



**PS BUSINESS PARKS, INC.**  
**Letter to Shareholders**

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Enclosed is your copy of the Form 1099-DIV for the tax year ended December 31, 2001. For the tax year ended December 31, 2001, distributions for the common stock, 9 1/4% Cumulative Preferred Stock, Series A and 9 1/2% Cumulative Preferred Stock, Series D were all ordinary income for the third and fourth quarters. For the first and second quarters of 2001, distributions were a combination of ordinary income and long-term capital gain. The January 24, 2002 special dividend on the common stock was payable to shareholders of record as of the close of business on December 28, 2001. Any distributions declared by a real estate investment trust during the last three months of the year and paid during the following January are deemed to have been received by shareholders on December 31 of that year, even though the special distribution was payable on January 24, 2002.

Your Company has elected to be taxed as a real estate investment trust; therefore, the dividends do not qualify for the dividends received deduction that generally applies to corporate shareholders. The percentage of ordinary income and long-term capital gain reported on Form 1099-DIV was as follows:

	2001			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Ordinary Income	52.39%	90.88%	100.00%	100.00%
Long-Term Capital Gain	47.61%	9.12%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%

Alternative minimum tax

Alternative minimum tax adjustments are to be apportioned between a real estate investment trust ("REIT") and its shareholders under Internal Revenue Code Section 59(d). Although regulations have not yet been issued under that provision, based on regulations issued pursuant to a similar provision of prior law and the legislative history of the current provision, it appears that such alternative minimum tax adjustments are to be apportioned to a REIT's shareholders to the extent that the REIT distributes its regular taxable income. It is the Company's policy to distribute all of its regular taxable income and accordingly, all of the Company's alternative minimum tax adjustments are being apportioned to the Company's shareholders.

The Company has determined that 11.38% of each ordinary income distribution to its shareholders for the tax year ended December 31, 2001 consists of alternative minimum tax adjustments (*i.e.*, for each \$1 of ordinary dividend reportable by a shareholder, 11.38¢ represents an alternative minimum tax adjustment). To determine your share of the Company's alternative minimum tax adjustments, multiply the aggregate dollar amount of your reportable 2001 ordinary dividends from the Company (the sum of the amounts shown in Box 1 of the Company's 1099-DIV) times 11.38%.

If you are an individual, please refer to Internal Revenue Service Form 6251, Alternative Minimum Tax-Individuals. Your share of alternative minimum tax adjustments should be input as a positive amount in Part I, Line 8 (post-1986 depreciation; difference between regular tax and AMT depreciation). If you are a corporation, please refer to Internal Revenue Service Form 4626, Alternative Minimum Tax-Corporations. Your share of alternative minimum tax adjustments should be input as a positive amount in Line 2, letter "a" (depreciation of post-1986 property).

If you have questions, please consult your tax advisor for further guidance.

Ronald L. Havner, Jr.  
Chairman of the Board  
January 31, 2001

IMPORTANT TAX RETURN DOCUMENT ENCLOSED