



## Press Release

For Immediate News Release  
April 16, 2003

### **MISSION WEST PROPERTIES, INC. ANNOUNCES FIRST QUARTER 2003 EARNINGS RESULTS**

***"We build the buildings for the high tech companies that build the internet"***

**Cupertino, CA – Mission West Properties, Inc. (AMEX/PCX: MSW)** reported today that Funds From Operations ("FFO") for the quarter ended March 31, 2003 was \$28,655,000 or \$0.28 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 \$29,433,000 or \$0.28 per diluted common share for the same period in 2002. On a sequential quarter basis, FFO per diluted common share remained the same compared to the previous quarter ended December 31, 2002.

Net income from continuing operations was \$0.23 per diluted share for the quarters ended March 31, 2003 and 2002.

For the quarter ended March 31, 2002, the Company recorded a gain from sale of real estate attributable to common stockholders of approximately \$1.0 million or \$0.06 per diluted share. As a result, net income including discontinued operations amounted to \$0.23 per diluted share for the quarter ended March 31, 2003 compared to \$0.29 per diluted share for the quarter ended March 31, 2002.

#### ***Investment Activity***

On January 1, 2003, the Company acquired a 50% interest in a joint venture with TBI in Morgan Hill, California for \$1.8 million from the Berg Group under the Berg Land Holdings Option Agreement. The acquisition was financed with the issuance of 181,032 O.P. Units to the Berg Group. The joint venture consists of four R&D buildings with approximately 593,000 rentable square feet, which are operated and managed by TBI, the other partner in the joint venture. The first year anticipated cash return on this investment will exceed 100%.

On April 1, 2003, the Company obtained a 50% interest in a 60,000 rentable square foot shell building in Morgan Hill, California from the Berg Group under the Berg Land Holdings Option Agreement in connection with its joint venture with TBI. The joint venture financed 100% of the cost of the building. The shell building has been sold and the Company will recognize approximately \$1.3 million cash gain in the second quarter 2003.

On April 9, 2003, the Company acquired a 36 acre seven building campus style office/R&D project comprised of approximately 625,000 rentable square feet at San Tomas and Central Expressway in Santa Clara, California, which adjoins Nvidia Corporation's headquarters campus. The project was acquired for \$110 million from an unrelated third party and financed with a combination of debt and cash reserves. The debt component is comprised of a new short term mortgage note with a commercial bank secured with the assets in the acquisition for the sum of \$80 million at LIBOR plus 150 basis points and matures in 120 days. The Company paid a financing fee of \$150,000. The Company is in the process of securing long term mortgage debt to retire this short term credit facility. In addition, the Company utilized approximately \$19.2 million of its operating line of credit with Cupertino National Bank in connection with this acquisition. The Company anticipates its first year cash return on this project to be approximately 10%.

Based on the transactions above and some tenant lease renegotiations, FFO per share for 2003 and 2004 will increase by approximately \$0.04 and \$0.03 per share, respectively. This projection was calculated as follows:

	Additional FFO Per Share In	
	2003	2004
	<i>(Dollars in thousands, except per share amounts)</i>	
Additional Net income	\$ 520	\$ 190
Add:		
Additional Minority interests	2,539	930
Additional Depreciation	1,594	2,125
Additional FFO	<u>\$4,653</u>	<u>\$3,245</u>
Additional FFO per share <sup>(5)</sup>	<u>\$0.04</u>	<u>\$0.03</u>

### **Financing Activity**

On January 9, 2003, the Company obtained a \$100 million secured mortgage loan from Northwestern Mutual Life Insurance Company that bears a fixed interest rate at 5.64% and matures in ten years with principal payments amortized over 20 years. The mortgage loan is secured by 11 properties. The Company paid approximately \$675,000 in loan fees and financing costs and used the proceeds to primarily pay down short-term debt and the Berg Group line of credit.

### **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 108 properties totaling approximately 7.8 million square feet. 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)

	<b>Three Months Ended March 31, 2003</b>	<b>Three Months Ended March 31, 2002</b>
<b>REVENUES:</b>		
Rental revenues from real estate	\$31,431	\$32,484 <sup>(1)</sup>
Tenant reimbursements	4,575	5,326
Equity in earnings of unconsolidated joint ventures	737	-
Other income, including interest	735	497
Total revenues	37,478	38,307
<b>EXPENSES:</b>		
Operating expenses	1,519	2,275
Real estate taxes	3,075	3,057
Depreciation of real estate	4,564	4,356
General and administrative	358	434
Interest	3,406	2,270
Interest (related parties)	293	1,010
Total expenses	13,215	13,402
Income before minority interests	24,263	24,905
Minority interests	20,229	20,769
Income from continuing operations	4,034	4,136
Discontinued operations , net of minority interests:		
Gain from disposal of discontinued operations	-	1,017
Income attributable to discontinued operations	-	48
Income from discontinued operations	-	1,065
Net income to common stockholders	\$ 4,034	\$ 5,201
Net income to minority interests	\$20,229	\$26,094
Income per share from continuing operations:		
Basic	\$0.23	\$0.24
Diluted	\$0.23	\$0.23
Income per share from discontinued operations:		
Basic	-	\$0.06
Diluted	-	\$0.06
Net income per share to common stockholders:		
Basic	\$0.23	\$0.30
Diluted	\$0.23	\$0.29
Weighted average shares of common stock (basic)	17,637,260	17,404,568
Weighted average shares of common stock (diluted)	17,695,001	17,853,809
Weighted average O.P. Units outstanding	86,511,686	86,199,618
<b>FUNDS FROM OPERATIONS</b>		
Funds from operations	\$28,655	\$29,433
Funds from operations per share <sup>(2)</sup>	\$ 0.28	\$ 0.28
Outstanding common stock	17,653,691	17,463,329
Outstanding O.P. Units	86,498,064	86,165,346
Weighted average O.P. Units & common stock outstanding (diluted)	104,206,687	104,053,427

<b>FUNDS FROM OPERATIONS CALCULATION</b>	<b>Three Months Ended March 31, 2003</b>	<b>Three Months Ended March 31, 2002</b>
Net income	\$ 4,034	\$ 5,201
Add:		
Minority interests <sup>(3)</sup>	20,057	25,933
Depreciation	4,564	4,402
Less:		
Gain/(loss) on sales of assets	-	6,103
Funds from operations	<u>\$28,655</u>	<u>\$29,433</u>

As defined by NAREIT, Funds From Operations ("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 an appropriate measure of performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of our ability to incur and service debt, and make capital expenditures. FFO should not be considered as an alternative for net income as a measure of profitability or 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.

<b>PROPERTY AND OTHER DATA:</b>	<b>Three Months Ended March 31, 2003</b>	<b>Three Months Ended March 31, 2002</b>
Total properties, end of period	101	100
Total square feet, end of period	7,163,930	6,998,930
Average monthly rental revenue per square foot <sup>(4)</sup>	\$ 1.74	\$ 1.69
Average occupancy	83%	96%
Actual occupancy	83%	92%

- (1) The Company recorded an adjustment of \$1.4 million to establish a reserve relating to the recapture of straight-line revenues and other tenant related items for the quarter ended March 31, 2002.
- (2) Calculated on a fully diluted basis. Assumes conversion of O.P. Units outstanding into the Company's common stock.
- (3) The minority interest for unrelated third parties has been deducted from total minority interest in calculating FFO.
- (4) Average monthly rental revenue per square foot has been determined by taking the base rent for the period divided by the number of months in the period, and then divided by the total square feet of occupied space.
- (5) Calculated with the weighted average of 104,000,000 O.P. Units and common stock.

<b>BALANCE SHEET</b>	<b>March 31, 2003</b>	<b>December 31, 2002</b>
Assets:		
Land	\$234,707	\$234,707
Buildings	727,135	726,581
	<u>961,842</u>	<u>961,288</u>
Less accumulated depreciation	(71,123)	(66,560)
Net real estate assets	<u>890,719</u>	<u>894,728</u>
Cash	2,721	4,479
Deferred rent	17,245	17,001
Other assets	18,892	13,198
Total assets	<u><u>\$929,577</u></u>	<u><u>\$929,406</u></u>
Liabilities:		
Line of credit – related parties	\$ 26	\$ 58,792
Line of credit	-	23,839
Unsecured loan	-	20,000
Mortgage notes payable	223,586	125,062
Mortgage notes payable – related parties	11,001	11,078
Interest payable	337	337
Security deposits	10,398	11,184
Prepaid rental income	13,892	9,876
Dividend/distribution payable	24,996	24,951
Accounts payable and accrued expenses	4,819	4,698
Total liabilities	<u>289,055</u>	<u>289,817</u>
Minority interests	528,288	528,768
Stockholders' equity:		
Common stock, \$.001 par value	18	17
Paid in capital	129,911	128,295
Accumulated deficit	(17,695)	(17,491)
Total stockholders' equity	<u>112,234</u>	<u>110,821</u>
Total liabilities and stockholders' equity	<u><u>\$929,577</u></u>	<u><u>\$929,406</u></u>