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Press Release

For Immediate News Release
October 17, 2007

MISSION WEST PROPERTIES ANNOUNCES THIRD 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 September 30, 2007 was approximately \$61,016,000 or \$0.58 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 \$16,567,000 or \$0.16 per diluted common share for the same period in 2006. Net termination fee income relating to lease terminations for the third quarter ended September 30, 2007 accounted for approximately \$46,340,000, or \$0.44 per diluted common share. On a sequential quarter basis, FFO for the quarter ended June 30, 2007 was approximately \$0.15 per diluted common share. For the nine months ended September 30, 2007, FFO increased to \$100,875,000 or \$0.96 per diluted common share from FFO of \$68,047,000 or \$0.65 per diluted common share for the same period in 2006. Net termination fees and security deposit forfeitures income relating to lease terminations accounted for approximately \$51,721,000 or \$0.49 per diluted common share and \$14,784,000 or \$0.14 per diluted common share for the nine months ended September 30, 2007 and 2006, respectively.

Net income per diluted share to common stockholders was \$0.60 for the quarter ended September 30, 2007 compared to \$0.11 for the quarter ended September 30, 2006, a per share increase of approximately 445.5%. Net termination fee income relating to lease terminations accounted for approximately \$0.47 per diluted common share for the three months ended September 30, 2007. For the nine months ended September 30, 2007, net income per diluted share to common stockholders was \$0.87, up from \$0.49 a year ago, a per share increase of approximately 77.6%. Net termination fees and security deposit forfeitures income relating to lease terminations accounted for approximately \$0.52 and \$0.15 per diluted common share for the nine months ended September 30, 2007 and 2006, respectively.

Status of Pending Merger

Three parties are actively evaluating the Company data under non-disclosure agreements and have all the data necessary to make a reasonable decision. The Company hopes to conclude this process by the end of October 2007. If an acceptable offer is not received, the Company will end all active interest in a merger and actively pursue its efforts to expand and grow the Company as it has in the past.

Acquisition Activity

On September 30, 2007, the Company acquired one vacant R&D property consisting of approximately 98,500 rentable square feet located at 5845 Hellyer Avenue in San Jose, California from the Berg Group under the Berg Land Holdings Option Agreement for an acquisition cost of approximately \$10.9 million.

Disposition Activity

During the third quarter of 2007, the Company completed the sale of two R&D properties, which include 45700 Northport Loop, Fremont, California consisting of approximately 47,600 rentable square feet and 1170 Morse Avenue, Sunnyvale, California consisting of approximately 39,200 rentable square feet. Gains of approximately \$1.7 million and \$4.8 million were realized on the total sale prices of \$7.7 million and \$8.3 million for 45700 Northport Loop and 1170 Morse Avenue, 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 109 properties totaling approximately 7.9 million rentable square feet, which includes approximately 854,000 rentable square feet (or 16 buildings) that are in the process of being rezoned for residential development. 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)

	Three Months Ended Sept 30, 2007	Three Months Ended Sept 30, 2006	Nine Months Ended Sept 30, 2007	Nine Months Ended Sept 30, 2006
REVENUES:				
Rental revenue from real estate	\$19,000	\$22,444	\$61,350	\$68,281
Above market lease intangible asset amortization	-	(472) ⁽¹⁾	(4,091) ⁽¹⁾	(1,416) ⁽¹⁾
Tenant reimbursements	3,454	3,260	9,908	9,383
Lease termination income	47,238	-	57,515	16,068
Other income, including intercos:	1,895	1,011	5,909	2,826
Total revenues	<u>71,587</u>	<u>26,243</u>	<u>130,591</u>	<u>95,142</u>
EXPENSES:				
Operating expenses	3,383	2,141	7,160	6,009
Real estate taxes	2,846	2,814	8,147	7,549
Interest	5,061	5,172	15,175	15,580
Interest (related parties)	180	188	546	569
General and administrative	982	531	2,369	1,803
Depreciation and amortization of real estate	5,532 ⁽²⁾	5,513 ⁽²⁾	17,084 ⁽²⁾	15,993 ⁽²⁾
Total expenses	<u>17,984</u>	<u>16,359</u>	<u>50,481</u>	<u>47,503</u>
Income before equity in earnings of unconsolidated joint venture and minority interests	53,603	9,884	80,110	47,639
Equity in earnings of unconsolidated joint venture	371	856	1,058	1,538
Minority interests	(43,153)	(8,644)	(64,980)	(39,997)
Income from continuing operations	<u>10,821</u>	<u>2,096</u>	<u>16,188</u>	<u>9,180</u>
Discontinued operations, net of minority interests				
Gain from disposal of discontinued operations	1,127	-	1,127	-
(Loss)/income attributable to discontinued operations	(7)	10	5	200
Income from discontinued operations	<u>1,120</u>	<u>10</u>	<u>1,132</u>	<u>200</u>
Net income to common stockholders	<u>\$11,941</u>	<u>\$2,106</u>	<u>\$17,320</u>	<u>\$ 9,380</u>
Net income to minority interests	<u>\$48,550</u>	<u>\$8,700</u>	<u>\$70,469</u>	<u>\$41,057</u>
Income per share from continuing operations:				
Basic	<u>\$0.55</u>	<u>\$0.11</u>	<u>\$0.82</u>	<u>\$0.49</u>
Diluted	<u>\$0.54</u>	<u>\$0.11</u>	<u>\$0.81</u>	<u>\$0.48</u>
Income per share from discontinued operations:				
Basic	<u>\$0.06</u>	<u>-</u>	<u>\$0.06</u>	<u>\$0.01</u>
Diluted	<u>\$0.06</u>	<u>-</u>	<u>\$0.06</u>	<u>\$0.01</u>
Net income per share to common stockholders:				
Basic	<u>\$0.61</u>	<u>\$0.11</u>	<u>\$0.88</u>	<u>\$0.50</u>
Diluted	<u>\$0.60</u>	<u>\$0.11</u>	<u>\$0.87</u>	<u>\$0.49</u>
Weighted average shares of common stock (basic)	<u>19,640,087</u>	<u>19,350,672</u>	<u>19,621,144</u>	<u>18,948,214</u>
Weighted average shares of common stock (diluted)	<u>19,818,806</u>	<u>19,418,884</u>	<u>19,914,374</u>	<u>19,024,662</u>
Weighted average O.P. units outstanding	<u>85,015,658</u>	<u>85,233,964</u>	<u>85,030,650</u>	<u>85,609,739</u>
FUNDS FROM OPERATIONS				
Funds from operations	\$61,016	\$16,567	\$100,875	\$68,047
Funds from operations per share ⁽³⁾	<u>\$ 0.58</u>	<u>\$ 0.16</u>	<u>\$ 0.96</u>	<u>\$ 0.65</u>
Outstanding common stock	<u>19,640,087</u>	<u>19,397,287</u>	<u>19,640,087</u>	<u>19,397,287</u>
Outstanding O.P. units	<u>85,557,935</u>	<u>85,231,199</u>	<u>85,557,935</u>	<u>85,231,199</u>
Weighted average O.P. units and common stock outstanding (diluted)	<u>104,834,464</u>	<u>104,652,848</u>	<u>104,945,024</u>	<u>104,634,401</u>

FUNDS FROM OPERATIONS CALCULATION	Three Months Ended Sept 30, 2007	Three Months Ended Sept 30, 2006	Nine Months Ended Sept 30, 2007	Nine Months Ended Sept 30, 2006
Net income	\$11,941	\$2,106	\$17,320	\$9,380
Add:				
Minority interests ^(a)	48,420	8,566	70,098	40,676
Depreciation and amortization of real estate from continuing operations	6,856	5,881	19,168	17,130
Depreciation and amortization of real estate from discontinued operations	139	214	250	639
Depreciation & amortization of real estate held in unconsolidated joint venture	189	238	568	660
Less:				
Gain on sale of real estate	(6,529)	(438)	(6,529)	(438)
Funds from operations	<u>\$61,016</u>	<u>\$16,567</u>	<u>\$100,875</u>	<u>\$68,047</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.

PROPERTY AND OTHER DATA:	Three Months Ended Sept 30, 2007	Three Months Ended Sept 30, 2006	Nine Months Ended Sept 30, 2007	Nine Months Ended Sept 30, 2006
Total properties, end of period	109	110	109	110
Total square feet, end of period	7,861,692	7,936,481	7,861,692	7,936,481
Average monthly rental revenue per square foot ^(b)	\$1.47	\$1.55	\$1.47	\$1.59
Occupancy for leased properties	62.6%	64.2%	62.6%	64.2%
Straight-line rent	(\$2,265)	(\$ 218)	(\$3,966)	(\$1,048)
Leasing commissions	\$ 746	\$ 500	\$ 2,647	\$ 815
Capital expenditures	\$ 2,212	\$1,186	\$ 4,621	\$1,349

BALANCE SHEET	September 30, 2007	December 31, 2006
Assets:		
Land	\$ 312,152	\$ 272,223
Buildings and improvements	764,408	756,596
Real estate related intangible assets	6,422	19,529
Total investments in properties	<u>1,082,982</u>	<u>1,048,348</u>
Less accumulated depreciation and amortization	(155,619)	(149,459)
Net investments in properties	<u>927,363</u>	<u>898,889</u>
Cash and cash equivalents	37,800	33,785
Restricted cash	65,468	48,245
Deferred rent receivable	14,523	18,489
Investment in unconsolidated joint venture	2,835	3,468
Other assets, net	25,522	24,611
Total assets	<u><u>\$1,073,511</u></u>	<u><u>\$1,027,487</u></u>
Liabilities:		
Mortgage notes payable	\$ 340,225	\$ 348,101
Mortgage notes payable – related parties	9,335	9,654
Interest payable	1,334	1,375
Security deposits	4,738	6,977
Deferred rental income	4,021	6,874
Dividend/distribution payable	16,832	16,745
Accounts payable and accrued expenses	22,906	7,601
Total liabilities	<u>399,391</u>	<u>397,327</u>
Minority interests	<u>534,268</u>	<u>501,282</u>
Stockholders' equity:		
Common stock, \$.001 par value	20	19
Paid-in capital	152,619	149,541
Accumulated deficit	(12,787)	(20,682)
Total stockholders' equity	<u>139,852</u>	<u>128,878</u>
Total liabilities and stockholders' equity	<u><u>\$1,073,511</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 \$347 and \$425 in amortization expense for the three months ended September 30, 2007 and 2006, respectively, and \$1,886 and \$1,189 in amortization expense for the nine months ended September 30, 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.