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companies that build the internet.™*

## Press Release

For Immediate News Release  
October 15, 2003

### **MISSION WEST PROPERTIES, INC. ANNOUNCES THIRD 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 September 30, 2003 was \$29,214,000 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 \$29,051,000 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 June 30, 2003.

Net income to common stockholders per diluted share was \$0.22 for the quarter ended September 30, 2003 compared to \$0.26 for the same period in 2002. For the nine months ended September 30, 2003, net income to common stockholders per diluted share was \$0.68, down from \$0.77 per diluted share from one year ago, which included \$0.06 from the sale of real estate included in discontinued operations.

#### ***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 Sept 30, 2003</u>	<u>Three Months Ended Sept 30, 2002</u>	<u>Nine Months Ended Sept 30, 2003</u>	<u>Nine Months Ended Sept 30, 2002</u>
<b>REVENUES:</b>				
Rental revenues from real estate	\$33,782	\$32,165	\$ 98,408	\$ 97,403 <sup>(1)</sup>
Tenant reimbursements	4,796	5,219	14,360	15,420
Other income, including interest	567	487	1,871	1,261
Total revenues	<u>39,145</u>	<u>37,871</u>	<u>114,639</u>	<u>114,084</u>
<b>EXPENSES:</b>				
Operating expenses	2,555	1,974	5,965	6,170
Real estate taxes	2,876	3,091	9,391	9,152
Depreciation & amortization of real estate	5,797 <sup>(2)</sup>	4,552	15,758 <sup>(2)</sup>	13,363
General and administrative	360	386	1,039	1,190
Interest	4,335	2,413	12,097	7,045
Interest (related parties)	280	861	830	2,770
Total expenses	<u>16,203</u>	<u>13,277</u>	<u>45,080</u>	<u>39,690</u>
Income before minority interests & equity in earnings of unconsolidated joint venture	22,942	24,594	69,559	74,394
Equity in earnings of unconsolidated joint venture	599	-	3,358	-
Income before minority interest	<u>23,541</u>	<u>24,594</u>	<u>72,917</u>	<u>74,394</u>
Minority interests	19,598	20,036	60,785	61,629
Income from continuing operations	<u>3,943</u>	<u>4,558</u>	<u>12,132</u>	<u>12,765</u>
Discontinued operations, net of minority interests:				
Gain from disposal of discontinued operations	-	-	-	1,018
Income attributable to discontinued operations	-	-	-	49
Income from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067</u>
Net income to common stockholders	<u>\$ 3,943</u>	<u>\$ 4,558</u>	<u>\$12,132</u>	<u>\$13,832</u>
Net income to minority interests	<u>\$19,598</u>	<u>\$20,036</u>	<u>\$60,785</u>	<u>\$66,952</u>
Income per share from continuing operations:				
Basic	<u>\$0.22</u>	<u>\$0.26</u>	<u>\$0.68</u>	<u>\$0.73</u>
Diluted	<u>\$0.22</u>	<u>\$0.26</u>	<u>\$0.68</u>	<u>\$0.71</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>\$0.22</u>	<u>\$0.26</u>	<u>\$0.68</u>	<u>\$0.79</u>
Diluted	<u>\$0.22</u>	<u>\$0.26</u>	<u>\$0.68</u>	<u>\$0.77</u>
Weighted average shares of common stock (basic)	<u>17,747,293</u>	<u>17,467,329</u>	<u>17,695,920</u>	<u>17,445,759</u>
Weighted average shares of common stock (diluted)	<u>17,817,917</u>	<u>17,856,688</u>	<u>17,757,461</u>	<u>17,872,108</u>
Weighted average O.P. units outstanding	<u>86,498,064</u>	<u>86,494,032</u>	<u>86,502,555</u>	<u>86,286,956</u>
<b>FUNDS FROM OPERATIONS</b>				
Funds from operations	<u>\$29,214</u>	<u>\$29,051</u>	<u>\$86,821</u>	<u>\$87,684</u>
Funds from operations per share <sup>(3)</sup>	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.83</u>	<u>\$0.84</u>
Outstanding common stock	<u>17,754,691</u>	<u>17,467,329</u>	<u>17,754,691</u>	<u>17,467,329</u>
Outstanding O.P. units	<u>86,498,064</u>	<u>86,494,032</u>	<u>86,498,064</u>	<u>86,494,032</u>
Weighted average O.P. units & common stock outstanding (diluted)	<u>104,315,981</u>	<u>104,350,720</u>	<u>104,260,016</u>	<u>104,159,065</u>

<b>FUNDS FROM OPERATIONS CALCULATION</b>	<b>Three Months Ended Sept 30, 2003</b>	<b>Three Months Ended Sept 30, 2002</b>	<b>Nine Months Ended Sept 30, 2003</b>	<b>Nine Months Ended Sept 30, 2002</b>
Net income	\$ 3,943	\$ 4,558	\$12,132	\$13,832
Add:				
Minority interests (4)	19,474	19,941	60,331	66,546
Depreciation and amortization of real estate	5,797	4,552	15,758	13,409
Less:				
Gain on sale of JV assets / assets	-	-	1,400	6,103
Funds from operations	<u>\$29,214</u>	<u>\$29,051</u>	<u>\$86,821</u>	<u>\$87,684</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.

<b>PROPERTY AND OTHER DATA:</b>	<b>Three Months Ended Sept 30, 2003</b>	<b>Three Months Ended Sept 30, 2002</b>	<b>Nine Months Ended Sept 30, 2003</b>	<b>Nine Months Ended Sept 30, 2002</b>
Total properties, end of period	108	101	108	101
Total square feet, end of period	7,788,742	7,163,930	7,788,742	7,163,930
Average monthly rental revenue per square foot (5)	\$1.81	\$1.72	\$1.76	\$1.70
Average occupancy	78.4%	88.3%	81.3%	91.8%
Actual occupancy	78.3%	85.8%	78.3%	85.8%
Straight-line rent	\$596	(\$484)	\$1,046	(\$1,088)
Capital expenditures	\$492	\$586	\$1,901	\$699

<b>BALANCE SHEET</b>	<u>Sept 30, 2003</u>	<u>December 31, 2002</u>
<b>Assets:</b>		
Land	\$ 276,405	\$234,707
Buildings and improvements	777,156	726,581
Real estate related intangible assets	18,284 <sup>(6)</sup>	-
Total investments in properties	<u>1,071,845</u>	<u>961,288</u>
Less accumulated depreciation	(82,318)	(66,560)
Net investments in properties	<u>989,527</u>	<u>894,728</u>
Investments in unconsolidated joint venture	2,258	-
Net investments in real estate assets	<u>991,785</u>	<u>894,728</u>
Cash	5,096	4,479
Deferred rent	18,047	17,001
Other assets	15,463	13,198
Total assets	<u><u>\$1,030,391</u></u>	<u><u>\$929,406</u></u>
<b>Liabilities:</b>		
Line of credit – related parties	\$ 769	\$ 58,792
Revolving line of credit	19,966	23,839
Loan payable	-	20,000
Mortgage notes payable	301,115	125,062
Mortgage notes payable – related parties	10,843	11,078
Interest payable	335	337
Security deposits	10,389	11,184
Prepaid rental income	15,003	9,876
Dividend/distribution payable	25,021	24,951
Accounts payable and accrued expenses	7,471	4,698
Total liabilities	<u>390,912</u>	<u>289,817</u>
Minority interests	527,023	528,768
<b>Stockholders' equity:</b>		
Common stock, \$.001 par value	18	17
Paid in capital	130,552	128,295
Accumulated deficit	(18,114)	(17,491)
Total stockholders' equity	<u>112,456</u>	<u>110,821</u>
Total liabilities and stockholders' equity	<u><u>\$1,030,391</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 \$912 and \$1,385 in amortization expense for the three and nine months ended September 30, 2003, respectively, for the amortization of the origination value and fair market value of acquired leases of the San Tomas property pursuant to Statement of Financial Accounting Standard ("SFAS") 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 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) The Company applied the provisions of SFAS No. 141 to the San Tomas Technology Park acquisition. The amount allocated to intangible assets pursuant to SFAS No. 141 was approximately \$18.3 million, which will be amortized over the remaining lease terms.