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Press Release

For Immediate News Release
July 14, 2003

MISSION WEST PROPERTIES, INC. ANNOUNCES SECOND 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 June 30, 2003 was \$28,952,000 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 \$29,199,000 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 March 31, 2003.

In addition to FFO for the quarter ended June 30, 2003, the Company recognized a gain of \$1,400,000 from the sale of joint venture real estate, which was recorded as equity in earnings of unconsolidated joint venture.

Net income per diluted share was \$0.23 for the quarters ended June 30, 2003 and 2002. For the six months ended June 30, 2003, net income per diluted share was \$0.46, down from \$0.52 per diluted share in the first half of 2002, which included \$0.06 gain from sale of real estate.

Investment Activity

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 was sold and the Company recognized a gain of approximately \$1.4 million.

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 is adjacent to 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 by the assets in the acquisition for the sum of \$80 million at LIBOR plus 200 basis points and matures in April 2004. In addition, the Company utilized approximately \$19.2 million of its operating line of credit with Cupertino National Bank in connection with this acquisition.

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)

	<u>Three Months Ended June 30, 2003</u>	<u>Three Months Ended June 30, 2002</u>	<u>Six Months Ended June 30, 2003</u>	<u>Six Months Ended June 30, 2002</u>
REVENUES:				
Rental revenues from real estate	\$33,194	\$32,753	\$64,626	\$65,238 ⁽¹⁾
Tenant reimbursements	4,990	4,875	9,565	10,201
Other income, including interest	569	278	1,303	774
Total revenues	<u>38,753</u>	<u>37,906</u>	<u>75,494</u>	<u>76,213</u>
EXPENSES:				
Operating expenses	1,891	1,921	3,410	4,196
Real estate taxes	3,440	3,003	6,515	6,060
Depreciation & amortization of real estate	5,397 ⁽²⁾	4,455	9,961 ⁽²⁾	8,811
General and administrative	322	370	680	804
Interest	4,356	2,362	7,761	4,633
Interest (related parties)	256	899	550	1,909
Total expenses	<u>15,662</u>	<u>13,010</u>	<u>28,877</u>	<u>26,413</u>
Income before minority interests & equity in earnings of unconsolidated joint venture	23,091	24,896	46,617	49,800
Equity in earnings of unconsolidated joint venture	2,023	-	2,760	-
Income before minority interest	<u>25,114</u>	<u>24,896</u>	<u>49,377</u>	<u>49,800</u>
Minority interests	20,958	20,823	41,187	41,591
Income from continuing operations	<u>4,156</u>	<u>4,073</u>	<u>8,190</u>	<u>8,209</u>
Discontinued operations, net of minority interests:				
Gain from disposal of discontinued operations	-	-	-	1,017
Income attributable to discontinued operations	-	-	-	48
Income from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,065</u>
Net income to common stockholders	<u>\$ 4,156</u>	<u>\$ 4,073</u>	<u>\$ 8,190</u>	<u>\$ 9,274</u>
Net income to minority interests	<u>\$20,958</u>	<u>\$20,823</u>	<u>\$41,187</u>	<u>\$46,917</u>
Income per share from continuing operations:				
Basic	<u>\$0.23</u>	<u>\$0.23</u>	<u>\$0.46</u>	<u>\$0.47</u>
Diluted	<u>\$0.23</u>	<u>\$0.23</u>	<u>\$0.46</u>	<u>\$0.46</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>\$0.23</u>	<u>\$0.23</u>	<u>\$0.46</u>	<u>\$0.53</u>
Diluted	<u>\$0.23</u>	<u>\$0.23</u>	<u>\$0.46</u>	<u>\$0.52</u>
Weighted average shares of common stock (basic)	<u>17,701,999</u>	<u>17,464,692</u>	<u>17,669,808</u>	<u>17,434,796</u>
Weighted average shares of common stock (diluted)	<u>17,762,773</u>	<u>17,902,853</u>	<u>17,728,638</u>	<u>17,878,483</u>
Weighted average O.P. units outstanding	<u>86,498,064</u>	<u>86,163,983</u>	<u>86,504,837</u>	<u>86,181,702</u>
FUNDS FROM OPERATIONS				
Funds from operations	<u>\$28,952</u>	<u>\$29,199</u>	<u>\$57,607</u>	<u>\$58,632</u>
Funds from operations per share ⁽³⁾	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.55</u>	<u>\$0.56</u>
Outstanding common stock	<u>17,739,691</u>	<u>17,467,329</u>	<u>17,739,691</u>	<u>17,467,329</u>
Outstanding O.P. units	<u>86,498,064</u>	<u>86,161,346</u>	<u>86,498,064</u>	<u>86,161,346</u>
Weighted average O.P. units & common stock outstanding (diluted)	<u>104,260,837</u>	<u>104,066,836</u>	<u>104,233,476</u>	<u>104,060,185</u>

FUNDS FROM OPERATIONS CALCULATION	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Net income	\$ 4,156	\$ 4,073	\$ 8,190	\$ 9,273
Add:				
Minority interests (4)	20,799	20,671	40,856	46,605
Depreciation and amortization of real estate	5,397	4,455	9,961	8,857
Less:				
Gain on sale of JV assets / assets	1,400	-	1,400	6,103
Funds from operations	<u>\$28,952</u>	<u>\$29,199</u>	<u>\$57,607</u>	<u>\$58,632</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, amortization of commission 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.

PROPERTY AND OTHER DATA:	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Total properties, end of period	108	100	108	100
Total square feet, end of period	7,788,742	6,998,930	7,788,742	6,998,930
Average monthly rental revenue per square foot (5)	\$ 1.73	\$ 1.69	\$ 1.73	\$ 1.69
Average occupancy	81.5%	90.9%	82.6%	93.1%
Actual occupancy	80.2%	90.3%	80.2%	90.3%
Straight-line rent	\$206	\$176	\$ 450	(\$ 605)
Capital expenditures	\$756	\$217	\$1,409	\$ 358

BALANCE SHEET

	<u>June 30, 2003</u>	<u>December 31, 2002</u>
Assets:		
Land	\$ 276,405	\$234,707
Buildings and improvements	795,415 ⁽⁶⁾	726,581
Total investments in properties	<u>1,071,820</u>	<u>961,288</u>
Less accumulated depreciation	(76,049)	(66,560)
Net investments in properties	<u>995,771</u>	<u>894,728</u>
Investments in unconsolidated joint venture	2,159	-
Net investments in real estate assets	<u>997,930</u>	<u>894,728</u>
Cash	2,745	4,479
Deferred rent	17,451	17,001
Other assets	13,477	13,198
Total assets	<u><u>\$1,031,603</u></u>	<u><u>\$929,406</u></u>
Liabilities:		
Line of credit – related parties	\$ 4,185	\$ 58,792
Revolving line of credit	18,431	23,839
Loan payable	-	20,000
Mortgage notes payable	302,352	125,062
Mortgage notes payable – related parties	10,923	11,078
Interest payable	335	337
Security deposits	10,664	11,184
Prepaid rental income	14,056	9,876
Dividend/distribution payable	25,017	24,951
Accounts payable and accrued expenses	4,672	4,698
Total liabilities	<u>390,635</u>	<u>289,817</u>
Minority interests	528,317	528,768
Stockholders' equity:		
Common stock, \$.001 par value	18	17
Paid in capital	130,429	128,295
Accumulated deficit	(17,796)	(17,491)
Total stockholders' equity	<u>112,651</u>	<u>110,821</u>
Total liabilities and stockholders' equity	<u><u>\$1,031,603</u></u>	<u><u>\$929,406</u></u>

- (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) Includes approximately \$472 in amortization expense from the adoption of Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations," which requires the purchase price allocation and amortization of the origination value and fair market value of the acquired leases associated with properties acquired after July 1, 2001.
- (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 unrelated 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.
- (6) Effective January 1, 2003, the Company adopted SFAS No. 141, which was applied to the San Tomas Technology Park acquisition. The amount allocated, in accordance with SFAS No. 141, was approximately \$11.2 million, which will be amortized over six years.