross cash receipts from the property for a monthly oversight fee. For the three months ended March 31, 2008 and 2007, we incurred \$396,000 and \$29,000, respectively, in property management fees and oversight fees to our advisor or its affiliates, which is included in rental expenses in our accompanying condensed consolidated statements of operations.

Lease Fees

Our advisor or its affiliates, as the property manager, may receive a separate fee for leasing activities in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties, as determined by a survey of brokers and agents in such area ranging between 3.0% and 8.0% of gross revenues generated from the initial term of the lease. For the three months ended March 31, 2008 and 2007, we incurred \$257,000 and \$0, respectively, to Realty or its affiliates in lease fees.

On-site Personnel and Engineering Payroll

For the three months ended March 31, 2008 and 2007, Grubb & Ellis Realty Investors incurred payroll for on-site personnel and engineering on our behalf of \$183,000 and \$0, respectively, which is included in rental expenses in our accompanying condensed consolidated statements of operations.

Operating Expenses

We reimburse our advisor or its affiliates for expenses incurred in rendering its services to us, subject to certain limitations on our operating expenses. However, we cannot reimburse our advisor and affiliates for fees and costs that exceed the greater of: (1) 2.0% of our average invested assets, as defined in the Advisory Agreement, or (2) 25.0% of our net income, as defined in the Advisory Agreement, unless a majority of our independent directors determines that

such excess expenses were justified based on unusual and non-recurring factors. For the twelve months ended March 31, 2008, our operating expenses did not exceed this limitation. Our operating expenses as a percentage of average invested assets and as a percentage of net income were 1.6% and 192.3%, respectively, for the twelve months ended March 31, 2008.

Table of Contents

Grubb & Ellis Healthcare REIT, Inc.

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

For the three months ended March 31, 2008 and 2007, Grubb & Ellis Realty Investors incurred on our behalf \$70,000 and \$19,000, respectively, in operating expenses which is included in general and administrative in our accompanying condensed consolidated statements of operations.

Related Party Services Agreement

We entered into a services agreement, effective January 1, 2008, with Grubb & Ellis Realty Investors for subscription agreement processing and investor services. The services agreement has an initial one year term and shall thereafter automatically be renewed for successive one year terms. Since Grubb & Ellis Realty Investors is the managing member of our advisor, the terms of this agreement were approved and determined by a majority of our independent directors as fair and reasonable to us and at fees charged to us in an amount no greater than the cost to Grubb & Ellis Realty Investors for providing such services to us, which amount shall be no greater than that which would be paid to an unaffiliated third party for similar services. The services agreement requires Grubb & Ellis Realty Investors to provide us with a 180 day advance written notice for any termination, while we have the right to terminate upon 30 days advance written notice.

For the three months ended March 31, 2008 and 2007, we incurred \$17,000 and \$0, respectively, for investor services that Grubb & Ellis Realty Investors provided to us, which is included in general and administrative in our accompanying condensed consolidated statements of operations.

For the three months ended March 31, 2008 and 2007, our advisor or its affiliates incurred \$23,000 and \$0, respectively, in subscription agreement processing that Grubb & Ellis Realty Investors provided to us. As an organizational, offering and related expense, these subscription agreement processing expenses will only become our liability to the extent selling commissions, the marketing support fee and due diligence expense reimbursements and other organizational and offering expenses do not exceed 11.5% of the gross proceeds of our offering.

Compensation for Additional Services

Our advisor or its affiliates are paid for services performed for us other than those required to be rendered by our advisor or its affiliates under the Advisory Agreement. The rate of compensation for these services must be approved by a majority of our board of directors, and cannot exceed an amount that would be paid to unaffiliated third parties for similar services. For the three months ended March 31, 2008 and 2007, we did not incur such expenses.

Liquidity Stage

Disposition Fees

Our advisor or its affiliates will be paid, for services relating to the sale of one or more properties, a disposition fee up to the lesser of 1.75% of the contract sales price or 50.0% of a customary competitive real estate commission given the circumstances surrounding the sale, in each case as determined by our board of directors, and will not exceed market norms. The amount of disposition fees paid, including real estate commissions paid to unaffiliated parties, will not exceed the lesser of a customary competitive real estate disposition fee given the circumstances surrounding the sale or an amount equal to 6.0% of the contract sales price. For the three months ended March 31, 2008 and 2007, we did not incur such disposition fees.

Subordinated Participation Interest

Subordinated Distribution of Net Sales Proceeds

Upon liquidation of our portfolio, our advisor will be paid a subordinated distribution of net sales proceeds. The distribution will be equal to 15.0% of the net proceeds from the sales of properties, after subtracting

F-20

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

distributions to our stockholders of (1) their initial contributed capital (less amounts paid to repurchase shares pursuant to our share repurchase program) plus (2) an annual cumulative, non-compounded return of 8.0% on average invested capital. Actual amounts depend upon the sales prices of properties upon liquidation. For the three months ended March 31, 2008 and 2007, we did not incur such distribution.

Subordinated Distribution Upon Listing

Upon the listing of our shares of common stock on a national securities exchange, our advisor will be paid a distribution equal to 15.0% of the amount by which (1) the market value of our outstanding common stock at listing plus distributions paid prior to listing exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to repurchase shares pursuant to our share repurchase plan) and the amount of cash that, if distributed to stockholders as of the date of listing, would have provided them an annual 8.0% cumulative, non-compounded return on average invested capital through the date of listing. Actual amounts depend upon the market value of shares of our common stock at the time of listing, among other factors. For the three months ended March 31, 2008 and 2007, we did not incur such distribution.

Subordinated Distribution Upon Termination

Upon termination of the Advisory Agreement, other than a termination by us for cause, our advisor will be entitled to receive a distribution from our operating partnership in an amount equal to 15.0% of the amount, if any, by which (1) the fair market value of all of the assets of our operating partnership as of the date of the termination (determined by appraisal), less any indebtedness secured by such assets, plus the cumulative distributions made to us by our operating partnership from our inception through the termination date, exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to redeem shares pursuant to our share repurchase plan) plus an annual 8.0% cumulative, non-compounded return on average invested capital through the termination date. However, our advisor will not be entitled to this distribution if our shares have been listed on a national securities exchange prior to the termination of the Advisory Agreement. For the three months ended March 31, 2008 and 2007, we did not incur such distribution.

Accounts Payable Due to Affiliates, Net

The following amounts were outstanding to affiliates as of March 31, 2008 and December 31, 2007:

Entity	Fee	March 31, 2008	December 31, 2007
Grubb & Ellis Realty Investors	Operating Expenses	\$ 137,000	\$ 79,000
Grubb & Ellis Realty Investors	Offering Costs	864,000	798,000
Grubb & Ellis Realty Investors	Due Diligence	27,000	25,000
	On-site Payroll and Engineering	136,000	51,000

Grubb & Ellis Realty Investors	Acquisition Related Expenses	(20,000)	4,000
Grubb & Ellis Realty Investors	Selling Commissions, Marketing Support Fees and Due Diligence Expense Reimbursements	485,000	288,000
Grubb & Ellis Securities Realty	Asset and Property Management Fees	1,298,000	941,000
Realty	Lease Commissions	124,000	170,000
		\$ 3,051,000	\$ 2,356,000

Unsecured Note Payables to Affiliate

For the three months ended March 31, 2008 and 2007, we incurred interest expense to Grubb & Ellis Realty Investors of \$0 and \$71,000, respectively. See Note 6, Mortgage Loan Payables, Net and Unsecured Note Payables to Affiliate Unsecured Note Payables to Affiliate, for a further discussion.

Table of Contents

Grubb & Ellis Healthcare REIT, Inc.

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

12. Minority Interests

As of March 31, 2008 and December 31, 2007, we owned a 99.99% general partnership interest in our operating partnership and our advisor owned a 0.01% limited partnership interest in our operating partnership. As such, 0.01% of the earnings of our operating partnership are allocated to minority interests.

In addition, as of March 31, 2008 and December 31, 2007, we owned an 80.0% interest in the consolidated limited liability company that owns Chesterfield Rehabilitation Center that was purchased on December 20, 2007. As of March 31, 2008 and December 31, 2007, the balance was comprised of the minority interest's initial contribution and 20.0% of the earnings at Chesterfield Rehabilitation Center. For the three months ended March 31, 2008, we recorded a purchase price allocation adjustment related to the Chesterfield Rehabilitation Center.

13. Stockholders' Equity

Common Stock

In April 2006, our advisor purchased 200 shares of our common stock for total cash consideration of \$2,000 and was admitted as our initial stockholder. On September 20, 2006 and October 4, 2006, we granted an aggregate of 15,000 shares and 5,000 shares, respectively, of restricted common stock to our independent directors. On April 12, 2007, we granted 5,000 shares of restricted common stock to our newly appointed independent director. On June 12, 2007, in connection with their re-election, we granted an aggregate of 12,500 shares of restricted common stock to our independent directors. Through March 31, 2008, we issued 26,887,540 shares of our common stock in connection with our offering and 481,127 shares of our common stock under the DRIP, and repurchased 12,270 shares of our common stock. As of March 31, 2008 and December 31, 2007, we had 27,394,097 and 21,449,451 shares of our common stock outstanding, respectively.

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

Preferred Stock

Our charter authorizes us to issue 200,000,000 shares of our \$0.01 par value preferred stock. No shares of preferred stock were issued and outstanding as of March 31, 2008 and December 31, 2007.

Distribution Reinvestment Plan

We adopted the DRIP, which allows stockholders to purchase additional shares of our common stock through the reinvestment of distributions, subject to certain conditions. We registered and reserved 21,052,632 shares of our common stock for sale pursuant to the DRIP in our offering. For the three months ended March 31, 2008 and 2007, \$1,898,000 and \$17,000, respectively, in distributions were reinvested and 199,746 and 1,793 shares of our common stock, respectively, were issued under the DRIP. As of March 31, 2008 and December 31, 2007, a total of \$4,571,000 and \$2,673,000, respectively, in distributions were reinvested and 481,127 and 281,381 shares of our common stock, respectively, were issued under the DRIP.

Share Repurchase Plan

Our board of directors has approved a share repurchase plan. On August 24, 2006, we received SEC exemptive relief from rules restricting issuer purchases during distributions. The share repurchase plan allows for share repurchases by us upon request by stockholders when certain criteria are met by the requesting stockholders. Share repurchases will be made at the sole discretion of our board of directors. Funds for the repurchase of shares will come exclusively from the proceeds we receive from the sale of shares under the

F-22

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)**

DRIP. For the three months ended March 31, 2008 and 2007, we repurchased 12,270 shares of our common stock, or \$123,000, and 0 shares of our common stock, or \$0, respectively. As of March 31, 2008 and December 31, 2007, we had repurchased 12,270 shares of our common stock, or \$123,000, and 0 shares of our common stock, or \$0, respectively.

2006 Incentive Plan and Independent Directors Compensation Plan

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

On September 20, 2006 and October 4, 2006, we granted an aggregate of 15,000 shares and 5,000 shares, respectively, of restricted common stock, as defined in the 2006 Incentive Plan, to our independent directors under the 2006 Independent Director Compensation Plan. On April 12, 2007, we granted 5,000 shares of restricted common stock to our newly appointed independent director. On June 12, 2007, in connection with their re-election, we granted 12,500 shares of restricted common stock to our independent directors. Each of these restricted stock awards vested 20.0% on the grant date and 20.0% will vest on each of the first four anniversaries of the date of grant. The fair value of each share of restricted common stock was estimated at the date of grant at \$10.00 per share, the per share price of shares in our offering, and is amortized on a straight-line basis over the vesting period. Shares of restricted common stock may not be sold, transferred, exchanged, assigned, pledged, hypothecated or otherwise encumbered. Such restrictions expire upon vesting. For the three months ended March 31, 2008 and 2007, we recognized compensation expense of \$19,000 and \$10,000, respectively, related to the restricted common stock grants. Such compensation expense is included in general and administrative in our accompanying condensed consolidated statements of operations. Shares of restricted common stock have full voting rights and rights to dividends.

As of March 31, 2008 and December 31, 2007, there was approximately \$209,000 and \$228,000, respectively, of total unrecognized compensation expense, net of estimated forfeitures, related to nonvested shares of restricted common stock. This expense is expected to be realized over a remaining weighted average period of 2.8 years.

As of March 31, 2008 and December 31, 2007, the fair value of the nonvested shares of restricted common stock was \$260,000. A summary of the status of the nonvested shares of restricted stock as of March 31, 2008 and December 31, 2007, and the changes for the three months ended March 31, 2008, is presented below:

	Restricted Common Stock	Weighted Average Grant Date Fair Value
Balance December 31, 2007	26,000	\$ 10.00
Granted		
Vested		
Forfeited		

Edgar Filing: Grubb & Ellis Healthcare REIT, Inc. - Form 424B3

Balance	March 31, 2008	26,000	\$	10.00
Expected to vest	March 31, 2008	26,000	\$	10.00

F-23

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****14. Subordinated Participation Interest**

Pursuant to the Agreement of Limited Partnership of our operating partnership approved by our board of directors, upon termination of the Advisory Agreement, other than a termination by us for cause, our advisor will be entitled to receive a distribution from our operating partnership in an amount equal to 15.0% of the amount, if any, by which (1) the fair market value of all of the assets of our operating partnership as of the date of the termination (determined by appraisal), less any indebtedness secured by such assets, plus the cumulative distributions made to us by our operating partnership from our inception through the termination date, exceeds (2) the sum of the total amount of capital raised from stockholders (less amounts paid to redeem shares pursuant to our share repurchase plan) plus an annual 8.0% cumulative, non-compounded return on average invested capital through the termination date. However, our advisor will not be entitled to this distribution if shares of our common stock have been listed on a national securities exchange prior to the termination of the Advisory Agreement. As of March 31, 2008 and December 31, 2007, we have not recorded any charges to earnings related to the subordinated participation interest.

15. Business Combinations

For the three months ended March 31, 2008, we completed the acquisition of seven consolidated properties, adding a total of approximately 529,000 square feet of GLA to our property portfolio, on the following dates:

Property	Date
Medical Portfolio 1	February 1, 2008
Fort Road Medical Building	March 6, 2008
Liberty Falls Medical Plaza	March 19, 2008
Epler Parke Building B	March 24, 2008
Cypress Station Medical Office Building	March 25, 2008
Vista Professional Center	March 27, 2008
Senior Care Portfolio 1 Texas	March 31, 2008

Results of operations for the property acquisitions are reflected in our condensed consolidated statement of operations for the three months ended March 31, 2008 for the periods subsequent to the acquisition dates. The aggregate purchase price of the seven properties was \$105,950,000 plus closing costs of \$2,580,000, of which \$110,400,000 was initially financed with mortgage loans and borrowings under our secured revolving line of credit with LaSalle and KeyBank.

In accordance with SFAS No. 141, *Business Combinations*, we allocated the purchase price to the fair value of the assets acquired and the liabilities assumed, including the allocation of the intangibles associated with the in place leases considering the following factors: lease origination costs and tenant relationships. Certain allocations as of March 31, 2008 are subject to change based on information received within one year of the purchase date related to one or more events at the time of purchase which confirm the value of an asset acquired or a liability assumed in an acquisition of a property.

For the year ended December 31, 2007, we also completed the acquisition of 20 consolidated properties, adding a total of 2,233,000 square feet of GLA to our property portfolio.

Assuming all of the acquisitions discussed above had occurred on January 1, 2007, for the three months ended March 31, 2008, pro forma revenues, net income (loss) and net income (loss) per diluted share would have been \$14,971,000, \$(5,832,000) and \$(0.24), respectively, and for the three months ended March 31, 2007, pro forma revenues, net income (loss) and net income (loss) per diluted share would have been \$13,491,000, \$(6,103,000) and \$(0.32), respectively. The pro forma results are not necessarily indicative of the operating results that would have been obtained had the acquisitions occurred at the beginning of the periods presented, nor are they necessarily indicative of future operating results.

Table of Contents**Grubb & Ellis Healthcare REIT, Inc.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)****16. Concentration of Credit Risk**

Financial instruments that potentially subject us to a concentration of credit risk are primarily cash and cash equivalents and accounts receivable from tenants. We have cash in financial institutions that is insured by the Federal Deposit Insurance Corporation, or FDIC, up to \$100,000 per institution. As of March 31, 2008 and December 31, 2007, we had cash and cash equivalent accounts in excess of FDIC insured limits. We believe this risk is not significant. Concentration of credit risk with respect to accounts receivable from tenants is limited. We perform credit evaluations of prospective tenants, and security deposits are obtained upon lease execution. In addition, we evaluate tenants in connection with the acquisition of a property.

As of March 31, 2008, we had interests in three consolidated properties located in Texas, which accounted for 14.5% of our total rental income, interests in four consolidated properties located in Ohio, which accounted for 14.1% of our total rental income, interests in four consolidated properties located in Florida, which accounted for 17.6% of our total rental income and interests in three consolidated properties located in Georgia, which accounted for 10.3% of our total rental income for the three months ended March 31, 2008. This rental income is based on contractual base rent from leases in effect as of March 31, 2008 and no one property accounts for more than 10.0% of our aggregate total rental income. Accordingly, there is a geographic concentration of risk subject to fluctuations in each state's economy.

For the three months ended March 31, 2008, none of our tenants at our consolidated properties accounted for 10.0% or more of our aggregate annual rental income.

As of March 31, 2007, we had interests in two consolidated properties located in Indiana which accounted for 38.0% of our total rental income, interests in one consolidated property located in Minnesota which accounted for 20.5% of our total rental income and interests in one consolidated property located in Tennessee which accounted for 41.5% of our total rental income. This rental income is based on contractual base rent from leases in effect as of March 31, 2007. Accordingly, there is a geographic concentration of risk subject to fluctuations in each state's economy.

For the three months ended March 31, 2007, one of our tenants at our consolidated properties accounted for 10.0% or more of our aggregate annual rental income, as follows:

Tenant	2007 Annual Base Rent*	Percentage of 2007 Annual Base Rent	Property	Square Footage (Approximately)	Lease Expiration Date
Pfizer, Inc	\$ 2,134,000	41.5%	Lenox Office Park, Building G	98,000	01/31/10

* Annualized rental income is based on contractual base rent from leases in effect as of March 31, 2007.

17. Per Share Data

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

For the three months ended March 31, 2008 and 2007, we recorded a net loss of \$(6,610,000) and \$(532,000), respectively. As of March 31, 2008 and 2007, 26,000 shares and 16,000 shares, respectively, of restricted common stock were outstanding, but were excluded from the computation of diluted earnings per share because such shares of restricted common stock were anti-dilutive during these periods.

Table of Contents

Grubb & Ellis Healthcare REIT, Inc.

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

18. Subsequent Events

Status of our Offering

As of April 30, 2008, we had received and accepted subscriptions in our offering for 30,869,339 shares of our common stock, or \$308,342,000, excluding shares of our common stock issued under the DRIP.

Share Repurchases

In April 2008, we repurchased 20,000 shares of our common stock, or \$200,000, under our share repurchase plan.

Probable Unaffiliated Third Party Acquisitions

Amarillo Hospital Amarillo, Texas

On April 4, 2008, we executed a purchase and sale agreement for Amarillo Hospital, located in Amarillo, Texas. On April 30, 2008, our board of directors approved the acquisition of Amarillo Hospital. We anticipate purchasing Amarillo Hospital for a purchase price of \$20,000,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$600,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of Amarillo Hospital.

Proposed Unaffiliated Third Party Acquisitions

Nutfield Professional Center Derry, New Hampshire

On April 30, 2008, our board of directors approved the acquisition of Nutfield Professional Center, located in Derry, New Hampshire. We anticipate purchasing Nutfield Professional Center for a total purchase price of \$14,200,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$426,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of Nutfield Professional Center.

Medical Portfolio 2 O Fallon and St. Louis, Missouri and Keller and Wichita Falls, Texas

On April 30, 2008, our board of directors approved the acquisition of Medical Portfolio 2, located in O Fallon and St. Louis, Missouri and Keller and Wichita Falls, Texas. We anticipate purchasing Medical Portfolio 2 for a total purchase price of \$44,800,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$1,344,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of Medical Portfolio 2.

Academy Medical Center Tucson, Arizona

On April 30, 2008, our board of directors approved the acquisition of Academy Medical Center, located in Tucson, Arizona. We anticipate purchasing Academy Medical Center for a purchase price of \$8,250,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$248,000, or 3.0% of the purchase price, in

F-26

Table of Contents

Grubb & Ellis Healthcare REIT, Inc.

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

connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of Academy Medical Center.

Renaissance Medical Centre Bountiful, Utah

On April 30, 2008, our board of directors approved the acquisition of Renaissance Medical Centre, located in Bountiful, Utah. We anticipate purchasing Renaissance Medical Centre for a purchase price of \$30,200,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$906,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of Renaissance Medical Centre.

Medical Portfolio 3 Indianapolis, Indiana

On April 30, 2008, our board of directors approved the acquisition of Medical Portfolio 3, located in Indianapolis, Indiana. We anticipate purchasing Medical Portfolio 3 for a total purchase price of \$90,600,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$2,718,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of Medical Portfolio 3.

5995 Plaza Drive Cypress, California

On April 30, 2008, our board of directors approved the acquisition of 5995 Plaza Drive, located in Cypress, California. We anticipate purchasing 5995 Plaza Drive for a purchase price of \$25,700,000, plus closing costs, from an unaffiliated third party. We intend to finance the purchase through debt financing. We expect to pay our advisor and its affiliate an acquisition fee of \$771,000, or 3.0% of the purchase price, in connection with the acquisition. We anticipate that the closing will occur in the second quarter of 2008; however, closing is subject to certain agreed upon conditions and there can be no assurance that we will be able to complete the acquisition of 5995 Plaza Drive.