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## Press Release

For Immediate News Release  
October 23, 2006

### **MISSION WEST PROPERTIES ANNOUNCES THIRD QUARTER 2006 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 September 30, 2006 was \$16,567,000 or \$0.16 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 \$18,528,000 or \$0.18 per diluted common share for the same period in 2005. On a sequential quarter basis, FFO for the quarter ended June 30, 2006 was \$0.16 per diluted common share. For the nine months ended September 30, 2006, FFO increased to \$68,047,000 or \$0.65 per diluted common share from FFO of \$59,977,000 or \$0.57 per diluted common share for the same period in 2005. Excluding termination fees and security deposit forfeitures relating to lease terminations, FFO for the nine months ended September 30, 2006 and 2005 was \$0.50 and \$0.55 per diluted common share, respectively.

Net income per diluted share to common stockholders was \$0.11 for the quarter ended September 30, 2006 compared to \$0.13 for the quarter ended September 30, 2005, a per share decrease of approximately 15.4%. For the nine months ended September 30, 2006, net income per diluted share to common stockholders was \$0.49, up from \$0.41 one year ago, a per share increase of approximately 19.5%. Excluding termination fees and security deposit forfeitures relating to lease terminations, net income per diluted share to common stockholders for the nine months ended September 30, 2006 and 2005 was \$0.34 and \$0.39, respectively.

#### ***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 110 properties totaling approximately 7.9 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)

	<u>Three Months Ended Sept 30, 2006</u>	<u>Three Months Ended Sept 30, 2005</u>	<u>Nine Months Ended Sept 30, 2006</u>	<u>Nine Months Ended Sept 30, 2005</u>
<b>REVENUES:</b>				
Rental revenue from real estate	\$22,362 <sup>(1)</sup>	\$24,692 <sup>(1)</sup>	\$69,005 <sup>(1)</sup>	\$76,043 <sup>(1)</sup>
Tenant reimbursements	3,311	4,031	9,686	11,254
Lease termination income	-	-	16,068	478
Other income, including interest	1,068	426	2,890	2,540
Total revenues	<u>26,741</u>	<u>29,149</u>	<u>97,649</u>	<u>90,315</u>
<b>EXPENSES:</b>				
Operating expenses	2,253	2,497	6,345	6,635
Real estate taxes	2,921	2,804	7,821	7,466
Interest	5,172	5,494	15,580	16,046
Interest (related parties)	188	229	569	779
General and administrative	531	424	1,803	1,542
Depreciation and amortization of real estate	5,727 <sup>(2)</sup>	5,268 <sup>(2)</sup>	16,632 <sup>(2)</sup>	16,005 <sup>(2)</sup>
Total expenses	<u>16,792</u>	<u>16,716</u>	<u>48,750</u>	<u>48,473</u>
Income before equity in earnings of unconsolidated joint venture and minority interests	9,949	12,433	48,899	41,842
Equity in earnings of unconsolidated joint venture	857	291	1,538	677
Minority interests	(8,700)	(10,551)	(41,057)	(35,172)
Income from continuing operations	<u>2,106</u>	<u>2,173</u>	<u>9,380</u>	<u>7,347</u>
Discontinued operations, net of minority interests:				
Gain from disposal of discontinued operations	-	291	-	305
Loss from discontinued operations	-	(13)	-	(98)
(Loss)/income from discontinued operations	<u>-</u>	<u>278</u>	<u>-</u>	<u>207</u>
Net income to common stockholders	<u>\$2,106</u>	<u>\$ 2,451</u>	<u>\$ 9,380</u>	<u>\$ 7,554</u>
Net income to minority interests	<u>\$8,700</u>	<u>\$11,541</u>	<u>\$41,057</u>	<u>\$35,823</u>
Income per share from continuing operations:				
Basic	\$0.11	\$0.12	\$0.50	\$0.40
Diluted	\$0.11	\$0.12	\$0.49	\$0.40
Income per share from discontinued operations:				
Basic	-	\$0.01	-	\$0.01
Diluted	-	\$0.01	-	\$0.01
Net income per share to common stockholders:				
Basic	<u>\$0.11</u>	<u>\$0.13</u>	<u>\$0.50</u>	<u>\$0.41</u>
Diluted	<u>\$0.11</u>	<u>\$0.13</u>	<u>\$0.49</u>	<u>\$0.41</u>
Weighted average shares of common stock (basic)	<u>19,350,672</u>	<u>18,356,278</u>	<u>18,948,214</u>	<u>18,242,495</u>
Weighted average shares of common stock (diluted)	<u>19,418,884</u>	<u>18,407,891</u>	<u>19,024,662</u>	<u>18,289,699</u>
Weighted average O.P. units outstanding	<u>85,233,964</u>	<u>86,169,195</u>	<u>85,609,739</u>	<u>86,254,519</u>
<b>FUNDS FROM OPERATIONS</b>				
Funds from operations	\$16,567	\$18,528	\$68,047	\$59,977
Funds from operations per share <sup>(3)</sup>	<u>\$ 0.16</u>	<u>\$ 0.18</u>	<u>\$ 0.65</u>	<u>\$ 0.57</u>
Outstanding common stock	<u>19,397,287</u>	<u>18,367,691</u>	<u>19,397,287</u>	<u>18,367,691</u>
Outstanding O.P. units	<u>85,231,199</u>	<u>86,169,195</u>	<u>85,231,199</u>	<u>86,169,195</u>
Weighted average O.P. units and common stock outstanding (diluted)	<u>104,652,848</u>	<u>104,577,086</u>	<u>104,634,401</u>	<u>104,544,218</u>

<b>FUNDS FROM OPERATIONS CALCULATION</b>	<b>Three Months Ended Sept 30, 2006</b>	<b>Three Months Ended Sept 30, 2005</b>	<b>Nine Months Ended Sept 30, 2006</b>	<b>Nine Months Ended Sept 30, 2005</b>
Net income	\$ 2,106	\$ 2,451	\$ 9,380	\$ 7,554
Add:				
Minority interests <sup>(4)</sup>	8,566	11,414	40,676	35,441
Depreciation and amortization of real estate from continuing operations	6,095	5,721	17,769	17,301
Depreciation and amortization of real estate from discontinued operations	-	77	-	315
Depreciation & amortization of real estate held in unconsolidated joint venture	238	210	660	774
Less:				
Gain on sale of JV real estate or real estate	(438)	(1,345)	(438)	(1,408)
<b>Funds from operations</b>	<b>\$16,567</b>	<b>\$18,528</b>	<b>\$68,047</b>	<b>\$59,977</b>

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 Sept 30, 2006</b>	<b>Three Months Ended Sept 30, 2005</b>	<b>Nine Months Ended Sept 30, 2006</b>	<b>Nine Months Ended Sept 30, 2005</b>
Total properties, end of period	110	107	110	107
Total square feet, end of period	7,936,481	7,780,082	7,936,481	7,780,082
Average monthly rental revenue per square foot <sup>(5)</sup>	\$1.55	\$1.57	\$1.59	\$1.56
Occupancy for leased properties	64.2%	67.5%	64.2%	67.5%
Straight-line rent	(\$ 218)	(\$ 99)	(\$1,048)	\$ 791
Leasing commissions	\$ 500	\$ 37	\$ 815	\$3,990
Capital expenditures	\$1,186	\$234	\$ 1,349	\$ 871

**BALANCE SHEET**

	<u>September 30, 2006</u>	<u>December 31, 2005</u>
Assets:		
Land	\$ 277,269	\$ 273,933
Buildings and improvements	778,378	766,457
Real estate related intangible assets	19,529	17,410
Total investments in properties	<u>1,075,176</u>	<u>1,057,800</u>
Less accumulated depreciation and amortization	(148,468)	(130,419)
Net investments in properties	<u>926,708</u>	<u>927,381</u>
Cash and cash equivalents	42,443	31,441
Restricted cash	6,893	16,712
Deferred rent receivable	18,170	19,218
Investment in unconsolidated joint venture	3,472	3,263
Other assets , net	25,537	25,362
Total assets	<u><u>\$1,023,223</u></u>	<u><u>\$1,023,377</u></u>
Liabilities:		
Mortgage notes payable	\$ 350,000	\$ 357,481
Mortgage notes payable – related parties	9,756	10,051
Interest payable	321	321
Security deposits	6,804	8,047
Deferred rental income	9,288	6,103
Dividend/distribution payable	16,741	16,725
Accounts payable and accrued expenses	14,000	8,952
Total liabilities	<u>406,910</u>	<u>407,680</u>
Minority interests	<u>490,122</u>	<u>500,682</u>
Stockholders' equity:		
Common stock, \$.001 par value	19	18
Paid-in capital	148,993	138,038
Accumulated deficit	(22,821)	(23,041)
Total stockholders' equity	<u>126,191</u>	<u>115,015</u>
Total liabilities and stockholders' equity	<u><u>\$1,023,223</u></u>	<u><u>\$1,023,377</u></u>

- (1) Includes approximately \$472 in amortization expense for the three months ended September 30, 2006 and 2005 and \$1,416 in amortization expense for the nine months ended September 30, 2006 and 2005 for the amortization of an above-market lease intangible asset pursuant to Statement of Financial Accounting Standard No. 141, "Business Combinations."
- (2) Includes approximately \$425 and \$321 in amortization expense for the three months ended September 30, 2006 and 2005, respectively, and \$1,189 and \$1,123 in amortization expense for the nine months ended September 30, 2006 and 2005, 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.