



Silicon Valley's Developer™
*We build the buildings for the high tech
companies that build the internet.™*

Press Release

For Immediate News Release
January 27, 2004

MISSION WEST PROPERTIES, INC. ANNOUNCES FOURTH 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 December 31, 2003 was \$30,948,000 or \$0.30 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 \$29,676,000 or \$0.28 per diluted common share for the same period in 2002, a per share increase of approximately 7.1%. Settlements received from prior bankrupted tenants accounted for approximately \$0.02 per diluted share in the fourth quarter 2003. On a sequential quarter basis, FFO per diluted common share increased \$0.02 over the previous quarter ended September 30, 2003. For the year ended December 31, 2003, FFO increased to \$117,769,000 or \$1.13 per diluted share from FFO of \$117,360,000 or \$1.13 per diluted share for the same period in 2002.

Net income to common stockholders per diluted share was \$0.24 for the quarter ended December 31, 2003 compared to \$0.21 for the same period in 2002, a per share increase of 14.3%. For the twelve months ended December 31, 2003, net income to common stockholders per diluted share was \$0.92, down from \$0.98 per diluted share from one year ago, which included \$0.06 from the sale of real estate included in discontinued operations, a per share decrease of 6.1%. Fourth quarter and full year 2003 net income per diluted share included \$0.02 per share from bankrupted tenant settlements.

Investment Activity

On December 15, 2003, the Company acquired one R&D property consisting of approximately 129,000 rentable square feet located at 5970 Optical Court in San Jose, CA from the Berg Group under the Berg Land Holdings Option Agreement for an acquisition cost of approximately \$11.2 million. The first year anticipated unleveraged cash return for this property is approximately 11.5%.

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 Dec 31, 2003	Three Months Ended Dec 31, 2002	Twelve Months Ended Dec 31, 2003	Twelve Months Ended Dec 31, 2002
REVENUES:				
Rental revenues from real estate	\$33,747	\$32,378	\$132,155	\$129,781 (1)
Tenant reimbursements	4,511	4,677	18,871	20,097
Other income, including interest	2,656 (2)	2,989 (3)	4,527 (2)	4,250 (3)
Total revenues	<u>40,914</u>	<u>40,044</u>	<u>155,553</u>	<u>154,128</u>
EXPENSES:				
Operating expenses	2,410	3,611	8,376	9,781
Real estate taxes	3,087	3,083	12,477	12,234
Depreciation & amortization of real estate	5,798 (4)	4,565	21,556 (4)	17,928
General and administrative	285	298	1,325	1,488
Interest	4,350	2,542	16,446	9,588
Interest (related parties)	234	652	1,064	3,422
Total expenses	<u>16,164</u>	<u>14,751</u>	<u>61,244</u>	<u>54,441</u>
Income before minority interests & equity in earnings of unconsolidated joint venture	24,750	25,293	94,309	99,687
Equity in earnings of unconsolidated joint venture	526	-	3,885	-
Income before minority interests	<u>25,276</u>	<u>25,293</u>	<u>98,194</u>	<u>99,687</u>
Minority interests	21,007	21,623	81,792	83,251
Income from continuing operations	<u>4,269</u>	<u>3,670</u>	<u>16,402</u>	<u>16,436</u>
Discontinued operations, net of minority interests:				
Gain from disposal of discontinued operations	-	-	-	1,018
Income attributable to discontinued operations	-	-	-	47
Income from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,065</u>
Net income to common stockholders	<u>\$ 4,269</u>	<u>\$ 3,670</u>	<u>\$16,402</u>	<u>\$17,501</u>
Net income to minority interests	<u>\$21,007</u>	<u>\$21,623</u>	<u>\$81,792</u>	<u>\$88,576</u>
Income per share from continuing operations:				
Basic	<u>\$0.24</u>	<u>\$0.21</u>	<u>\$0.92</u>	<u>\$0.94</u>
Diluted	<u>\$0.24</u>	<u>\$0.21</u>	<u>\$0.92</u>	<u>\$0.92</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>\$0.24</u>	<u>\$0.21</u>	<u>\$0.92</u>	<u>\$1.00</u>
Diluted	<u>\$0.24</u>	<u>\$0.21</u>	<u>\$0.92</u>	<u>\$0.98</u>
Weighted average shares of common stock (basic)	<u>17,869,252</u>	<u>17,485,590</u>	<u>17,739,609</u>	<u>17,455,799</u>
Weighted average shares of common stock (diluted)	<u>17,972,706</u>	<u>17,800,971</u>	<u>17,802,947</u>	<u>17,854,892</u>
Weighted average O.P. units outstanding	<u>86,398,064</u>	<u>86,475,771</u>	<u>86,476,217</u>	<u>86,334,548</u>
FUNDS FROM OPERATIONS				
Funds from operations	\$30,948	\$29,676	\$117,769	\$117,360
Funds from operations per share (5)	<u>\$ 0.30</u>	<u>\$ 0.28</u>	<u>\$ 1.13</u>	<u>\$ 1.13</u>
Outstanding common stock	<u>17,894,691</u>	<u>17,487,329</u>	<u>17,894,691</u>	<u>17,487,329</u>
Outstanding O.P. units	<u>86,398,064</u>	<u>86,474,032</u>	<u>86,398,064</u>	<u>86,474,032</u>
Weighted average O.P. units & common stock outstanding (diluted)	<u>104,370,770</u>	<u>104,276,742</u>	<u>104,279,165</u>	<u>104,189,440</u>

FUNDS FROM OPERATIONS CALCULATION	Three Months Ended Dec 31, 2003	Three Months Ended Dec 31, 2002	Twelve Months Ended Dec 31, 2003	Twelve Months Ended Dec 31, 2002
Net income	\$ 4,269	\$ 3,670	\$ 16,402	\$ 17,501
Add:				
Minority interests (6)	20,881	21,441	81,211	87,988
Depreciation and amortization of real estate	5,798	4,565	21,556	17,974
Less:				
Gain on sale of JV assets / assets	-	-	1,400	6,103
Funds from operations	<u>\$30,948</u>	<u>\$29,676</u>	<u>\$117,769</u>	<u>\$117,360</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 Dec 31, 2003	Three Months Ended Dec 31, 2002	Twelve Months Ended Dec 31, 2003	Twelve Months Ended Dec 31, 2002
Total properties, end of period	109	101	109	101
Total square feet, end of period	7,917,262	7,163,930	7,917,262	7,163,930
Average monthly rental revenue per square foot (7)	\$1.80	\$1.75	\$1.76	\$1.71
Average occupancy	77.9%	85.2%	80.5%	90.0%
Actual occupancy	77.3%	83.8%	77.3%	83.8%
Straight-line rent	\$924	\$1,166	\$1,970	\$ 78
Capital expenditures	\$277	\$ 218	\$2,178	\$1,195

BALANCE SHEET (UNAUDITED)

	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Assets:		
Land	\$ 279,163	\$234,707
Buildings and improvements	785,660	726,581
Real estate related intangible assets	18,284 ⁽⁸⁾	-
Total investments in properties	<u>1,083,107</u>	<u>961,288</u>
Less accumulated depreciation	(88,116)	(66,560)
Net investments in properties	<u>994,991</u>	<u>894,728</u>
Investments in unconsolidated joint venture	2,285	-
Net investments in real estate assets	<u>997,276</u>	<u>894,728</u>
Cash	4,129	4,479
Deferred rent	18,970	17,001
Other assets	16,025	13,198
Total assets	<u><u>\$1,036,400</u></u>	<u><u>\$929,406</u></u>
Liabilities:		
Line of credit – related parties	\$ 6,320	\$ 58,792
Revolving line of credit	23,965	23,839
Loan payable	-	20,000
Mortgage notes payable	299,858	125,062
Mortgage notes payable – related parties	10,762	11,078
Interest payable	332	337
Security deposits	10,248	11,184
Prepaid rental income	12,723	9,876
Dividend/distribution payable	25,031	24,951
Accounts payable and accrued expenses	5,085	4,698
Total liabilities	<u>394,324</u>	<u>289,817</u>
Minority interests	528,062	528,768
Stockholders' equity:		
Common stock, \$.001 par value	18	17
Paid in capital	132,136	128,295
Accumulated deficit	(18,140)	(17,491)
Total stockholders' equity	<u>114,014</u>	<u>110,821</u>
Total liabilities and stockholders' equity	<u><u>\$1,036,400</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 \$2.2 million from bankrupted tenant settlements.
- (3) Includes approximately \$2.4 million in termination fees, net of straight line rent adjustment and write-off of unamortized leasing commissions.
- (4) Includes approximately \$912 and \$2,297 in amortization expense for the three and twelve months ended December 31, 2003, 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."
- (5) Calculated on a fully diluted basis. Assumes conversion of O.P. units outstanding into the Company's common stock.
- (6) The minority interest for third parties has been deducted from total minority interest in calculating FFO.
- (7) 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.
- (8) 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.