



Press Release

For Immediate News Release
February 7, 2007

MISSION WEST PROPERTIES ANNOUNCES FOURTH QUARTER AND FULL YEAR 2006 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 December 31, 2006 was \$18,538,000 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 \$19,173,000 or \$0.18 per diluted common share for the same period in 2005. On a sequential quarter basis, FFO for the quarter ended September 30, 2006 was \$0.16 per diluted common share. For the twelve months ended December 31, 2006, FFO increased to \$86,585,000 or \$0.83 per diluted common share from FFO of \$79,152,000 or \$0.76 per diluted common share for the same period in 2005. Excluding termination fees and security deposit forfeitures relating to lease terminations, FFO for the twelve months ended December 31, 2006 and 2005 was \$0.67 and \$0.73 per diluted common share, respectively.

Net income per diluted share to common stockholders was \$0.27 for the quarter ended December 31, 2006 compared to \$0.13 for the quarter ended December 31, 2005, a per share increase of approximately 107.7%. Approximately \$0.15 was due to gain from sale of real estate. For the twelve months ended December 31, 2006, net income per diluted share to common stockholders was \$0.76, up from \$0.55 one year ago, a per share increase of approximately 38.2%. Excluding termination fees and security deposit forfeitures relating to lease terminations, net income per diluted share to common stockholders for the twelve months ended December 31, 2006 and 2005 was \$0.60 and \$0.52, respectively.

Disposition Activity

During the fourth quarter 2006, the Company completed the sale of three R&D properties consisting of approximately 235,000 rentable square feet at 2033-2243 Samaritan Drive, San Jose, California. A gain of approximately \$18.1 million was realized on the total sales price of \$43.3 million.

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 7.7 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)

	Three Months Ended Dec 31, 2006	Three Months Ended Dec 31, 2005	Twelve Months Ended Dec 31, 2006	Twelve Months Ended Dec 31, 2005
REVENUES:				
Rental revenue from real estate	\$22,838 ⁽¹⁾	\$23,982 ⁽¹⁾	\$90,110 ⁽¹⁾	\$97,735 ⁽¹⁾
Tenant reimbursements	3,692	3,393	13,116	14,115
Lease termination income	-	429	16,068	2,407
Other income, including interest	1,673	1,154	4,534	2,184
Total revenues	<u>28,203</u>	<u>28,958</u>	<u>123,828</u>	<u>116,441</u>
EXPENSES:				
Operating expenses	2,282	2,448	8,330	8,733
Real estate taxes	2,700	2,734	10,324	10,026
Interest	5,129	5,249	20,709	21,295
Interest (related parties)	186	193	755	972
General and administrative	445	368	2,248	1,910
Depreciation and amortization of real estate	5,642 ⁽²⁾	5,122 ⁽²⁾	21,803 ⁽²⁾	20,553 ⁽²⁾
Total expenses	<u>16,384</u>	<u>16,114</u>	<u>64,169</u>	<u>63,489</u>
Income before equity in earnings of unconsolidated joint venture and minority interests	11,819	12,844	59,659	52,952
Equity in earnings of unconsolidated joint venture	447	46	1,985	724
Minority interests	(9,980)	(10,635)	(50,150)	(44,353)
Income from continuing operations	<u>2,286</u>	<u>2,255</u>	<u>11,494</u>	<u>9,323</u>
Discontinued operations, net of minority interests:				
Gain from disposal of discontinued operations	2,935	140	2,935	445
Income from discontinued operations	29	78	201	259
Income from discontinued operations	<u>2,964</u>	<u>218</u>	<u>3,136</u>	<u>704</u>
Net income to common stockholders	<u>\$ 5,250</u>	<u>\$ 2,473</u>	<u>\$14,630</u>	<u>\$10,027</u>
Net income to minority interests	<u>\$25,301</u>	<u>\$11,701</u>	<u>\$66,358</u>	<u>\$47,524</u>
Income per share from continuing operations:				
Basic	\$0.12	\$0.12	\$0.60	\$0.51
Diluted	\$0.12	\$0.12	\$0.60	\$0.51
Income per share from discontinued operations:				
Basic	\$0.15	\$0.01	\$0.16	\$0.04
Diluted	\$0.15	\$0.01	\$0.16	\$0.04
Net income per share to common stockholders:				
Basic	<u>\$0.27</u>	<u>\$0.13</u>	<u>\$0.76</u>	<u>\$0.55</u>
Diluted	<u>\$0.27</u>	<u>\$0.13</u>	<u>\$0.76</u>	<u>\$0.55</u>
Weighted average shares of common stock (basic)	<u>19,417,823</u>	<u>18,418,855</u>	<u>19,066,581</u>	<u>18,286,947</u>
Weighted average shares of common stock (diluted)	<u>19,630,674</u>	<u>18,432,819</u>	<u>19,298,664</u>	<u>18,325,659</u>
Weighted average O.P. units outstanding	<u>85,215,982</u>	<u>86,118,031</u>	<u>85,510,491</u>	<u>86,220,117</u>
FUNDS FROM OPERATIONS				
Funds from operations	\$18,538	\$19,173	\$86,585	\$79,152
Funds from operations per share ⁽³⁾	<u>\$ 0.18</u>	<u>\$ 0.18</u>	<u>\$ 0.83</u>	<u>\$ 0.76</u>
Outstanding common stock	<u>19,443,587</u>	<u>18,437,791</u>	<u>19,443,587</u>	<u>18,437,791</u>
Outstanding O.P. units	<u>85,206,199</u>	<u>86,099,095</u>	<u>85,206,199</u>	<u>86,099,095</u>
Weighted average O.P. units and common stock outstanding (diluted)	<u>104,846,655</u>	<u>104,550,850</u>	<u>104,809,155</u>	<u>104,545,776</u>

FUNDS FROM OPERATIONS CALCULATION	Three Months Ended Dec 31, 2006	Three Months Ended Dec 31, 2005	Twelve Months Ended Dec 31, 2006	Twelve Months Ended Dec 31, 2005
Net income	\$ 5,250	\$ 2,473	\$14,630	\$10,027
Add:				
Minority interests ⁽⁴⁾	25,184	11,602	65,859	47,045
Depreciation and amortization of real estate from continuing operations	6,017	5,530	23,316	22,256
Depreciation and amortization of real estate from discontinued operations	-	156	471	1,046
Depreciation & amortization of real estate held in unconsolidated joint venture	189	210	849	984
Less:				
Gain on sale of real estate or JV real estate	(18,102)	(798)	(18,540)	(2,206)
Funds from operations	<u>\$18,538</u>	<u>\$19,173</u>	<u>\$86,585</u>	<u>\$79,152</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 Dec 31, 2006	Three Months Ended Dec 31, 2005	Twelve Months Ended Dec 31, 2006	Twelve Months Ended Dec 31, 2005
Total properties, end of period	107	107	107	107
Total square feet, end of period	7,701,359	7,780,084	7,701,359	7,780,084
Average monthly rental revenue per square foot ⁽⁵⁾	\$1.54	\$1.62	\$1.57	\$1.58
Occupancy for leased properties	69.5%	68.9%	69.5%	68.9%
Straight-line rent	\$ 318	(\$ 84)	(\$ 729)	\$ 707
Leasing commissions	\$ 342	\$1,306	\$1,157	\$5,296
Capital expenditures	\$2,928	\$ 267	\$4,278	\$1,138

BALANCE SHEET

	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Assets:		
Land	\$ 272,223	\$ 273,933
Buildings and improvements	756,596	766,457
Real estate related intangible assets	19,529	17,410
Total investments in properties	<u>1,048,348</u>	<u>1,057,800</u>
Less accumulated depreciation and amortization	(149,459)	(130,419)
Net investments in properties	<u>898,889</u>	<u>927,381</u>
Cash and cash equivalents	33,785	31,441
Restricted cash	48,245	16,712
Deferred rent receivable	18,489	19,218
Investment in unconsolidated joint venture	3,468	3,263
Other assets , net	24,611	25,362
Total assets	<u><u>\$1,027,487</u></u>	<u><u>\$1,023,377</u></u>
Liabilities:		
Mortgage notes payable	\$ 348,101	\$ 357,481
Mortgage notes payable – related parties	9,654	10,051
Interest payable	1,375	321
Security deposits	6,977	8,047
Deferred rental income	6,874	6,103
Dividend/distribution payable	16,745	16,725
Accounts payable and accrued expenses	7,601	8,952
Total liabilities	<u>397,327</u>	<u>407,680</u>
Minority interests	<u>501,282</u>	<u>500,682</u>
Stockholders' equity:		
Common stock, \$.001 par value	19	18
Paid-in capital	149,541	138,038
Accumulated deficit	(20,682)	(23,041)
Total stockholders' equity	<u>128,878</u>	<u>115,015</u>
Total liabilities and stockholders' equity	<u><u>\$1,027,487</u></u>	<u><u>\$1,023,377</u></u>

- (1) Includes approximately \$472 in amortization expense for the three months ended December 31, 2006 and 2005 and \$1,888 in amortization expense for the twelve months ended December 31, 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 December 31, 2006 and 2005, respectively, and \$1,613 and \$1,444 in amortization expense for the twelve months ended December 31, 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.