



Press Release

For Immediate News Release
July 16, 2008

MISSION WEST PROPERTIES ANNOUNCES SECOND QUARTER 2008 OPERATING RESULTS

“We build the buildings for the high tech companies that build the internet”

Cupertino, CA – Mission West Properties, Inc. (NASDAQ: MSW) reported today that Funds From Operations (“FFO”) for the quarter ended June 30, 2008 was approximately \$13,049,000, or \$0.12 per diluted common share, (considering the potential effect of all O.P. units being exchanged for shares of the Company’s common stock) as compared to approximately \$15,954,000, or \$0.15 per diluted common share, for the same period in 2007. On a sequential quarter basis, FFO for the quarter ended March 31, 2008 was approximately \$0.14 per diluted common share. For the six months ended June 30, 2008, FFO decreased to \$28,272,000, or \$0.27 per diluted common share, from FFO of \$39,859,000, or \$0.38 per diluted common share, for the same period in 2007. Termination fees and security deposit forfeitures income relating to lease terminations accounted for approximately \$1,921,000, or \$0.02 per diluted common share, and \$10,475,000 (including \$198,000 of security deposit forfeitures), or \$0.10 per diluted common share, for the six months ended June 30, 2008 and 2007, respectively. Write-off of an above market lease intangible asset against income relating to one lease termination accounted for approximately \$3,619,000, or (\$0.03) per diluted common share, for the six months ended June 30, 2007.

Net income per diluted share to common stockholders was \$0.07 for the quarter ended June 30, 2008 compared to \$0.10 for the quarter ended June 30, 2007, a per share decrease of approximately 30%. For the six months ended June 30, 2008, net income per diluted share to common stockholders was \$0.16, down from \$0.27 a year ago, a per share decrease of approximately 40.7%. Termination fees and security deposit forfeitures income relating to lease terminations accounted for approximately \$0.02 and \$0.10 per diluted common share for the six months ended June 30, 2008 and 2007, respectively. Write-off of in-place lease intangible assets against income relating to two lease terminations accounted for approximately (\$0.04) per diluted common share for the six months ended June 30, 2007.

Company Profile

Mission West Properties, Inc. operates as a self-managed, self-administered and fully integrated REIT engaged in the management, leasing, marketing, development and acquisition of commercial R&D properties, primarily located in the Silicon Valley portion of the San Francisco Bay Area. Currently, the Company manages 111 properties totaling approximately 8.0 million rentable square feet, which includes approximately 854,000 rentable square feet (or 16 buildings) that are in the process of being rezoned for residential development. For additional information, please contact Investor Relations at 408-725-0700.

The matters described herein contain forward-looking statements. Such statements can be identified by the use of forward-looking terminology such as “will,” “anticipate,” “estimate,” “expect,” “intends,” or similar words. Forward-looking statements involve a number of risks, uncertainties or other factors beyond the Company’s control, which may cause material differences in actual results, performance or other expectations. These factors include, but are not limited to, the ability to complete acquisitions under the Berg Land Holdings Option Agreement with the Berg Group and other factors detailed in the Company’s registration statements, and periodic filings with the Securities & Exchange Commission.

MISSION WEST PROPERTIES, INC.
SELECTED FINANCIAL DATA
(In thousands, except share, per share and property data amounts)

	Three Months Ended Jun 30, 2008	Three Months Ended Jun 30, 2007	Six Months Ended Jun 30, 2008	Six Months Ended Jun 30, 2007
REVENUES:				
Rental revenue from real estate	\$19,359	\$21,148	\$38,356	\$42,350
Above market lease intangible asset amortization	-	-	-	(4,091) ⁽¹⁾
Tenant reimbursements	3,710	3,240	7,293	6,454
Lease termination income	-	168	1,921	10,277
Other income, including interest	464	958	1,249	4,015
Total revenues	<u>23,533</u>	<u>25,514</u>	<u>48,819</u>	<u>59,005</u>
EXPENSES:				
Operating expenses	2,566	1,819	5,042	3,777
Real estate taxes	2,945	2,739	5,356	5,301
Interest	4,956	5,045	9,884	10,114
Interest (related parties)	280	182	716	366
General and administrative	674	673	1,347	1,387
Depreciation and amortization of real estate	5,682 ⁽²⁾	5,398 ⁽²⁾	11,305 ⁽²⁾	11,552 ⁽²⁾
Total expenses	<u>17,103</u>	<u>15,856</u>	<u>33,650</u>	<u>32,497</u>
Income before equity in earnings of unconsolidated joint venture and minority interests	6,430	9,658	15,169	26,508
Equity in earnings of unconsolidated joint venture	407	350	789	686
Minority interests	(5,478)	(8,007)	(12,717)	(21,827)
Income from continuing operations	<u>1,359</u>	<u>2,001</u>	<u>3,241</u>	<u>5,367</u>
Discontinued operations, net of minority interests:				
Income attributable to discontinued operations	-	3	-	12
Income from discontinued operations	<u>-</u>	<u>3</u>	<u>-</u>	<u>12</u>
Net income to common stockholders	<u>\$1,359</u>	<u>\$2,004</u>	<u>\$ 3,241</u>	<u>\$ 5,379</u>
Net income to minority interests	<u>\$5,478</u>	<u>\$8,039</u>	<u>\$12,717</u>	<u>\$21,918</u>
Income per share from continuing operations:				
Basic	<u>\$0.07</u>	<u>\$0.10</u>	<u>\$0.16</u>	<u>\$0.27</u>
Diluted	<u>\$0.07</u>	<u>\$0.10</u>	<u>\$0.16</u>	<u>\$0.27</u>
Income per share from discontinued operations:				
Basic	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income per share to common stockholders:				
Basic	<u>\$0.07</u>	<u>\$0.10</u>	<u>\$0.16</u>	<u>\$0.27</u>
Diluted	<u>\$0.07</u>	<u>\$0.10</u>	<u>\$0.16</u>	<u>\$0.27</u>
Weighted average shares of common stock (basic)	<u>19,695,988</u>	<u>19,639,928</u>	<u>19,681,797</u>	<u>19,611,515</u>
Weighted average shares of common stock (diluted)	<u>19,902,304</u>	<u>20,020,596</u>	<u>19,766,535</u>	<u>19,956,752</u>
Weighted average O.P. units outstanding	<u>85,528,215</u>	<u>85,009,858</u>	<u>85,529,316</u>	<u>85,038,271</u>
FUNDS FROM OPERATIONS				
Funds from operations	\$13,049	\$15,954	\$28,272	\$39,859
Funds from operations per share ⁽³⁾	<u>\$0.12</u>	<u>\$0.15</u>	<u>\$0.27</u>	<u>\$0.38</u>
Outstanding common stock	<u>19,743,557</u>	<u>19,640,087</u>	<u>19,743,557</u>	<u>19,640,087</u>
Outstanding O.P. units	<u>85,528,215</u>	<u>85,009,699</u>	<u>85,528,215</u>	<u>85,009,699</u>
Weighted average O.P. units and common stock outstanding (diluted)	<u>105,430,519</u>	<u>105,030,454</u>	<u>105,295,851</u>	<u>104,995,023</u>

FUNDS FROM OPERATIONS CALCULATION	Three Months Ended Jun 30, 2008	Three Months Ended Jun 30, 2007	Six Months Ended Jun 30, 2008	Six Months Ended Jun 30, 2007
Net income	\$ 1,359	\$ 2,004	\$ 3,241	\$ 5,379
Add:				
Minority interests ⁽⁴⁾	5,415	7,922	12,543	21,677
Depreciation and amortization of real estate from continuing operations	6,086	5,783	12,110	12,312
Depreciation and amortization of real estate from discontinued operations	-	56	-	112
Depreciation & amortization of real estate held in unconsolidated joint venture	189	189	378	379
Funds from operations	<u>\$13,049</u>	<u>\$15,954</u>	<u>\$28,272</u>	<u>\$39,859</u>

Funds From Operations ("FFO") is a non-GAAP financial measurement used by real estate investment trusts ("REITs") to measure and compare operating performance. As defined by NAREIT, FFO represents net income (loss) before minority interest of unit holders (computed in accordance with GAAP, accounting principles generally accepted in the United States of America), excluding gains (or losses) from debt restructuring and sales of property, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets) and after adjustments for unconsolidated partnerships and joint ventures. Management considers FFO to be an appropriate supplemental measure of the Company's operating and financial performance because when compared year over year, it reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses and interest costs, providing a perspective not immediately apparent from net income. In addition, management believes that FFO provides useful information about the Company's financial performance when compared to other REITs since FFO is generally recognized as the industry standard for reporting the operations of REITs. FFO should neither be considered as an alternative for net income as a measure of profitability nor is it comparable to cash flows provided by operating activities determined in accordance with GAAP. FFO is not comparable to similarly entitled items reported by other REITs that do not define them exactly as we define FFO.

PROPERTY AND OTHER DATA:	Three Months Ended Jun 30, 2008	Three Months Ended Jun 30, 2007	Six Months Ended Jun 30, 2008	Six Months Ended Jun 30, 2007
Total properties, end of period	111	110	111	110
Total square feet, end of period	8,047,569	7,849,993	8,047,569	7,849,993
Average monthly rental revenue per square foot ⁽⁵⁾	\$1.24	\$1.40	\$1.24	\$1.46
Occupancy for leased properties	64.9%	67.8%	64.9%	67.8%
Straight-line rent	\$ 882	(\$ 106)	\$1,587	(\$1,701)
Leasing commissions	\$ 318	\$1,444	\$ 634	\$1,901
Capital expenditures	\$2,116	\$1,546	\$2,337	\$2,409

BALANCE SHEET

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Assets		
Real estate:		
Land	\$ 320,911	\$ 312,152
Buildings and improvements	792,886	764,665
Real estate related intangible assets	3,240	2,119
Total investments in real estate, net	<u>1,117,037</u>	<u>1,078,936</u>
Less accumulated depreciation and amortization	(168,124)	(156,819)
Net investments in properties	<u>948,913</u>	<u>922,117</u>
Cash and cash equivalents	769	23,691
Restricted cash	45,535	65,509
Deferred rent receivable, net	16,420	14,833
Investment in unconsolidated joint venture	2,625	2,735
Other assets, net	25,588	25,000
Total assets	<u>\$1,039,850</u>	<u>\$1,053,885</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Mortgage notes payable	\$ 332,001	\$ 337,520
Note payable – related parties	1,923	-
Mortgage note payable – related parties	8,997	9,224
Revolving line of credit	8,244	-
Interest payable	1,360	1,331
Security deposits	4,977	4,754
Deferred rental income	5,383	3,302
Dividends and distributions payable	21,054	16,832
Accounts payable and accrued expenses	16,174	15,618
Total liabilities	<u>400,113</u>	<u>388,581</u>
Minority interests	<u>504,668</u>	<u>526,626</u>
Stockholders' equity:		
Common stock, \$.001 par value	20	20
Additional paid-in capital	154,056	153,024
Distributions in excess of accumulated earnings	(19,007)	(14,366)
Total stockholders' equity	<u>135,069</u>	<u>138,678</u>
Total liabilities and stockholders' equity	<u>\$1,039,850</u>	<u>\$1,053,885</u>

(1) Amortization of an above-market lease intangible asset pursuant to Statement of Financial Accounting Standard No. 141, "Business Combinations."

(2) Includes approximately \$159 and \$347 in amortization expense for the three months ended June 30, 2008 and 2007, respectively, and \$281 and \$1,540 in amortization expense for the six months ended June 30, 2008 and 2007, respectively, for the amortization of in-place lease value intangible asset pursuant to Statement of Financial Accounting Standard No. 141, "Business Combinations."

(3) Calculated on a fully diluted basis. Assumes conversion of O.P. units outstanding into the Company's common stock.

(4) The minority interest for third parties has been deducted from total minority interest in calculating FFO.

(5) Average monthly rental revenue per square foot has been determined by taking the cash base rent for the period divided by the number of months in the period, and then divided by the average occupied square feet in the period.