



Silicon Valley's Developer™  
*We build the buildings for the high tech  
companies that build the internet.™*

## Press Release

For Immediate News Release  
April 13, 2005

### **MISSION WEST PROPERTIES ANNOUNCES FIRST QUARTER 2005 OPERATING 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, 2005 was \$20,308,000 or \$0.19 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 \$27,078,000 or \$0.26 per diluted common share for the same period in 2004. On a sequential quarter basis, FFO per diluted common share decreased \$0.03 compared to the previous quarter ended December 31, 2004. Settlements of former tenants breach of lease lawsuit accounted for approximately \$0.01 per diluted share in the fourth quarter 2004.

Net income to common stockholders per diluted share was \$0.13 for the quarter ended March 31, 2005 compared to \$0.19 for the same period in 2004, a per share decrease of approximately 31.6%.

#### ***Disposition Activity***

During the first quarter 2005, the Company completed the sale of two R&D properties consisting of 103,000 rentable square feet, which include the R&D properties at 3120 Scott Boulevard, Santa Clara, California and 405 Tasman Drive, Sunnyvale, California. A loss of approximately \$2.2 million was realized on the total sales price of \$8.5 million for the 3120 Scott property and was recorded in the fourth quarter 2004 as an asset impairment charge under discontinued operations. An estimated gain of approximately \$1.4 million will be realized on the total sales price of \$4.25 million for the 405 Tasman property. The recorded gain will be based on the installment method of profit recognition since the buyer has not made a sufficient down payment. The Company recorded a \$63,000 gain in the first quarter 2005, and the balance of the expected gain is deferred.

#### ***Acquisition Activity***

In the first quarter 2005, the Company acquired a 203,800 rentable square foot vacant R&D property located at 5521 Hellyer Avenue in San Jose, California. The total acquisition price for the property was approximately \$14.0 million.

#### ***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 8.0 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)

	<u>Three Months Ended March 31, 2005</u>	<u>Three Months Ended March 31, 2004</u>
<b>REVENUES:</b>		
Rental revenue from real estate	\$26,247 <sup>(5)</sup>	\$31,210 <sup>(5)</sup>
Tenant reimbursements	3,628	4,168
Other income, including lease terminations, settlements and interest	303	394
Total revenues	<u>30,178</u>	<u>35,772</u>
<b>EXPENSES:</b>		
Operating expenses	2,173	2,504
Real estate taxes	2,716	2,951
Interest	4,647	4,363
Interest (related parties)	307	252
General and administrative	675	348
Depreciation and amortization of real estate	5,574 <sup>(1)</sup>	5,440 <sup>(1)</sup>
Total expenses	<u>16,092</u>	<u>15,858</u>
Income before equity in earnings of unconsolidated joint venture and minority interests	14,086	19,914
Equity in (loss)/earnings of unconsolidated joint venture	(6)	591
Minority interests	(11,677)	(17,044)
Income from continuing operations	<u>2,403</u>	<u>3,461</u>
Discontinued operations, net of minority interests:		
Gain from disposal of discontinued operations	14	-
(Loss)/income from discontinued operations	(9)	62
Income from discontinued operations	<u>5</u>	<u>62</u>
Net income to common stockholders	<u>\$ 2,408</u>	<u>\$ 3,523</u>
Net income to minority interests	<u>\$11,902</u>	<u>\$17,269</u>
Income per share from continuing operations:		
Basic	\$0.13	\$0.19
Diluted	\$0.13	\$0.19
Income per share from discontinued operations:		
Basic	-	\$0.01
Diluted	-	-
Net income per share to common stockholders:		
Basic	\$0.13	\$0.20
Diluted	<u>\$0.13</u>	<u>\$0.19</u>
Weighted average shares of common stock (basic)	<u>18,110,524</u>	<u>17,969,416</u>
Weighted average shares of common stock (diluted)	<u>18,136,797</u>	<u>18,075,262</u>
Weighted average O.P. units outstanding	<u>86,371,362</u>	<u>86,503,459</u>
<b>FUNDS FROM OPERATIONS</b>		
Funds from operations	\$20,308	\$27,078
Funds from operations per share <sup>(2)</sup>	<u>\$ 0.19</u>	<u>\$ 0.26</u>
Outstanding common stock	<u>18,147,191</u>	<u>18,014,691</u>
Outstanding O.P. units	<u>86,334,695</u>	<u>86,467,195</u>
Weighted average O.P. units and common stock outstanding (diluted)	<u>104,508,159</u>	<u>104,578,721</u>

<b>FUNDS FROM OPERATIONS CALCULATION</b>	<b>Three Months Ended March 31, 2005</b>	<b>Three Months Ended March 31, 2004</b>
Net income	\$ 2,408	\$ 3,523
Add:		
Minority interests <sup>(3)</sup>	11,574	17,145
Depreciation and amortization of real estate from continuing operations	6,001	6,110
Depreciation and amortization of real estate from discontinued operations	33	82
Depreciation & amortization of real estate held in unconsolidated joint venture	355	218
Less:		
Gain on sale of real estate	(63)	-
Funds from operations	<u>\$20,308</u>	<u>\$27,078</u>

Funds From Operations ("FFO") is a non-GAAP financial measurement used by real estate investment trusts 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 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, 2005</b>	<b>Three Months Ended March 31, 2004</b>
Total properties, end of period	108	109
Total square feet, end of period	8,019,082	7,917,262
Average monthly rental revenue per square foot <sup>(4)</sup>	\$1.59	\$1.78
Average occupancy	68.1%	75.8%
Actual occupancy	67.7%	75.3%
Straight-line rent	\$ 615	(\$ 68)
Leasing commissions	\$3,584	\$924
Capital expenditures	\$ 285	\$115

<b>BALANCE SHEET</b>	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Assets:		
Land	\$ 277,647	\$ 273,663
Buildings and improvements	777,925	770,757
Real estate related intangible assets	18,284	18,284
Total investments in properties	<u>1,073,856</u>	<u>1,062,704</u>
Less accumulated depreciation and amortization	(115,655)	(110,062)
Assets held for sale, net of accumulated depreciation of \$1,578 at December 31, 2004	-	8,221
Net investments in properties	<u>958,201</u>	<u>960,863</u>
Cash and cash equivalents	2,561	1,519
Restricted cash	1,551	1,551
Note receivable, net of deferred gain on sale of real estate of \$1,345	2,714	-
Deferred rent receivable	19,126	18,511
Investment in unconsolidated joint venture	3,298	3,559
Other assets	24,130	19,653
Total assets	<u><u>\$1,011,581</u></u>	<u><u>\$1,005,656</u></u>
Liabilities:		
Line of credit – related parties	\$ 7,910	\$ 9,560
Revolving line of credit	32,504	24,208
Mortgage notes payable	290,855	292,822
Mortgage notes payable – related parties	10,330	10,420
Interest payable	327	327
Security deposits	8,101	8,544
Deferred rental income	12,659	11,038
Liabilities related to assets held for sale	-	14
Dividend/distribution payable	16,718	16,718
Accounts payable and accrued expenses	9,670	6,704
Total liabilities	<u>389,074</u>	<u>380,355</u>
Minority interests	509,255	512,089
Stockholders' equity:		
Common stock, \$.001 par value	18	18
Paid in capital	135,075	134,539
Accumulated deficit	(21,841)	(21,345)
Total stockholders' equity	<u>113,252</u>	<u>113,212</u>
Total liabilities and stockholders' equity	<u><u>\$1,011,581</u></u>	<u><u>\$1,005,656</u></u>

- (1) Includes approximately \$440 and \$577 in amortization expense for the three months ended March 31, 2005 and 2004, respectively, for the amortization of in-place lease value of the San Tomas Technology Park acquisition pursuant to Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations."
- (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 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 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.
- (5) Includes approximately \$472 in amortization expense for the three months ended March 31, 2005 and 2004 for the amortization of the above-market lease intangible asset of the San Tomas Technology Park acquisition pursuant to Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations."