



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

## Press Release

For Immediate News Release  
April 18, 2007

### **MISSION WEST PROPERTIES ANNOUNCES FIRST QUARTER 2007 OPERATING RESULTS**

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

**Cupertino, CA – Mission West Properties, Inc. (AMEX: MSW)** reported today that Funds From Operations (“FFO”) for the quarter ended March 31, 2007 was approximately \$23,905,000 or \$0.23 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 \$34,526,000 or \$0.33 per diluted common share for the same period in 2006. On a sequential quarter basis, FFO for the quarter ended December 31, 2006 was approximately \$0.18 per diluted common share. Termination fees and security deposit forfeitures income relating to lease terminations accounted for approximately \$10,109,000, or \$0.10 per diluted common share and \$16,056,000, or \$0.15 per diluted common share for the quarters ended March 31, 2007 and 2006, 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 quarter ended March 31, 2007.

Net income per diluted share to common stockholders was \$0.17 for the quarter ended March 31, 2007 compared to \$0.28 for the quarter ended March 31, 2006, a per share decrease of approximately 39.3%. Termination fees and security deposit forfeitures income relating to lease terminations accounted for approximately \$0.10 and \$0.16 per diluted common share for the quarters ended March 31, 2007 and 2006, 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 quarter ended March 31, 2007.

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

In March 2007, the Company acquired 50 acres of vacant land in Morgan Hill, California, which could support approximately 725,000 rentable square feet of space. The land is currently zoned for industrial use and a portion has the potential to be rezoned for residential use. The acquisition price for this property was approximately \$25,543,000 and was funded from a portion of the proceeds received from the Samaritan property sale, which was classified as restricted cash as of December 31, 2006.

#### ***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 107 properties totaling approximately 7.7 million rentable 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 Mar 31, 2007</b>	<b>Three Months Ended Mar 31, 2006</b>
<b>REVENUES:</b>		
Rental revenue from real estate	\$21,338	\$24,788
Above market lease intangible asset amortization	(4,091) <sup>(1)</sup>	(472) <sup>(1)</sup>
Tenant reimbursements	3,227	3,309
Lease termination income	10,109	16,056
Other income, including interest	3,056	732
Total revenues	33,639	44,413
<b>EXPENSES:</b>		
Operating expenses	1,968	2,056
Real estate taxes	2,578	2,625
Interest	5,069	5,215
Interest (related parties)	184	192
General and administrative	713	635
Depreciation and amortization of real estate	6,210 <sup>(2)</sup>	5,479 <sup>(2)</sup>
Total expenses	16,722	16,202
Income before equity in earnings of unconsolidated joint venture and minority interests	16,917	28,211
Equity in earnings of unconsolidated joint venture	337	331
Minority interests	(13,879)	(23,390)
Income from operations	3,375	5,152
Net income to common stockholders	\$ 3,375	\$ 5,152
Net income to minority interests	\$13,879	\$23,390
Net income per share to common stockholders:		
Basic	\$0.17	\$0.28
Diluted	\$0.17	\$0.28
Weighted average shares of common stock (basic)	19,582,787	18,455,897
Weighted average shares of common stock (diluted)	19,889,453	18,520,297
Weighted average O.P. units outstanding	85,066,999	86,082,539
<b>FUNDS FROM OPERATIONS</b>		
Funds from operations	\$23,905	\$34,526
Funds from operations per share <sup>(3)</sup>	\$ 0.23	\$ 0.33
Outstanding common stock	19,625,587	18,511,291
Outstanding O.P. units	85,024,199	86,038,095
Weighted average O.P. units and common stock outstanding (diluted)	104,956,452	104,602,836

<b>FUNDS FROM OPERATIONS CALCULATION</b>	<b>Three Months Ended Mar 31, 2007</b>	<b>Three Months Ended Mar 31, 2006</b>
Net income	\$ 3,375	\$ 5,152
Add:		
Minority interests <sup>(4)</sup>	13,755	23,256
Depreciation and amortization of real estate	6,586	5,907
Depreciation & amortization of real estate held in unconsolidated joint venture	189	211
Funds from operations	<u>\$23,905</u>	<u>\$34,526</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 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 Mar 31, 2007</b>	<b>Three Months Ended Mar 31, 2006</b>
Total properties, end of period	107	109
Total square feet, end of period	7,701,359	7,894,355
Average monthly rental revenue per square foot <sup>(5)</sup>	\$1.50	\$1.63
Occupancy for leased properties	69.4%	67.3%
Straight-line rent	(\$1,595)	(\$677)
Leasing commissions	\$ 458	\$ 270
Capital expenditures	\$ 863	\$ 79

<b>BALANCE SHEET</b>	<b>March 31, 2007</b>	<b>December 31, 2006</b>
<b>Assets:</b>		
Land	\$ 297,765	\$ 272,223
Buildings and improvements	757,459	756,596
Real estate related intangible assets	6,422	19,529
Total investments in properties	<u>1,061,646</u>	<u>1,048,348</u>
Less accumulated depreciation and amortization	(146,653)	(149,459)
Net investments in properties	<u>914,993</u>	<u>898,889</u>
Cash and cash equivalents	45,703	33,785
Restricted cash	21,503	48,245
Deferred rent receivable	16,894	18,489
Investment in unconsolidated joint venture	3,155	3,468
Other assets, net	25,051	24,611
Total assets	<u><u>\$1,027,299</u></u>	<u><u>\$1,027,487</u></u>
<b>Liabilities:</b>		
Mortgage notes payable	\$ 345,495	\$ 348,101
Mortgage notes payable – related parties	9,549	9,654
Interest payable	1,366	1,375
Security deposits	6,798	6,977
Deferred rental income	7,915	6,874
Dividend/distribution payable	16,745	16,745
Accounts payable and accrued expenses	8,795	7,601
Total liabilities	<u>396,663</u>	<u>397,327</u>
Minority interests	<u>498,970</u>	<u>501,282</u>
<b>Stockholders' equity:</b>		
Common stock, \$.001 par value	20	19
Paid-in capital	152,094	149,541
Accumulated deficit	(20,448)	(20,682)
Total stockholders' equity	<u>131,666</u>	<u>128,878</u>
Total liabilities and stockholders' equity	<u><u>\$1,027,299</u></u>	<u><u>\$1,027,487</u></u>

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

(2) Includes approximately \$1,193 and \$340 in amortization expense for the three months ended March 31, 2007 and 2006, 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.