

## News Release

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### **PS Business Parks, Inc. Reports Results for the First Quarter Ended March 31, 2009**

**GLENDALE, California** — PS Business Parks, Inc. (NYSE:PSB) reported operating results for the first quarter ended March 31, 2009.

Net income allocable to common shareholders for the three months ended March 31, 2009 was \$33.0 million, or \$1.60 per diluted share, on revenues of \$69.9 million compared to \$3.7 million, or \$0.18 per diluted share, on revenues of \$70.3 million for the same period in 2008.

Revenues for the three months ended March 31, 2009 decreased \$382,000 or 0.5% over the same period in 2008. Net income allocable to common shareholders for the three months ended March 31, 2009 increased \$29.2 million over the same period in 2008 primarily as a result of a net gain of \$35.6 million on the repurchase of preferred equity combined with a decrease in depreciation expense of \$3.1 million and a decrease in preferred equity distributions of \$1.6 million partially offset by an increase in net income allocable to noncontrolling interests — common units of \$10.4 million.

#### **Supplemental Measures**

Funds from operations (“FFO”) allocable to common shareholders and unit holders for the three months ended March 31, 2009 and 2008 were \$67.1 million, or \$2.41 per diluted share, and \$30.5 million, or \$1.09 per diluted share, respectively. The increase in FFO for the three months ended March 31, 2009 over the same period in 2008 was primarily due to a net gain of \$35.6 million on the repurchase of preferred equity combined with a decrease in preferred equity distributions of \$1.6 million. Excluding the \$35.6 million net gain, FFO allocable to common shareholders and unit holders would have been \$31.5 million, or \$1.13 per diluted share, for the three months ended March 31, 2009.

#### **Property Operations**

In order to evaluate the performance of the Company’s overall portfolio over two comparable periods, management analyzes the operating performance of a consistent group of properties owned and operated throughout both periods (herein referred to as “Same Park”). For the three months ended March 31, 2009 and 2008, the Same Park portfolio constitutes 19.6 million rentable square feet, which includes 100.0% of the assets of the Company.

The Company's property operations account for substantially all of the net operating income earned by the Company. The following table presents the operating results of the Company's properties for the three months ended March 31, 2009 and 2008 in addition to other income and expense items affecting net income (unaudited, in thousands, except per square foot amounts):

	For the Three Months Ended March 31,		Change
	2009	2008	
Rental income:			
Same Park <sup>(1)</sup>	\$ 69,747	\$ 70,111	(0.5%)
Cost of operations:			
Same Park	22,755	22,490	1.2%
Net operating income <sup>(2)</sup> :			
Same Park	46,992	47,621	(1.3%)
Other income and expenses:			
Facility management fees	177	195	(9.2%)
Interest and other income	179	328	(45.4%)
Interest expense	(930)	(993)	(6.3%)
Depreciation and amortization	(22,391)	(25,447)	(12.0%)
General and administrative	(1,976)	(2,046)	(3.4%)
Net income	\$ 22,051	\$ 19,658	12.2%
Same Park gross margin <sup>(3)</sup>	67.4%	67.9%	(0.7%)
Same Park weighted average for the period:			
Occupancy	91.4%	94.0%	(2.8%)
Annualized realized rent per square foot <sup>(4)</sup>	\$ 15.61	\$ 15.26	2.3%

(1) See above for a definition of Same Park.

(2) Net operating income ("NOI") is an important measurement in the commercial real estate industry for determining the value of the real estate generating the NOI. The Company's calculation of NOI may not be comparable to those of other companies and should not be used as an alternative to measures of performance in accordance with generally accepted accounting principles ("GAAP").

(3) Same Park gross margin is computed by dividing NOI by rental income.

(4) Same Park realized rent per square foot represents the annualized revenues earned per occupied square foot.

### **Financial Condition**

The following are key financial ratios with respect to the Company's leverage at and for the three months ended March 31, 2009:

Ratio of FFO to fixed charges <sup>(1)(2)</sup>	48.7x
Ratio of FFO to fixed charges and preferred distributions <sup>(1)(2)</sup>	3.3x
Debt and preferred equity to total market capitalization (based on common stock price of \$36.85 at March 31, 2009)	42.3%
Available under line of credit at March 31, 2009	\$100.0 million

(1) Fixed charges include interest expense of \$930,000.

(2) Excludes \$35.6 million of net gain on preferred equity repurchase.

### **Preferred Equity Repurchase**

During the three months ended March 31, 2009, the Company paid \$50.2 million to repurchase 3,208,174 depositary shares, each representing 1/1,000 of a share of various series of Cumulative Preferred Stock and \$12.3 million to repurchase 853,300 units of various series of Cumulative Redeemable Preferred Units for a weighted average purchase price of \$15.40 per share/unit. In accordance with Emerging Issues Task Force (“EITF”) Topic D-42, the purchase price discount of \$35.6 million, equaling the aggregate liquidation value of \$101.5 million over the aggregate purchase price of \$62.5 million, is added to net income allocable to common shareholders, net of the original issuance costs of \$3.4 million.

### **Distributions Declared**

The Board of Directors declared a quarterly dividend of \$0.44 per common share on May 4, 2009. Distributions were also declared on the various series of depositary shares, each representing 1/1,000 of a share of preferred stock listed below. Distributions are payable June 30, 2009 to shareholders of record on June 15, 2009.

<u>Series</u>	<u>Dividend Rate</u>	<u>Dividend Declared</u>
Series H	7.000%	\$ 0.437500
Series I	6.875%	\$ 0.429688
Series K	7.950%	\$ 0.496875
Series L	7.600%	\$ 0.475000
Series M	7.200%	\$ 0.450000
Series O	7.375%	\$ 0.460938
Series P	6.700%	\$ 0.418750

### **Company Information**

PS Business Parks, Inc., a member of the S&P SmallCap 600, is a self-advised and self-managed equity real estate investment trust (“REIT”) that acquires, develops, owns and operates commercial properties, primarily flex, multi-tenant office and industrial space. The Company defines “flex” space as buildings that are configured with a combination of office and warehouse space and can be designed to fit a number of uses (including office, assembly, showroom, laboratory, light manufacturing and warehouse space). As of March 31, 2009, PSB wholly owned approximately 19.6 million rentable square feet with approximately 3,750 customers located in eight states, concentrated in California (5.8 million sq. ft.), Florida (3.6 million sq. ft.), Virginia (3.0 million sq. ft.), Texas (2.9 million sq. ft.), Maryland (1.8 million sq. ft.), Oregon (1.3 million sq. ft.), Arizona (0.7 million sq. ft.) and Washington (0.5 million sq. ft.).

## **Forward-Looking Statements**

When used within this press release, the words “may,” “believes,” “anticipates,” “plans,” “expects,” “seeks,” “estimates,” “intends” and similar expressions are intended to identify “forward-looking statements.” Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results and performance of the Company to be materially different from those expressed or implied in the forward-looking statements. Such factors include the impact of competition from new and existing commercial facilities which could impact rents and occupancy levels at the Company’s facilities; the Company’s ability to evaluate, finance and integrate acquired and developed properties into the Company’s existing operations; the Company’s ability to effectively compete in the markets that it does business in; the impact of the regulatory environment as well as national, state and local laws and regulations including, without limitation, those governing REITs; the impact of general economic conditions upon rental rates and occupancy levels at the Company’s facilities; the availability of permanent capital at attractive rates, the outlook and actions of Rating Agencies and risks detailed from time to time in the Company’s SEC reports, including quarterly reports on Form 10-Q, reports on Form 8-K and annual reports on Form 10-K.

Additional information about PS Business Parks, Inc., including more financial analysis of the first quarter operating results, is available on the Internet. The Company’s website is [www.psbusinessparks.com](http://www.psbusinessparks.com).

A conference call is scheduled for Tuesday, May 5, 2009, at 10:00 a.m. (PDT) to discuss the first quarter results. The toll free number is (888) 299-3246; the conference ID is 94250172. The call will also be available via a live webcast on the Company’s website. A replay of the conference call will be available through May 12, 2009 at (800) 642-1687. A replay of the conference call will also be available on the Company’s website.

Additional financial data attached.

**PS BUSINESS PARKS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share data)

	March 31, 2009 <small>(Unaudited)</small>	December 31, 2008
<b>ASSETS</b>		
Cash and cash equivalents .....	\$ 5,093	\$ 55,015
Real estate facilities, at cost:		
Land .....	494,849	494,849
Buildings and equipment .....	<u>1,521,785</u>	<u>1,517,484</u>
	2,016,634	2,012,333
Accumulated depreciation .....	<u>(659,565)</u>	<u>(637,948)</u>
	1,357,069	1,374,385
Land held for development.....	<u>7,869</u>	<u>7,869</u>
	1,364,938	1,382,254
Rent receivable .....	2,878	2,055
Deferred rent receivable .....	21,978	21,633
Other assets.....	<u>4,994</u>	<u>8,366</u>
Total assets.....	<u>\$ 1,399,881</u>	<u>\$ 1,469,323</u>
<b>LIABILITIES AND EQUITY</b>		
Accrued and other liabilities.....	\$ 48,373	\$ 46,428
Mortgage notes payable.....	<u>53,840</u>	<u>59,308</u>
Total liabilities.....	102,213	105,736
Commitments and contingencies		
Equity:		
PS Business Parks, Inc.'s shareholders' equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, 25,042 and 28,250 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively .....	626,046	706,250
Common stock, \$0.01 par value, 100,000,000 shares authorized, 20,523,288 and 20,459,916 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively .....	204	204
Paid-in capital.....	396,180	363,587
Cumulative net income.....	639,106	622,113
Cumulative distributions .....	<u>(594,322)</u>	<u>(571,340)</u>
Total PS Business Parks, Inc.'s shareholders' equity.....	1,067,214	1,120,814
Noncontrolling interests:		
Preferred units .....	73,418	94,750
Common units .....	<u>157,036</u>	<u>148,023</u>
Total noncontrolling interests.....	<u>230,454</u>	<u>242,773</u>
Total equity.....	<u>1,297,668</u>	<u>1,363,587</u>
Total liabilities and equity .....	<u>\$ 1,399,881</u>	<u>\$ 1,469,323</u>

**PS BUSINESS PARKS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except per share amounts)

	For the Three Months Ended March 31,	
	2009	2008
	(Unaudited)	
Revenues:		
Rental income .....	\$ 69,747	\$ 70,111
Facility management fees.....	<u>177</u>	<u>195</u>
Total operating revenues.....	<u>69,924</u>	<u>70,306</u>
Expenses:		
Cost of operations.....	22,755	22,490
Depreciation and amortization.....	22,391	25,447
General and administrative.....	<u>1,976</u>	<u>2,046</u>
Total operating expenses.....	<u>47,122</u>	<u>49,983</u>
Other income and expenses:		
Interest and other income.....	179	328
Interest expense.....	<u>(930)</u>	<u>(993)</u>
Total other income and expenses.....	<u>(751)</u>	<u>(665)</u>
Net income.....	<u>\$ 22,051</u>	<u>\$ 19,658</u>
Net income allocation:		
Common shareholders .....	\$ 32,961	\$ 3,749
Preferred shareholders .....	(16,026)	12,756
Noncontrolling interests — common units.....	11,772	1,348
Noncontrolling interests — preferred units.....	(6,714)	1,752
Restricted stock unit holders.....	<u>58</u>	<u>53</u>
	<u>\$ 22,051</u>	<u>\$ 19,658</u>
Net income per common share:		
Basic .....	\$ 1.61	\$ 0.18
Diluted .....	\$ 1.60	\$ 0.18
Weighted average common shares outstanding:		
Basic .....	<u>20,470</u>	<u>20,435</u>
Diluted .....	<u>20,541</u>	<u>20,629</u>

**PS BUSINESS PARKS, INC.**  
**Computation of Diluted Funds from Operations (“FFO”) and Funds Available for Distribution (“FAD”)**  
**(Unaudited, in thousands, except per share amounts)**

	For the Three Months Ended March 31,	
	2009	2008
<b><u>Computation of Diluted Funds From Operations</u></b>		
<b><u>per Common Share (“FFO”) <sup>(1)</sup>:</u></b>		
Net income allocable to common shareholders .....	\$ 32,961	\$ 3,749
Adjustments:		
Depreciation and amortization .....	22,391	25,447
Net income allocable to noncontrolling interests — common units.....	11,772	1,348
FFO allocable to common shareholders/unit holders.....	\$ 67,124	\$ 30,544
Weighted average common shares outstanding .....	20,470	20,435
Weighted average common OP units outstanding .....	7,305	7,305
Weighted average common share equivalents outstanding.....	71	194
Weighted average common shares and OP units for purposes of computing fully-diluted FFO per common share .....	27,846	27,934
Diluted FFO per common share equivalent .....	\$ 2.41	\$ 1.09
<b><u>Computation of Funds Available for Distribution (“FAD”) <sup>(2)</sup>:</u></b>		
FFO allocable to common shareholders/unit holders.....	\$ 67,124	\$ 30,544
Adjustments:		
Recurring capital improvements .....	(785)	(1,934)
Tenant improvements .....	(3,282)	(4,454)
Lease commissions .....	(871)	(2,268)
Straight-line rent .....	(345)	94
Stock compensation expense .....	1,088	1,012
In-place lease adjustment.....	(86)	(48)
Lease incentives net of tenant improvement reimbursements....	(81)	(31)
Gain on repurchase of preferred equity, net of issuance costs....	(35,639)	—
FAD .....	\$ 27,123	\$ 22,915
Distributions to common shareholders/unit holders.....	\$ 12,217	\$ 12,196
Distribution payout ratio.....	45.0%	53.2%

- (1) Funds From Operations (“FFO”) is computed in accordance with the White Paper on FFO approved by the Board of Governors of the National Association of Real Estate Investment Trusts (“NAREIT”). The White Paper defines FFO as net income, computed in accordance with GAAP, before depreciation, amortization, net income allocable to noncontrolling interests, gains or losses on asset dispositions and nonrecurring items. FFO should be analyzed in conjunction with net income. However, FFO should not be viewed as a substitute for net income as a measure of operating performance or liquidity as it does not reflect depreciation and amortization costs or the level of capital expenditure and leasing costs necessary to maintain the operating performance of the Company’s properties, which are significant economic costs and could materially impact the Company’s results from operations. Other REITs may use different methods for calculating FFO and, accordingly, the Company’s FFO may not be comparable to other real estate companies.
- (2) Funds available for distribution (“FAD”) is computed by adjusting consolidated FFO for recurring capital improvements, which the Company defines as those costs incurred to maintain the assets’ value, tenant improvements, lease commissions, straight-line rent, stock compensation expense, impairment charges, amortization of lease incentives and tenant improvement reimbursements, in-place lease adjustment and the impact of EITF Topic D-42. Like FFO, the Company considers FAD to be a useful measure for investors to evaluate the operations and cash flows of a REIT. FAD does not represent net income or cash flow from operations as defined by GAAP.