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MISSION WEST PROPERTIES INC  
Form 8-K  
October 14, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of report (date of earliest event reported): October 13, 2004

MISSION WEST PROPERTIES, INC.  
(Exact name of registrant as specified in its charter)

Maryland	Commission File Number:	95-2635431
-----	1-8383	-----
(State or other jurisdiction of incorporation)		(I.R.S. Employer Identification)

10050 Bandley Drive, Cupertino, CA 95014  
(Address of principal executive offices)

(408) 725-0700  
(Registrant's telephone number, including area code)

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS.

(a) The following information is being furnished by the Company as required for Item 12(a) of this report and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934:

On October 13, 2004, the Company issued a press release announcing its earnings results for the quarter ended September 30, 2004. The press release is attached to this Current Report as Exhibit 99.1 and is incorporated by reference in response to Item 12(a) of this report.

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EXHIBIT 99.1

Press Release

For Immediate News Release  
October 13, 2004

MISSION WEST PROPERTIES, INC. ANNOUNCES THIRD QUARTER 2004 EARNINGS RESULTS

"We build the buildings for the high tech companies that build the internet"

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CUPERTINO, CA - MISSION WEST PROPERTIES, INC. (AMEX/PCX: MSW) reported today that Funds From Operations ("FFO") for the quarter ended September 30, 2004 was \$24,519,000 or \$0.23 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 \$29,110,000 or \$0.28 per diluted common share for the same period in 2003. On a sequential quarter basis, FFO per diluted common share decreased \$0.04 over the previous quarter ended June 30, 2004. Lease termination fees and a settlement of a tenant breach of lease lawsuit accounted for approximately \$0.04 per diluted share in the second quarter 2004.

Net income to common stockholders per diluted share was \$0.18 for the quarter ended September 30, 2004 compared to \$0.22 for the same period in 2003, a per share decrease of approximately 18.2%. For the nine months ended September 30, 2004, net income to common stockholders per diluted share was \$0.58, down from \$0.68 per diluted share from 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 14.7%. Net income per diluted share for first nine months of 2004 included \$0.04 per share from lease termination fees and a tenant breach of lease lawsuit settlement.

### 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.

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### MISSION WEST PROPERTIES, INC. SELECTED FINANCIAL DATA

(In thousands, except share, per share and property data amounts)

	Three Months Ended Sept 30, 2004	Three Months Ended Sept 30, 2003 (As Restated)	Nine Mon Ended Sept 30,
	-----	-----	-----
<b>REVENUES:</b>			
Rental revenue from real estate	\$29,580	\$33,310	\$91,05
Tenant reimbursements	3,766	4,796	11,72
Other income, including interest	397	567	5,40

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Total revenues	33,743	38,673	108,18
EXPENSES:			
Operating expenses	2,295	2,683	6,96
Real estate taxes	2,585	2,876	8,61
Interest	4,468	4,335	13,05
Interest (related parties)	256	280	76
General and administrative	395	360	1,62
Depreciation & amortization of real estate	5,428 (1)	5,497	16,64
Total expenses	15,427	16,031	47,66
Income before equity in earnings of unconsolidated joint venture & minority interests	18,316	22,642	60,52
Equity in earnings of unconsolidated joint venture	345	599	1,56
Income before minority interests	18,661	23,241	62,08
Minority interests	15,488	19,348	51,59
Income from operations	3,173	3,893	10,49
Net income to common stockholders	\$3,173	\$3,893	\$10,49
Net income to minority interests	\$15,488	\$19,348	\$51,59
Net income per share to common stockholders:			
Basic	\$0.18	\$0.22	\$0.5
Diluted	\$0.18	\$0.22	\$0.5
Weighted average shares of common stock (basic)	18,071,484	17,747,293	18,019,
Weighted average shares of common stock (diluted)	18,098,174	17,817,917	18,077,
Weighted average O.P. units outstanding	86,410,402	86,498,064	86,459,
FUNDS FROM OPERATIONS			
Funds from operations	\$24,519	\$29,110	\$80,33
Funds from operations per share (2)	\$ 0.23	\$ 0.28	\$ 0.7
Outstanding common stock	18,077,191	17,754,691	18,077,
Outstanding O.P. units	86,404,695	86,498,064	86,404,
Weighted average O.P. units & common stock outstanding (diluted)	104,508,576	104,315,981	104,537,

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FUNDS FROM OPERATIONS CALCULATION	Three Months Ended Sept 30, 2004	Three Months Ended Sept 30, 2003 (As Restated)	Nine Months Ended Sept 30,

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Net income	\$3,173	\$3,893	\$10,491
Add:			
Minority interests (3)	15,377	19,225	51,228
Depreciation and amortization of real estate	5,969	5,992	18,619
Less:			
Gain on sale of unconsolidated JV real estate	-	-	-
Funds from operations	\$24,519	\$29,110	\$80,338

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.

PROPERTY AND OTHER DATA:	Three Months Ended Sept 30, 2004	Three Months Ended Sept 30, 2003	Nine Months Ended Sept 30, 2003
Total properties, end of period	109	108	
Total square feet, end of period	7,917,262	7,788,742	7,917,262
Average monthly rental revenue per square foot(4)	\$1.81	\$1.81	\$1.81
Average occupancy	69.2%	78.4%	72.4%
Actual occupancy	69.0%	78.3%	69.0%
Straight-line rent	\$289	\$596	\$
Capital expenditures	\$217	\$492	\$1,000

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BALANCE SHEET	September 30, 2004	December 31, 2003
Assets:		
Land	\$ 275,707	\$ 275,707
Buildings and improvements	779,558	779,636
Real estate related intangible assets	18,284	19,651
Total investments in properties	1,073,549	1,074,994

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Less accumulated depreciation and amortization	(105,936)	(89,243)
Net investments in properties	967,613	985,751
Cash and cash equivalents	1,597	4,129
Restricted cash	1,551	-
Deferred rent receivable	19,111	18,970
Investments in unconsolidated joint venture	2,431	2,285
Other assets	20,240	21,497
Total assets	\$1,012,543	\$1,032,632
Liabilities:		
Line of credit - related parties	\$ 1,105	\$ 6,320
Revolving line of credit	26,492	23,965
Mortgage notes payable	295,284	299,858
Mortgage notes payable - related parties	10,508	10,762
Interest payable	330	332
Security deposits	8,771	10,248
Deferred rental income	11,622	12,723
Dividend/distribution payable	25,076	25,031
Accounts payable and accrued expenses	8,482	5,085
Total liabilities	387,670	394,324
Minority interests	511,777	524,918
Stockholders' equity:		
Common stock, \$.001 par value	18	18
Paid in capital	134,348	132,136
Accumulated deficit	(21,270)	(18,764)
Total stockholders' equity	113,096	113,390
Total liabilities and stockholders' equity	\$1,012,543	\$1,032,632

- (1) Includes approximately \$440 and \$1,732 in amortization expense for the three and nine months ended September 30, 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 \$3.7 million from termination fees and a tenant breach of lease lawsuit settlement.