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## Press Release

For Immediate News Release  
February 1, 2005

### **MISSION WEST PROPERTIES ANNOUNCES FOURTH QUARTER AND FULL YEAR 2004 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 December 31, 2004 was \$22,982,000 or \$0.22 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 \$30,864,000 or \$0.30 per diluted common share for the same period in 2003. On a sequential quarter basis, FFO per diluted common share decreased \$0.01 compared to the previous quarter ended September 30, 2004. The net effect of a lease termination fee from a joint venture tenant and an impairment charge in the fourth quarter 2004 accounted for the \$0.01 decrease. For the year ended December 31, 2004, FFO decreased to \$103,320,000 or \$0.99 per diluted share from FFO of \$117,918,000 or \$1.13 per diluted share for the same period in 2003.

Net income to common stockholders per diluted share was \$0.16 for the quarter ended December 31, 2004 compared to \$0.23 for the same period in 2003, a per share decrease of approximately 30.4%. For the year ended December 31, 2004, net income to common stockholders per diluted share was \$0.74, down from \$0.91 per diluted share one year ago, 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 18.7%. Net income per diluted share for the year ended 2004 included \$0.03 per share from lease termination fees, settlement claims and an impairment charge.

#### ***Disposition Activity***

In January 2005, the Company completed the sale of 75,000 rentable square feet of the R&D property at 3120 Scott Boulevard, Santa Clara, California. A loss of approximately \$2.2 million was realized on the total sale price of \$8.5 million and is recorded in 2004 as an asset impairment charge under 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 Dec 31, 2004</u>	<u>Three Months Ended Dec 31, 2003</u>	<u>Twelve Months Ended Dec 31, 2004</u>	<u>Twelve Months Ended Dec 31, 2003</u>
<b>REVENUES:</b>				
Rental revenue from real estate	\$28,820	\$32,968	\$119,523 <sup>(6)</sup>	\$129,511
Tenant reimbursements	3,298	4,474	14,946	18,726
Other income, including lease terminations, settlements and interest	1,512	2,656	6,914 <sup>(5)</sup>	4,527
Total revenues	<u>33,630</u>	<u>40,098</u>	<u>141,383</u>	<u>152,764</u>
<b>EXPENSES:</b>				
Operating expenses	2,296	2,538	9,212	8,887
Real estate taxes	2,740	3,050	11,328	12,333
Interest	4,530	4,350	17,581	16,446
Interest (related parties)	317	234	1,077	1,064
General and administrative	382	285	2,011	1,324
Depreciation and amortization of real estate	5,212 <sup>(1)</sup>	5,438	21,669 <sup>(1)</sup>	20,525
Total expenses	<u>15,477</u>	<u>15,895</u>	<u>62,878</u>	<u>60,579</u>
Income before equity in earnings of unconsolidated joint venture and minority interests	18,153	24,203	78,505	92,185
Equity in earnings of unconsolidated joint venture	1,383	526	2,947	3,885
Minority interests	16,237	20,563	67,699	80,069
Income from continuing operations	<u>3,299</u>	<u>4,166</u>	<u>13,753</u>	<u>16,001</u>
Discontinued operations, net of minority interests: (Loss)/income from discontinued operations	(478) <sup>(7)</sup>	53	(441)	211
Net income to common stockholders	<u>\$ 2,821</u>	<u>\$ 4,219</u>	<u>\$13,312</u>	<u>\$16,212</u>
Net income to minority interests	<u>\$14,504</u>	<u>\$20,755</u>	<u>\$66,100</u>	<u>\$80,836</u>
Income per share from continuing operations:				
Basic	\$0.18	\$0.23	\$0.76	\$0.90
Diluted	\$0.18	\$0.23	\$0.76	\$0.90
Income per share from discontinued operations:				
Basic	(\$0.02)	\$0.01	(\$0.02)	\$0.01
Diluted	(\$0.02)	-	(\$0.02)	\$0.01
Net income per share to common stockholders:				
Basic	\$0.16	\$0.24	\$0.74	\$0.91
Diluted	<u>\$0.16</u>	<u>\$0.23</u>	<u>\$0.74</u>	<u>\$0.91</u>
Weighted average shares of common stock (basic)	<u>18,081,321</u>	<u>17,869,252</u>	<u>18,034,873</u>	<u>17,739,609</u>
Weighted average shares of common stock (diluted)	<u>18,104,454</u>	<u>17,972,706</u>	<u>18,076,498</u>	<u>17,802,947</u>
Weighted average O.P. units outstanding	<u>86,400,565</u>	<u>86,398,064</u>	<u>86,444,773</u>	<u>86,476,217</u>
<b>FUNDS FROM OPERATIONS</b>				
Funds from operations	\$22,982	\$30,864	\$103,320	\$117,918
Funds from operations per share <sup>(2)</sup>	<u>\$ 0.22</u>	<u>\$ 0.30</u>	<u>\$ 0.99</u>	<u>\$ 1.13</u>
Outstanding common stock	<u>18,097,191</u>	<u>17,894,691</u>	<u>18,097,191</u>	<u>17,894,691</u>
Outstanding O.P. units	<u>86,384,695</u>	<u>86,398,064</u>	<u>86,384,695</u>	<u>86,398,064</u>
Weighted average O.P. units and common stock outstanding (diluted)	<u>104,505,019</u>	<u>104,370,770</u>	<u>104,521,271</u>	<u>104,279,165</u>

<b>FUNDS FROM OPERATIONS CALCULATION</b>	<b>Three Months Ended Dec 31, 2004</b>	<b>Three Months Ended Dec 31, 2003</b>	<b>Twelve Months Ended Dec 31, 2004</b>	<b>Twelve Months Ended Dec 31, 2003</b>
Net income	\$ 2,821	\$ 4,219	\$ 13,312	\$ 16,212
Add:				
Minority interests <sup>(3)</sup>	14,387	20,629	65,614	80,255
Depreciation and amortization of real estate from continuing operations	5,535	5,736	23,313	21,728
Depreciation and amortization of real estate from discontinued operations	21	62	207	249
Depreciation & amortization of real estate held in unconsolidated joint venture	218	218	874	874
Less:				
Gain on sale of unconsolidated JV real estate	-	-	-	1,400
<b>Funds from operations</b>	<b>\$22,982</b>	<b>\$30,864</b>	<b>\$103,320</b>	<b>\$117,918</b>

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 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 Dec 31, 2004</b>	<b>Three Months Ended Dec 31, 2003</b>	<b>Twelve Months Ended Dec 31, 2004</b>	<b>Twelve Months Ended Dec 31, 2003</b>
Total properties, end of period	109	109	109	109
Total square feet, end of period	7,917,262	7,917,262	7,917,262	7,917,262
Average monthly rental revenue per square foot <sup>(4)</sup>	\$1.80	\$1.80	\$1.80	\$1.77
Average occupancy	70.0%	77.9%	71.7%	80.5%
Actual occupancy	70.7%	77.3%	70.7%	77.3%
Straight-line rent	(\$ 600)	\$924	(\$ 460)	\$1,970
Capital expenditures	\$1,558	\$277	\$3,320	\$2,178

**BALANCE SHEET**

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Assets:		
Land	\$ 273,663	\$ 275,707
Buildings and improvements	770,757	779,636
Real estate related intangible assets	18,284	19,651
Total investments in properties	<u>1,062,704</u>	<u>1,074,994</u>
Less accumulated depreciation and amortization	(110,062)	(89,243)
Assets held for sale, net of accumulated depreciation of \$1,578 at December 31, 2004	8,221	-
Net investments in properties	<u>960,863</u>	<u>985,751</u>
Cash and cash equivalents	1,519	4,129
Restricted cash	1,551	-
Deferred rent receivable	18,511	18,970
Investment in unconsolidated joint venture	3,559	2,285
Other assets	19,653	21,497
Total assets	<u><u>\$1,005,656</u></u>	<u><u>\$1,032,632</u></u>
Liabilities:		
Line of credit – related parties	\$ 9,560	\$ 6,320
Revolving line of credit	24,208	23,965
Mortgage notes payable	292,822	299,858
Mortgage notes payable – related parties	10,420	10,762
Interest payable	327	332
Security deposits	8,544	10,248
Deferred rental income	11,038	12,723
Liabilities related to assets held for sale	14	-
Dividend/distribution payable	16,718	25,031
Accounts payable and accrued expenses	6,704	5,085
Total liabilities	<u>380,355</u>	<u>394,324</u>
Minority interests	512,089	524,918
Stockholders' equity:		
Common stock, \$.001 par value	18	18
Paid in capital	134,539	132,136
Accumulated deficit	(21,345)	(18,764)
Total stockholders' equity	<u>113,212</u>	<u>113,390</u>
Total liabilities and stockholders' equity	<u><u>\$1,005,656</u></u>	<u><u>\$1,032,632</u></u>

(1) Includes approximately \$440 and \$2,172 in amortization expense for the three and twelve months ended December 31, 2004, respectively, for the amortization of in-place lease value 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 \$5.4 million from termination fees and tenant breach of lease lawsuit settlements for the year ended December 31, 2004.

(6) Includes approximately \$1.9 million in amortization expense for the twelve months ended December 31, 2004 for the amortization of the above-market lease intangible asset of the San Tomas Technology Park acquisition pursuant to Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations."

(7) The Company recorded an asset impairment charge of approximately \$2.2 million in the fourth quarter 2004 relating to the sale of the property at 3120 Scott Boulevard in January 2005. Of this amount, approximately \$474 was charged against net income to common stockholders.