



Press Release

For Immediate News Release
July 12, 2004

MISSION WEST PROPERTIES, INC. ANNOUNCES SECOND QUARTER 2004 UNAUDITED 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, 2004 was \$28,793,000 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 \$28,952,000 or \$0.28 per diluted common share for the same period in 2003, which included \$0.01 gain from the sale of joint venture real estate. On a sequential quarter basis, FFO per diluted common share increased \$0.02 over the previous quarter ended March 31, 2004. Lease termination fees and a settlement of a tenant breach of lease lawsuit accounted for approximately \$0.04 per diluted share in the second quarter 2004.

Net income to common stockholders per diluted share was \$0.21 for the quarter ended June 30, 2004 compared to \$0.23 for the same period in 2003, which included \$0.01 gain from the sale of joint venture real estate included in equity in earnings of unconsolidated joint venture, a per share decrease of approximately 8.7%. For the six months ended June 30, 2004, net income to common stockholders per diluted share was \$0.42, down from \$0.46 per diluted share from one year ago, a per share decrease of approximately 8.7%. Net income per diluted share for the second quarter and the first half of 2004 included \$0.04 per share from lease termination fees and a tenant breach of lease lawsuit settlement.

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 109 properties totaling approximately 7.9 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
UNAUDITED

(In thousands, except share, per share and property data amounts)

	Three Months Ended Jun 30, 2004	Three Months Ended Jun 30, 2003	Six Months Ended Jun 30, 2004	Six Months Ended Jun 30, 2003
REVENUES:				
Rental revenues from real estate	\$30,373	\$33,194	\$62,421	\$64,626
Tenant reimbursements	3,738	4,990	7,956	9,565
Other income, including interest	4,613 ⁽⁵⁾	569	5,007 ⁽⁵⁾	1,303
Total revenues	<u>38,724</u>	<u>38,753</u>	<u>75,384</u>	<u>75,494</u>
EXPENSES:				
Operating expenses	2,034	1,891	4,026	3,410
Real estate taxes	3,034	3,440	6,028	6,515
Depreciation & amortization of real estate	5,854 ⁽¹⁾	5,397	11,705 ⁽¹⁾	9,961
General and administrative	885	322	1,233	680
Interest	4,220	4,356	8,583	7,761
Interest (related parties)	252	256	504	550
Total expenses	<u>16,279</u>	<u>15,662</u>	<u>32,079</u>	<u>28,877</u>
Income before minority interests & equity in earnings of unconsolidated joint venture	22,445	23,091	43,305	46,617
Equity in earnings of unconsolidated joint venture	627	2,023	1,218	2,760
Income before minority interests	<u>23,072</u>	<u>25,114</u>	<u>44,523</u>	<u>49,377</u>
Minority interests	19,202	20,958	37,019	41,187
Income from continuing operations	<u>3,870</u>	<u>4,156</u>	<u>7,504</u>	<u>8,190</u>
Net income to common stockholders	<u>\$ 3,870</u>	<u>\$ 4,156</u>	<u>\$ 7,504</u>	<u>\$ 8,190</u>
Net income to minority interests	<u>\$19,202</u>	<u>\$20,958</u>	<u>\$37,019</u>	<u>\$41,187</u>
Income per share from continuing operations:				
Basic	<u>\$0.21</u>	<u>\$0.23</u>	<u>\$0.42</u>	<u>\$0.46</u>
Diluted	<u>\$0.21</u>	<u>\$0.23</u>	<u>\$0.42</u>	<u>\$0.46</u>
Net income per share to common stockholders:				
Basic	<u>\$0.21</u>	<u>\$0.23</u>	<u>\$0.42</u>	<u>\$0.46</u>
Diluted	<u>\$0.21</u>	<u>\$0.23</u>	<u>\$0.42</u>	<u>\$0.46</u>
Weighted average shares of common stock (basic)	<u>18,016,356</u>	<u>17,701,999</u>	<u>17,992,886</u>	<u>17,669,808</u>
Weighted average shares of common stock (diluted)	<u>18,079,139</u>	<u>17,762,773</u>	<u>18,075,734</u>	<u>17,728,638</u>
Weighted average O.P. units outstanding	<u>86,465,530</u>	<u>86,498,064</u>	<u>86,484,494</u>	<u>86,504,837</u>
FUNDS FROM OPERATIONS				
Funds from operations	\$28,793	\$28,952	\$55,971	\$57,607
Funds from operations per share ⁽²⁾	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.54</u>	<u>\$ 0.55</u>
Outstanding common stock	<u>18,063,691</u>	<u>17,739,691</u>	<u>18,063,691</u>	<u>17,739,691</u>
Outstanding O.P. units	<u>86,418,195</u>	<u>86,498,064</u>	<u>86,418,195</u>	<u>86,498,064</u>
Weighted average O.P. units & common stock outstanding (diluted)	<u>104,544,669</u>	<u>104,260,837</u>	<u>104,477,381</u>	<u>104,233,476</u>

FUNDS FROM OPERATIONS CALCULATION	Three Months Ended Jun 30, 2004	Three Months Ended Jun 30, 2003	Six Months Ended Jun 30, 2004	Six Months Ended Jun 30, 2003
Net income	\$ 3,870	\$ 4,156	\$ 7,505	\$ 8,190
Add:				
Minority interests (3)	19,069	20,799	36,761	40,856
Depreciation and amortization of real estate	5,854	5,397	11,705	9,961
Less:				
Gain on sale of JV real estate	-	1,400	-	1,400
Funds from operations	<u>\$28,793</u>	<u>\$28,952</u>	<u>\$55,971</u>	<u>\$57,607</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 Jun 30, 2004	Three Months Ended Jun 30, 2003	Six Months Ended Jun 30, 2004	Six Months Ended Jun 30, 2003
Total properties, end of period	109	108	109	108
Total square feet, end of period	7,917,262	7,788,742	7,917,262	7,788,742
Average monthly rental revenue per square foot (4)	\$1.79	\$1.73	\$1.79	\$1.73
Average occupancy	71.6%	81.5%	73.7%	82.6%
Actual occupancy	71.6%	80.2%	71.6%	80.2%
Straight-line rent	(\$ 81)	\$206	(\$ 149)	\$ 450
Capital expenditures	\$776	\$756	\$1,852	\$1,409

BALANCE SHEET (UNAUDITED)	June 30, 2004	December 31, 2003
Assets:		
Land	\$ 279,163	\$ 279,163
Buildings and improvements	786,337	785,660
Real estate related intangible assets	18,284	18,284
Total investments in properties	<u>1,083,784</u>	<u>1,083,107</u>
Less accumulated depreciation	(99,821)	(88,116)
Net investments in properties	<u>983,963</u>	<u>994,991</u>
Investments in unconsolidated joint venture	2,504	2,285
Net investments in real estate assets	<u>986,467</u>	<u>997,276</u>
Cash	1,857	4,129
Deferred rent	18,822	18,970
Other assets	16,282	16,025
Total assets	<u><u>\$1,023,428</u></u>	<u><u>\$1,036,400</u></u>
Liabilities:		
Line of credit – related parties	\$ 1,603	\$ 6,320
Revolving line of credit	22,513	23,965
Mortgage notes payable	297,250	299,858
Mortgage notes payable – related parties	10,594	10,762
Interest payable	330	332
Security deposits	9,900	10,248
Prepaid rental income	14,181	12,723
Dividend/distribution payable	25,076	25,031
Accounts payable and accrued expenses	5,647	5,085
Total liabilities	<u>387,094</u>	<u>394,324</u>
Minority interests	522,007	528,062
Stockholders' equity:		
Common stock, \$.001 par value	18	18
Paid in capital	133,603	132,136
Accumulated deficit	(19,294)	(18,140)
Total stockholders' equity	<u>114,327</u>	<u>114,014</u>
Total liabilities and stockholders' equity	<u><u>\$1,023,428</u></u>	<u><u>\$1,036,400</u></u>

(1) Includes approximately \$912 and \$1,825 in amortization expense for the three and six months ended June 30, 2004, respectively, for the amortization of the origination value and fair market value of acquired leases 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 \$3.7 million from termination fees and a tenant breach of lease lawsuit settlement.