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## Press Release

For Immediate News Release  
February 6, 2006

### **MISSION WEST PROPERTIES ANNOUNCES FOURTH QUARTER AND FULL YEAR 2005 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, 2005 was \$19,173,000 or \$0.18 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 \$22,982,000 or \$0.22 per diluted common share for the same period in 2004. On a sequential quarter basis, FFO per diluted common share remained evenly compared to the previous quarter ended September 30, 2005. For the twelve months ended December 31, 2005, FFO decreased to \$79,152,000 or \$0.76 per diluted share from FFO of \$103,320,000 or \$0.99 per diluted share for the same period in 2004.

Net income to common stockholders per diluted share was \$0.13 for the quarter ended December 31, 2005 compared to \$0.16 for the quarter ended December 31, 2004, a per share decrease of approximately 18.8%. For the twelve months ended December 31, 2005, net income to common stockholders per diluted share was \$0.55, down from \$0.74 one year ago, a per share decrease of approximately 25.7%.

#### **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 107 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)

	<b>Three Months Ended Dec 31, 2005</b>	<b>Three Months Ended Dec 31, 2004</b>	<b>Twelve Months Ended Dec 31, 2005</b>	<b>Twelve Months Ended Dec 31, 2004</b>
<b>REVENUES:</b>				
Rental revenue from real estate	\$24,722 <sup>(1)</sup>	\$28,814 <sup>(1)</sup>	\$100,765 <sup>(1)</sup>	\$119,339 <sup>(1)</sup>
Tenant reimbursements	3,508	3,295	14,762	14,919
Other income, including lease terminations, settlements and interest	1,588	1,512	4,606	6,913
Total revenues	<u>29,818</u>	<u>33,621</u>	<u>120,133</u>	<u>141,171</u>
<b>EXPENSES:</b>				
Operating expenses	2,585	2,139	9,219	9,016
Real estate taxes	2,792	2,666	10,259	11,030
Interest	5,249	4,530	21,295	17,581
Interest (related parties)	193	317	972	1,077
General and administrative	368	382	1,910	2,011
Depreciation and amortization of real estate	5,278 <sup>(2)</sup>	5,180 <sup>(2)</sup>	21,283 <sup>(2)</sup>	21,347 <sup>(2)</sup>
Total expenses	<u>16,465</u>	<u>15,214</u>	<u>64,938</u>	<u>62,062</u>
Income before equity in earnings of unconsolidated joint venture and minority interests	13,353	18,407	55,195	79,109
Equity in earnings of unconsolidated joint venture	46	1,383	724	2,947
Minority interests	(11,062)	(16,442)	(46,234)	(68,199)
Income from continuing operations	<u>2,337</u>	<u>3,348</u>	<u>9,685</u>	<u>13,857</u>
Discontinued operations, net of minority interests:				
Gain from disposal of discontinued operations	140	-	445	-
(Loss)/income from discontinued operations	(4)	(527)	(103)	(545)
Income from discontinued operations	<u>136</u>	<u>(527)</u>	<u>342</u>	<u>(545)</u>
Net income to common stockholders	<u>\$ 2,473</u>	<u>\$ 2,821</u>	<u>\$10,027</u>	<u>\$13,312</u>
Net income to minority interests	<u>\$11,701</u>	<u>\$14,504</u>	<u>\$47,524</u>	<u>\$66,100</u>
Income per share from continuing operations:				
Basic	\$0.13	\$0.19	\$0.53	\$0.77
Diluted	\$0.13	\$0.19	\$0.53	\$0.77
Income per share from discontinued operations:				
Basic	-	(\$0.03)	\$0.02	(\$0.03)
Diluted	-	(\$0.03)	\$0.02	(\$0.03)
Net income per share to common stockholders:				
Basic	<u>\$0.13</u>	<u>\$0.16</u>	<u>\$0.55</u>	<u>\$0.74</u>
Diluted	<u>\$0.13</u>	<u>\$0.16</u>	<u>\$0.55</u>	<u>\$0.74</u>
Weighted average shares of common stock (basic)	<u>18,418,855</u>	<u>18,081,321</u>	<u>18,286,947</u>	<u>18,034,873</u>
Weighted average shares of common stock (diluted)	<u>18,432,819</u>	<u>18,104,454</u>	<u>18,325,659</u>	<u>18,076,498</u>
Weighted average O.P. units outstanding	<u>86,118,031</u>	<u>86,400,565</u>	<u>86,220,117</u>	<u>86,444,773</u>
<b>FUNDS FROM OPERATIONS</b>				
Funds from operations	\$19,173	\$22,982	\$79,152	\$103,320
Funds from operations per share <sup>(3)</sup>	<u>\$ 0.18</u>	<u>\$ 0.22</u>	<u>\$ 0.76</u>	<u>\$ 0.99</u>
Outstanding common stock	<u>18,437,791</u>	<u>18,097,191</u>	<u>18,437,791</u>	<u>18,097,191</u>
Outstanding O.P. units	<u>86,099,095</u>	<u>86,384,695</u>	<u>86,099,095</u>	<u>86,384,695</u>
Weighted average O.P. units and common stock outstanding (diluted)	<u>104,550,850</u>	<u>104,505,019</u>	<u>104,545,776</u>	<u>104,521,271</u>

<b>FUNDS FROM OPERATIONS CALCULATION</b>	<b>Three Months Ended Dec 31, 2005</b>	<b>Three Months Ended Dec 31, 2004</b>	<b>Twelve Months Ended Dec 31, 2005</b>	<b>Twelve Months Ended Dec 31, 2004</b>
Net income	\$ 2,473	\$ 2,821	\$10,027	\$ 13,312
Add:				
Minority interests (4)	11,602	14,387	47,045	65,614
Depreciation and amortization of real estate from continuing operations	5,686	5,503	22,987	22,991
Depreciation and amortization of real estate from discontinued operations	-	53	315	529
Depreciation & amortization of real estate held in unconsolidated joint venture	210	218	984	874
Less:				
Gain on sale of real estate	(798)	-	(2,206)	-
<b>Funds from operations</b>	<b>\$19,173</b>	<b>\$22,982</b>	<b>\$79,152</b>	<b>\$103,320</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 Dec 31, 2005</b>	<b>Three Months Ended Dec 31, 2004</b>	<b>Twelve Months Ended Dec 31, 2005</b>	<b>Twelve Months Ended Dec 31, 2004</b>
Total properties, end of period	107	109	107	109
Total square feet, end of period	7,780,084	7,917,262	7,780,084	7,917,262
Average monthly rental revenue per square foot (5)	\$1.62	\$1.80	\$1.58	\$1.80
Average occupancy	67.0%	70.0%	67.9%	71.7%
Actual occupancy	66.7%	70.7%	66.7%	70.7%
Leased properties	68.9%	71.2%	68.9%	71.2%
Straight-line rent	(\$ 84)	(\$ 600)	\$ 707	(\$ 460)
Leasing commissions	\$1,306	\$ 410	\$5,296	\$1,801
Capital expenditures	\$ 267	\$1,148	\$1,138	\$1,519

**BALANCE SHEET**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Assets:		
Land	\$ 273,933	\$ 273,663
Buildings and improvements	766,457	770,757
Real estate related intangible assets	17,410	18,284
Total investments in properties	<u>1,057,800</u>	<u>1,062,704</u>
Less accumulated depreciation and amortization	(130,419)	(110,062)
Assets held for sale, net of accumulated depreciation of \$1,578 at 12/31/04	-	8,221
Net investments in properties	<u>927,381</u>	<u>960,863</u>
Cash and cash equivalents	31,441	1,519
Restricted cash	16,712	1,551
Deferred rent receivable	19,218	18,511
Investment in unconsolidated joint venture	3,263	3,559
Other assets	25,362	19,653
Total assets	<u><u>\$1,023,377</u></u>	<u><u>\$1,005,656</u></u>
Liabilities:		
Mortgage notes payable	\$ 357,481	\$ 292,822
Mortgage notes payable – related parties	10,051	10,420
Line of credit – related parties	-	9,560
Revolving line of credit	-	24,208
Interest payable	321	327
Security deposits	8,047	8,544
Deferred rental income	6,103	11,038
Liabilities related to assets held for sale	-	14
Dividend/distribution payable	16,725	16,718
Accounts payable and accrued expenses	8,952	6,704
Total liabilities	<u>407,680</u>	<u>380,355</u>
Minority interests	500,682	512,089
Stockholders' equity:		
Common stock, \$.001 par value	18	18
Paid in capital	138,038	134,539
Accumulated deficit	(23,041)	(21,345)
Total stockholders' equity	<u>115,015</u>	<u>113,212</u>
Total liabilities and stockholders' equity	<u><u>\$1,023,377</u></u>	<u><u>\$1,005,656</u></u>

- (1) Includes approximately \$472 in amortization expense for the three months ended December 31, 2005 and 2004 and approximately \$1,888 in amortization expense for the twelve months ended December 31, 2005 and 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 No. 141, "Business Combinations."
- (2) Includes approximately \$321 and \$440 in amortization expense for the three months ended December 31, 2005 and 2004, respectively, and approximately \$1,444 and \$2,172 in amortization expense for the twelve months ended December 31, 2005 and 2004, respectively, for the amortization of in-place lease value of the San Tomas Technology Park acquisition 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.