



## Press Release

For Immediate News Release  
February 4, 2009

### MISSION WEST PROPERTIES ANNOUNCES FOURTH QUARTER AND FULL YEAR 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 December 31, 2008 was approximately \$12,863,000, 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 \$13,992,000, or \$0.13 per diluted common share, for the same period in 2007. Net termination fee income relating to lease terminations for the fourth quarter ended December 31, 2008 accounted for approximately \$833,000, or less than \$0.01 per diluted common share. On a sequential quarter basis, FFO for the quarter ended September 30, 2008 was approximately \$0.13 per diluted common share. For the twelve months ended December 31, 2008, FFO decreased to \$55,334,000, or \$0.52 per diluted common share, from FFO of \$114,867,000, or \$1.09 per diluted common share, for the same period in 2007. Net termination fees and security deposit forfeitures income relating to lease terminations accounted for approximately \$2,754,000, or \$0.03 per diluted common share, and \$51,721,000, or \$0.49 per diluted common share, for the twelve months ended December 31, 2008 and 2007, respectively.

Net income per diluted share to common stockholders was \$0.26 for the quarter ended December 31, 2008 compared to \$0.08 for the quarter ended December 31, 2007, a per share increase of approximately 225%. Gains from the sale of two R&D properties in the Company’s unconsolidated joint venture, TBI-MWP, accounted for approximately \$0.20 per diluted common share for the quarter ended December 31, 2008. The gains are recorded under the line item, “Equity in earnings of unconsolidated joint venture,” using the equity method of accounting. Net termination fee income relating to lease terminations accounted for approximately less than \$0.01 per diluted common share for the three months ended December 31, 2008. For the twelve months ended December 31, 2008, net income per diluted share to common stockholders was \$0.50, down from \$0.95 a year ago, a per share decrease of approximately 47%. Gains from the sale of two R&D properties in the Company’s unconsolidated joint venture, TBI-MWP, accounted for approximately \$0.20 per diluted common share for the year ended December 31, 2008. Net termination fees and security deposit forfeitures income relating to lease terminations accounted for approximately \$0.03 and \$0.52 per diluted common share for the twelve months ended December 31, 2008 and 2007, respectively.

#### **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 Dec 31, 2008	Three Months Ended Dec 31, 2007	Twelve Months Ended Dec 31, 2008	Twelve Months Ended Dec 31, 2007
<b>OPERATING REVENUES:</b>				
Rental revenue from real estate	\$20,464	\$18,986	\$79,075	\$80,337
Above market lease intangible asset amortization	-	-	-	(4,091) <sup>(1)</sup>
Tenant reimbursements	4,505	3,447	16,406	13,355
Lease termination and settlement income	1,087	-	3,007	57,515
Other income	446	659	1,216	4,467
Total operating revenues	<u>26,502</u>	<u>23,092</u>	<u>99,704</u>	<u>151,583</u>
<b>OPERATING EXPENSES:</b>				
Operating and maintenance	3,410	2,632	11,404	9,791
Real estate taxes	3,812	2,433	12,056	10,580
General and administrative	684	666	2,635	3,035
Depreciation and amortization of real estate	6,160 <sup>(2)</sup>	5,503 <sup>(2)</sup>	23,224 <sup>(2)</sup>	22,588 <sup>(2)</sup>
Total operating expenses	<u>14,066</u>	<u>11,234</u>	<u>49,319</u>	<u>45,994</u>
Operating income	12,436	11,858	50,385	105,589
<b>OTHER INCOME (EXPENSES):</b>				
Equity in earnings of unconsolidated joint venture	18,701	350	19,617	1,408
Interest income	164	985	1,128	3,086
Dividend income	607	-	607	-
Unrealized loss from investment	(278)	-	(278)	-
Interest expense	(4,880)	(4,956)	(19,787)	(20,131)
Interest expense – related parties	(307)	(178)	(1,332)	(724)
Income from continuing operations before minority interests	26,443	8,059	50,340	89,228
Minority interests from continuing operations	(21,186)	(6,491)	(40,206)	(71,471)
Income from continuing operations	<u>5,257</u>	<u>1,568</u>	<u>10,134</u>	<u>17,757</u>
Discontinued operations, net of minority interests:				
Gain from disposal of discontinued operations	-	-	-	1,126
Income attributable to discontinued operations	-	-	-	5
Income from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,131</u>
Net income to common stockholders	<u>\$ 5,257</u>	<u>\$1,568</u>	<u>\$10,134</u>	<u>\$18,888</u>
Net income to minority interests	<u>\$21,186</u>	<u>\$6,491</u>	<u>\$40,206</u>	<u>\$76,960</u>
Income per share from continuing operations:				
Basic	<u>\$0.27</u>	<u>\$0.08</u>	<u>\$0.51</u>	<u>\$0.90</u>
Diluted	<u>\$0.26</u>	<u>\$0.08</u>	<u>\$0.50</u>	<u>\$0.89</u>
Income per share from discontinued operations:				
Basic	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$0.06</u>
Diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$0.06</u>
Net income per share to common stockholders:				
Basic	<u>\$0.27</u>	<u>\$0.08</u>	<u>\$0.51</u>	<u>\$0.96</u>
Diluted	<u>\$0.26</u>	<u>\$0.08</u>	<u>\$0.50</u>	<u>\$0.95</u>
Weighted average shares of common stock (basic)	<u>19,748,211</u>	<u>19,645,304</u>	<u>19,714,414</u>	<u>19,627,234</u>
Weighted average shares of common stock (diluted)	<u>20,018,836</u>	<u>19,710,909</u>	<u>20,226,385</u>	<u>19,854,411</u>
Weighted average O.P. units outstanding	<u>85,526,965</u>	<u>85,552,718</u>	<u>85,528,329</u>	<u>85,162,240</u>

**FUNDS FROM OPERATIONS**

Funds from operations	\$12,863	\$13,992	\$55,334	\$114,867
Funds from operations per share <sup>(3)</sup>	\$0.12	\$0.13	\$0.52	\$1.09
Outstanding common stock	19,748,211	19,664,087	19,748,211	19,664,087
Outstanding O.P. units	85,526,965	85,533,935	85,526,965	85,533,935
Weighted average O.P. units and common stock outstanding (diluted)	105,545,801	105,263,627	105,754,713	105,016,651

	Three Months Ended Dec 31, 2008	Three Months Ended Dec 31, 2007	Twelve Months Ended Dec 31, 2008	Twelve Months Ended Dec 31, 2007
<b>FUNDS FROM OPERATIONS CALCULATION</b>				
Net income	\$ 5,257	\$1,568	\$10,134	\$ 18,888
Add:				
Minority interests <sup>(4)</sup>	21,125	6,360	39,838	76,458
Depreciation and amortization of real estate from continuing operations	6,620	5,875	24,933	25,043
Depreciation and amortization of real estate from discontinued operations	-	-	-	250
Depreciation and amortization of real estate held in unconsolidated joint venture	332	189	900	757
Less:				
Gain on sale of real estate	(20,471)	-	(20,471)	(6,529)
Funds from operations	\$12,863	\$13,992	\$55,334	\$114,867

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.

	Three Months Ended Dec 31, 2008	Three Months Ended Dec 31, 2007	Twelve Months Ended Dec 31, 2008	Twelve Months Ended Dec 31, 2007
<b>PROPERTY AND OTHER DATA:</b>				
Total properties, end of period	111	109	111	109
Total square feet, end of period	8,047,569	7,861,692	8,047,569	7,861,692
Average monthly rental revenue per square foot <sup>(5)</sup>	\$1.26	\$1.28	\$1.25	\$1.42
Occupancy for leased properties	66.4%	61.7%	66.4%	61.7%
Straight-line rent	\$563	\$310	\$3,008	(\$3,656)
Leasing commissions	\$458	\$352	\$1,699	\$3,000
Capital expenditures	\$305	\$257	\$6,468	\$4,878

**LEASE ROLLOVER SCHEDULE:**

Year	# of Leases	Rentable Square Feet
2009	22	369,613
2010	12	572,000
2011	15	827,605
2012	13	1,001,452
2013	6	459,737
2014	11	1,281,952
2015	4	328,211
2016	2	144,600
2017	3	241,089
Thereafter	1	119,756
Total	89	5,346,015

## BALANCE SHEETS

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Assets		
Investments in real estate:		
Land	\$ 320,911	\$ 312,152
Buildings and improvements	799,471	764,665
Real estate related intangible assets	3,240	2,119
Total investments in properties	<u>1,123,622</u>	<u>1,078,936</u>
Accumulated depreciation and amortization	(180,043)	(156,819)
Net investments in properties	<u>943,579</u>	<u>922,117</u>
Investment in unconsolidated joint venture	3,768	2,735
Net investments in real estate	<u>947,347</u>	<u>924,852</u>
Cash and cash equivalents	-	23,691
Restricted cash	39,478	65,509
Investment in marketable securities	3,368	-
Deferred rent	17,841	14,833
Other assets, net	26,251	25,000
Total assets	<u>\$1,034,285</u>	<u>\$1,053,885</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Mortgage notes payable	\$ 330,908	\$ 337,520
Mortgage note payable – related parties	8,761	9,224
Revolving line of credit	13,079	-
Interest payable	1,596	1,331
Security deposits	5,272	4,754
Deferred rental income	3,964	3,302
Dividends and distributions payable	21,055	16,832
Accounts payable and accrued expenses	17,747	15,618
Total liabilities	<u>402,382</u>	<u>388,581</u>
Commitments and contingencies.		
Minority interests in operating partnerships	<u>497,485</u>	<u>526,626</u>
Stockholders' equity:		
Common stock, \$.001 par value	20	20
Additional paid-in capital	154,412	153,024
Distributions in excess of accumulated earnings	(20,014)	(14,366)
Total stockholders' equity	<u>134,418</u>	<u>138,678</u>
Total liabilities and stockholders' equity	<u>\$1,034,285</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 \$267 in amortization expense for the three months ended December 31, 2008 and 2007, respectively, and \$600 and \$2,153 in amortization expense for the twelve months ended December 31, 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.