



PS BUSINESS PARKS
**Analysis of Operating Results
and Financial Condition**

For the Periods Ended June 30, 2002

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE PERIODS ENDED June 30, 2002**

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PS BUSINESS PARKS, INC.
SECOND QUARTER FACT SHEET

OPERATING DATA

	Three Months Ended			Six Months Ended		
	06/30/02	06/30/01	Difference	06/30/02	06/30/01	Difference
Total revenues	\$ 51,711,000	\$ 41,082,000	25.9%	\$ 102,578,000	\$ 80,557,000	27.3%
Net income allocable to common shareholders	\$ 9,539,000	\$ 10,927,000	(12.7%)	\$ 22,624,000	\$ 21,120,000	7.1%
Net income per common share:						
Basic	\$ 0.44	\$ 0.48	(8.3%)	\$ 1.05	\$ 0.93	12.9%
Diluted	\$ 0.44	\$ 0.48	(8.3%)	\$ 1.04	\$ 0.92	13.0%
Weighted average common shares outstanding:						
Basic	21,549,000	22,610,000	(4.7%)	21,546,000	22,814,000	(5.6%)
Diluted	21,799,000	22,679,000	(3.9%)	21,774,000	22,885,000	(4.9%)

FUNDS FROM OPERATIONS

	Three Months Ended			Six Months Ended		
	06/30/02	06/30/01	Difference	06/30/02	06/30/01	Difference
FFO allocable to common shareholders	\$ 19,619,000	\$ 17,916,000	9.5%	\$ 38,540,000	\$ 35,243,000	9.4%
Weighted average common shares outstanding - diluted	21,799,000	22,679,000	(3.9%)	21,774,000	22,885,000	(4.9%)
FFO per common share - diluted	\$ 0.90	\$ 0.79	13.9%	\$ 1.77	\$ 1.54	14.9%

PROPERTY INFORMATION

	Three Months Ended			Six Months Ended		
	06/30/02	06/30/01	Difference	06/30/02	06/30/01	Difference
Net rentable square footage at period end (wholly-owned)	14,817,000	13,258,000	11.8%	14,817,000	13,258,000	11.8%
Same Park Facilities						
Weighted average occupancy	94.7%	96.0%	(1.3%)	94.9%	96.3%	(1.4%)
Annualized realized rent per sq. ft. (1)	\$ 13.50	\$ 13.06	3.4%	\$ 13.38	\$ 12.90	3.7%

(1) Realized rent per square foot represents the actual revenues earned per occupied square foot.

BALANCE SHEET DATA

	06/30/02	12/31/01	Difference
Total assets	\$ 1,146,403,000	\$ 1,169,955,000	(2.0%)
Minority interest - preferred	\$ 197,750,000	\$ 197,750,000	0.0%
Minority interest - common	\$ 165,197,000	\$ 162,141,000	1.9%
Perpetual preferred stock	\$ 170,988,000	\$ 121,000,000	41.3%
Common shareholders' equity	\$ 487,684,000	\$ 478,731,000	1.9%
Total common shares outstanding at period end	21,549,000	21,540,000	0.0%
Book value per common share	\$ 22.63	\$ 22.23	1.8%

MARKET VALUE INFORMATION

	06/30/02	12/31/01	Difference
Market value of common stock and OP units	\$ 1,008,477,000	\$ 908,622,000	11.0%
Total debt	87,932,000	165,145,000	(46.8%)
Total preferred stock and OP units	368,738,000	318,750,000	15.7%
Total market capitalization	\$ 1,465,147,000	\$ 1,392,517,000	5.2%
Stock price	\$ 34.95	\$ 31.50	11.0%

PS BUSINESS PARKS, INC.

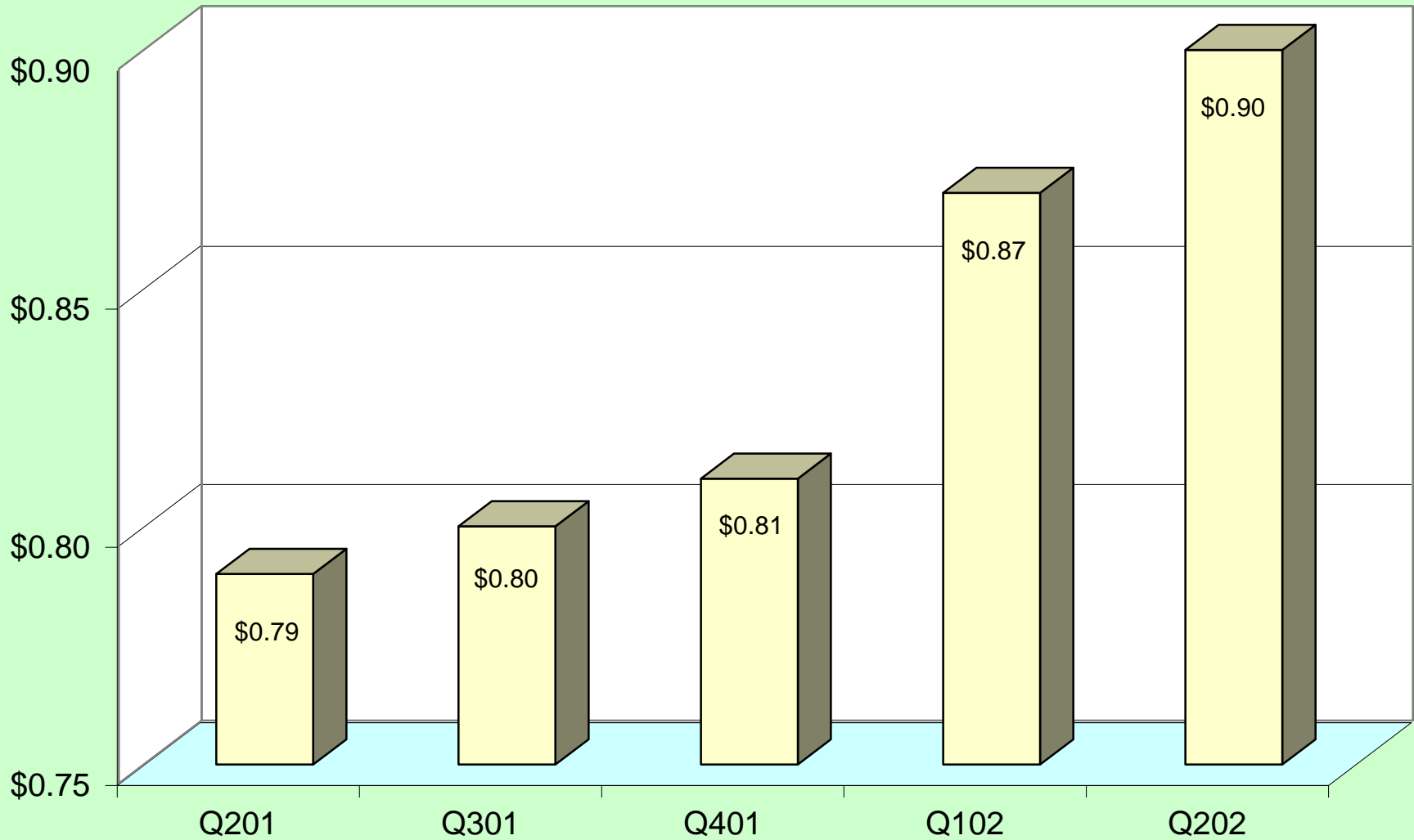
Sources and Uses of Funds
For the Six Months Ended June 30, 2002

	<u>FY02</u> <u>(YTD Actual)</u>
<i>Sources of Funds:</i>	
Funds from operations	\$ 51,341,000
Proceeds from term loan	50,000,000
Issuance of preferred stock, net	48,326,000
Exercise of stock options	226,000
Proceeds from liquidation of investments	3,232,000
Proceeds for note receivable	7,250,000
Disposition proceeds from joint venture	553,000
Total Sources of Funds	<u>160,928,000</u>
<i>Uses of Funds:</i>	
Developed projects	(2,603,000)
Property renovations	(2,811,000)
Recurring capital expenditures	(8,362,000)
Land acquisition	(749,000)
Repurchase of preferred stock	(12,000)
Common dividends and OP distributions	(16,733,000)
Repayments of borrowings from affiliate	(35,000,000)
Repayments of LOC	(90,000,000)
Principal payments on mortgage notes payable	(2,213,000)
Change in working capital	(4,817,000)
Total Uses of Funds	<u>(163,300,000)</u>
Net decrease in cash balance	<u>(2,372,000)</u>
Beginning cash balance	3,076,000
Ending cash balance	<u>\$ 704,000</u>

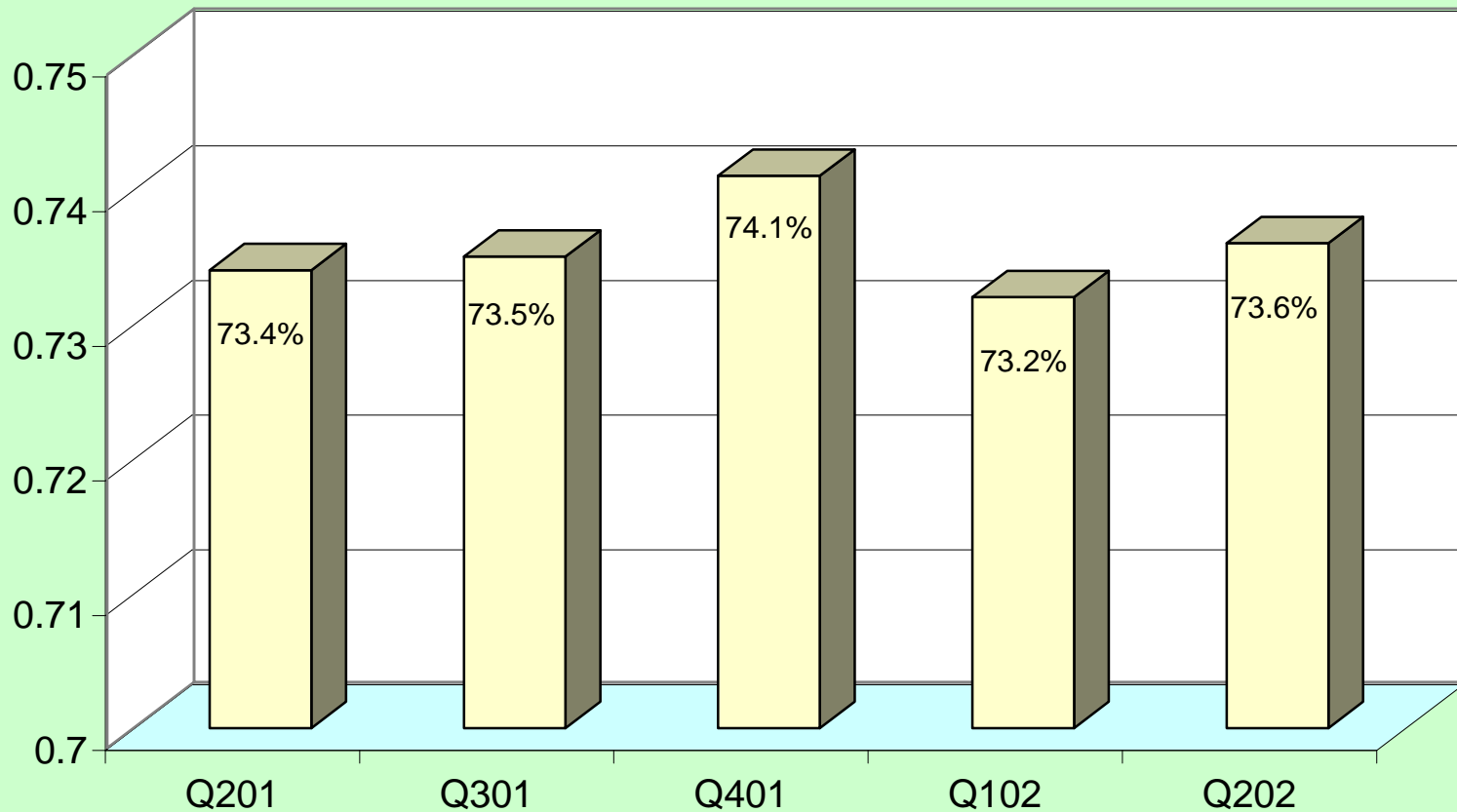
PS BUSINESS PARKS, INC.
ANALYSIS OF FUNDS FROM OPERATIONS

	Three Months Ended		Increase (Decrease)	% Change	Six Months Ended		Increase (Decrease)	% Change
	06/30/02	06/30/01			06/30/02	06/30/01		
<u>Funds from operations (FFO):</u>								
Net income allocable to common shareholders	\$ 9,539,000	\$ 10,927,000	\$ (1,388,000)	(12.7%)	\$ 22,624,000	\$ 21,120,000	\$ 1,504,000	7.1%
Less: gain on investment in marketable securities	-	-	-	N/A	(25,000)	(15,000)	(10,000)	66.7%
Less: gain on disposition of properties	-	-	-	-	(5,366,000)	-	(5,366,000)	(100.0%)
Less: equity income from sale of joint venture properties	(148,000)	-	(148,000)	(100.0%)	(148,000)	-	(148,000)	(100.0%)
Less: effects of straight line rents	(777,000)	(513,000)	(264,000)	51.5%	(1,737,000)	(883,000)	(854,000)	96.7%
Plus: Depreciation and amortization	14,313,000	9,733,000	4,580,000	47.1%	28,290,000	19,379,000	8,911,000	46.0%
Plus: Depreciation from unconsolidated joint venture	20,000	-	20,000	100.0%	40,000	-	40,000	100.0%
Plus: Minority interest in income	3,230,000	3,543,000	(313,000)	(8.8%)	7,663,000	6,779,000	884,000	13.0%
FFO allocable to common shareholders/unitholders	\$ 26,177,000	\$ 23,690,000	\$ 2,487,000	10.5%	\$ 51,341,000	\$ 46,380,000	\$ 4,961,000	10.7%
Weighted average common shares outstanding	21,549,000	22,610,000	(1,061,000)	(4.7%)	21,546,000	22,814,000	(1,268,000)	(5.6%)
Weighted average common OP units outstanding	7,305,000	7,305,000	-	0.0%	7,305,000	7,307,000	(2,000)	(0.0%)
Weighted average dilutive stock options	250,000	69,000	181,000	262.3%	228,000	71,000	157,000	221.1%
Total pro forma fully-converted shares	29,104,000	29,984,000	(880,000)	(2.9%)	29,079,000	30,192,000	(1,113,000)	(3.7%)
FFO per common share/OP unit	\$ 0.90	\$ 0.79	\$ 0.11	13.9%	\$ 1.77	\$ 1.54	\$ 0.23	14.9%
<u>Funds available for distribution (FAD):</u>								
Total funds from operations	\$ 26,177,000	\$ 23,690,000	\$ 2,487,000	10.5%	\$ 51,341,000	\$ 46,380,000	\$ 4,961,000	10.7%
Less capitalized expenditures:								
Maintenance capital expenditures	1,776,000	650,000	1,126,000	173.2%	2,618,000	1,223,000	1,395,000	114.1%
Tenant improvements	2,532,000	709,000	1,823,000	257.1%	4,695,000	1,638,000	3,057,000	186.6%
Capitalized lease commissions	191,000	588,000	(397,000)	(67.5%)	1,049,000	979,000	70,000	7.2%
Total capitalized expenditures	4,499,000	1,947,000	2,552,000	131.1%	8,362,000	3,840,000	4,522,000	117.8%
FAD	\$ 21,678,000	\$ 21,743,000	\$ (65,000)	(0.3%)	\$ 42,979,000	\$ 42,540,000	\$ 439,000	1.0%
FAD per common share/OP unit	\$ 0.74	\$ 0.73	\$ 0.01	1.4%	\$ 1.48	\$ 1.41	\$ 0.07	5.0%
<u>Cash available for debt repayments and reinvestments:</u>								
FAD	\$ 21,678,000	\$ 21,743,000	\$ (65,000)	(0.3%)	\$ 42,979,000	\$ 42,540,000	\$ 439,000	1.0%
Distributions to common shareholders	(6,250,000)	(6,543,000)	293,000	(4.5%)	(12,498,000)	(13,214,000)	716,000	(5.4%)
Distributions to common OP unitholders	(2,118,000)	(2,118,000)	-	0.0%	(4,236,000)	(4,236,000)	-	0.0%
Cash available for debt repayments and reinvestments	\$ 13,310,000	\$ 13,082,000	\$ 228,000	1.7%	\$ 26,245,000	\$ 25,090,000	\$ 1,155,000	4.6%

Diluted FFO Per Common Share/OP Unit



Gross Operating Margin Percentage* (Same Park)



* Gross margin is computed by dividing property net operating income by rental income (excluding straight-line rent adjustment).

PS BUSINESS PARKS, INC.
CAPITAL STRUCTURE

Principal Maturity Dates

Debt at June 30, 2002 consists of the following:

	Total	2002	2003	2004	2005	2006	Thereafter
7.050% mortgage note, secured by one commercial property, due May 2006	\$ 8,271,000	\$ 107,000	\$ 226,000	\$ 243,000	\$ 260,000	\$ 7,435,000	\$ -
8.190% mortgage note, secured by one commercial property, due March 2007	6,177,000	110,000	235,000	254,000	276,000	300,000	5,002,000
7.290% mortgage note, secured by one commercial property, due February 2009	6,107,000	59,000	125,000	134,000	144,000	155,000	5,490,000
7.280% mortgage note, secured by two commercial properties, due February 2003	3,992,000	70,000	3,922,000	-	-	-	-
8.000% mortgage note, secured by one commercial property, due April 2003	1,881,000	51,000	1,830,000	-	-	-	-
8.000% mortgage note, secured by one commercial property, due April 2003	1,504,000	31,000	1,473,000	-	-	-	-
Total mortgage notes payable (1) (4)	\$ 27,932,000	\$ 428,000	\$ 7,811,000	\$ 631,000	\$ 680,000	\$ 7,890,000	\$ 10,492,000

\$100 million unsecured line of credit (\$10 million at 4.75% at 6/30/02)
Term Facility Loan (3.38% @6/30/02)

\$ 10,000,000
50,000,000

Total debt (3) (4)

\$ 87,932,000 6%

Equity at June 30, 2002 consists of the following:

9.250% Series A preferred stock (2,200,000 depositary shares outstanding)	\$ 55,000,000	
8.875% Series B preferred operating partnership units (510,000 units outstanding)	12,750,000	
8.750% Series C preferred operating partnership units (3,200,000 units outstanding)	80,000,000	
9.500% Series D preferred stock (2,639,500 depositary shares outstanding)	65,987,500	
9.250% Series E preferred operating partnership units (2,120,000 units outstanding)	53,000,000	
8.750% Series F preferred stock (2,000,000 units outstanding)	50,000,000	
8.875% Series X preferred operating partnership units (1,600,000 units outstanding)	40,000,000	
8.875% Series Y preferred operating partnership units (480,000 units outstanding)	12,000,000	
Total preferred equity (2) (4)	\$ 368,737,500	25%

Common stock (21,549,449 shares outstanding)
Common operating partnership units (7,305,355 units outstanding)
Total common equity (6)

\$ 753,155,000 (5)
255,322,000 (5)
\$ 1,008,477,000 69%

Total market capitalization

\$ 1,465,146,500 100%

- (1) The weighted average interest rate and maturity was 7.50% and 3.9 years, respectively.
- (2) The weighted average distribution rate on preferred equity is 9.05%.
- (3) The weighted average interest rate on debt was 3.17%.
- (4) The total weighted average interest/distribution rate on all debt/preferred equity was 7.57%.
- (5) Value based on June 30, 2002 closing stock price of \$34.95.
- (6) Does not include 228,000 shares related to stock options for the six months ending June 30, 2002 computed using the Treasury Stock method. These stock options are treated as common stock equivalents for purposes of calculating weighted average common shares outstanding used in computing net income and FFO per common share.

PS BUSINESS PARKS, INC.
CONSOLIDATED BALANCE SHEETS

	06/30/02	12/31/01	Increase (Decrease)	% Change
ASSETS				
Cash and cash equivalents	\$ 704,000	\$ 3,076,000	\$ (2,372,000)	(a) -77.1%
Marketable securities	5,784,000	9,134,000	(3,350,000)	(j) -36.7%
Real estate facilities, at cost:				
Land	288,799,000	288,792,000	7,000	0.0%
Buildings and equipment	962,537,000	948,899,000	13,638,000	1.4%
Accumulated depreciation	(149,748,000)	(121,609,000)	(28,139,000)	(b) 23.1%
Properties held for disposition, net	9,629,000	9,498,000	131,000	1.4%
Land held for development	11,378,000	10,629,000	749,000	(k) 7.0%
	1,122,595,000	1,136,209,000	(13,614,000)	-1.2%
Investment in unconsolidated joint venture	764,000	974,000	(210,000)	-21.6%
Rent receivable	1,860,000	745,000	1,115,000	149.7%
Interest receivable	5,000	137,000	(132,000)	-96.4%
Note receivable	200,000	7,450,000	(7,250,000)	(f) -97.3%
Deferred rent receivables	11,338,000	9,601,000	1,737,000	18.1%
Intangible assets, net	528,000	679,000	(151,000)	-22.2%
Other assets	2,625,000	1,950,000	675,000	34.6%
Total assets	<u>\$ 1,146,403,000</u>	<u>\$ 1,169,955,000</u>	<u>\$ (23,552,000)</u>	<u>-2.0%</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accrued and other liabilities	\$ 36,852,000	\$ 45,188,000	\$ (8,336,000)	(c) -18.4%
Line of credit	100,000,000	100,000,000	(90,000,000)	(l) -90.0%
Note payable to affiliate	-	35,000,000	(35,000,000)	(g) -100.0%
Term Loan	50,000,000	-	50,000,000	(h) 100.0%
Mortgage notes payable	27,932,000	30,145,000	(2,213,000)	-7.3%
Total liabilities	124,784,000	210,333,000	(85,549,000)	-40.7%
Minority interest:				
Preferred units	197,750,000	197,750,000	-	0.0%
Common units	165,197,000	162,141,000	3,056,000	1.9%
Shareholders' equity:				
Preferred stock	170,988,000	121,000,000	49,988,000	(i) 41.3%
Common stock	215,000	215,000	-	0.0%
Paid-in capital	421,083,000	422,161,000	(1,078,000)	(d) -0.3%
Cumulative net income	205,034,000	174,860,000	30,174,000	17.3%
Comprehensive gain	13,000	108,000	(95,000)	-88.0%
Cumulative distributions	(138,661,000)	(118,613,000)	(20,048,000)	(e) 16.9%
Total shareholders' equity	658,672,000	599,731,000	58,941,000	9.8%
Total liabilities and shareholders' equity	<u>\$ 1,146,403,000</u>	<u>\$ 1,169,955,000</u>	<u>\$ (23,552,000)</u>	<u>-2.0%</u>

(a) See sources and uses of funds on page 2

(b) Developed projects	\$ 2,603,000
Property Renovations	2,811,000
Maintenance capital expenditures	2,618,000
Tenant improvements	4,612,000
Lease commissions	1,001,000
	<u>\$ 13,645,000</u>

(c) Accrued and other liabilities at June 30, 2002 consists of:

Deferred rental revenue	\$ 3,387,000
Accounts payable	2,184,000
Property taxes	5,934,000
Security deposits	11,369,000
Accrued interest	369,000
Other	5,271,000
Reserves for acquisition costs	8,338,000
	<u>\$ 36,852,000</u>

(d) Paid-in capital decreased due to the following:

Exercise of stock options	\$ 226,000
Preferred stock issuance costs	(1,674,000)
Minority interest adjustment	370,000
	<u>\$ (1,078,000)</u>

(e) Distributions to preferred shareholders

Distributions to common shareholders	\$ (7,550,000)
	(12,498,000)
	<u>\$ (20,048,000)</u>

(f) Balance represents the remaining note receivable balance from the buyer of the San Diego property (\$7,250,000 was collected).

(g) Paid-off the affiliate loan due to PSI of \$35 million.

(h) Entered into a \$50 million term loan agreement with Fleet National Bank.

(i) Completed a public offering of 2,000,000 depository shares of the Company's Cumulative Preferred Stock, Series F, at \$25 per share, offset by a repurchase of 500 shares of PSB Series D Preferred Stock.

(j) Maturity of a \$3 million bond and liquidation of other investments.

(k) Purchased land to develop in Maryland.

(l) Paid down Wells Fargo Line of credit facility.

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED

	06/30/02	06/30/01	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 50,930,000	\$ 40,281,000	\$ 10,649,000 (a)	26.4%
Facility management fees primarily from affiliates	191,000	168,000	23,000	13.7%
Business services	28,000	76,000	(48,000) (b)	(63.2%)
Equity income in unconsolidated joint venture	207,000	-	207,000	100.0%
Interest income	355,000	553,000	(198,000) (c)	(35.8%)
Dividend income	-	4,000	(4,000)	(100.0%)
	<u>51,711,000</u>	<u>41,082,000</u>	<u>10,629,000</u>	<u>25.9%</u>
Expenses:				
Cost of operations	13,626,000	10,475,000	3,151,000 (d)	30.1%
Cost of facility management	45,000	37,000	8,000	21.6%
Cost of business services	112,000	129,000	(17,000)	(13.2%)
Depreciation and amortization	14,313,000	9,733,000	4,580,000 (e)	47.1%
General and administrative	1,068,000 (f)	992,000	76,000	7.7%
Interest expense	1,432,000 (g)	157,000	1,275,000	812.1%
	<u>30,596,000</u>	<u>21,523,000</u>	<u>9,073,000</u>	<u>42.2%</u>
Income before minority interest	21,115,000	19,559,000	1,556,000	8.0%
Minority interest in income - preferred units	(4,413,000)	(3,186,000)	(1,227,000)	38.5%
Minority interest in income - common units	(3,230,000)	(3,543,000)	313,000	(8.8%)
Net income	<u>\$ 13,472,000</u>	<u>\$ 12,830,000</u>	<u>\$ 642,000</u>	<u>5.0%</u>
Net income allocation:				
Allocable to preferred shareholders	\$ 3,933,000	\$ 1,903,000	\$ 2,030,000	106.7%
Allocable to common shareholders	9,539,000	10,927,000	(1,388,000)	(12.7%)
	<u>\$ 13,472,000</u>	<u>\$ 12,830,000</u>	<u>\$ 642,000</u>	<u>5.0%</u>
Net income per common share:				
Basic	\$ 0.44	\$ 0.48	\$ (0.04)	(8.3%)
Diluted	\$ 0.44	\$ 0.48	\$ (0.04)	(8.3%)
Weighted average common shares outstanding:				
Basic	21,549,000	22,610,000	(1,061,000) (h)	(4.7%)
Diluted	<u>21,799,000</u>	<u>22,679,000</u>	<u>(880,000) (h)</u>	<u>(3.9%)</u>

(a) Rental income has increased due to the following:		
"Same Park" facilities	\$	727,000
Other facilities		9,658,000
Straight line rent adjustment		264,000
	<u>\$</u>	<u>10,649,000</u>
(b) Business services include licensing fees from telecommunication service providers. Decrease from the prior year is due to the bankruptcy of Darwin Networks, Winstar and Teligent.		
(c) Interest income decreased as a result lower weighted average interest rates (2.0% in 2002 vs. 4.3% in 2001). Decrease is also due to lower average cash balances (\$27M in 2002 vs. \$51M in 2001).		
(d) Cost of operations have increased due to the following:		
"Same Park" facilities	\$	252,000
Other facilities		2,899,000
	<u>\$</u>	<u>3,151,000</u>
(f) General and administrative expenses for the three months ended June 30, 2002 consists of:		
Professional fees	\$	83,000
Salaries		601,000
Investor services		70,000
Internal acquisition costs		151,000
Other		163,000
	<u>\$</u>	<u>1,068,000</u>
(g) Interest expense for the three months ended June 30, 2002 consists of:		
Mortgage notes payable	\$	528,000
Regular line of credit interest	\$	553,000
Facilities fees		63,000
Term loan interest (Fleet)		432,000
Capitalized interest		(144,000)
	<u>\$</u>	<u>1,432,000</u>
(h) Decrease relates to the repurchase of common shares.		

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED

	06/30/02	06/30/01	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 101,274,000	\$ 78,674,000	\$ 22,600,000 (a)	28.7%
Facility management fees primarily from affiliates	386,000	329,000	57,000	17.3%
Business services	69,000	233,000	(164,000) (b)	(70.4%)
Equity income in unconsolidated joint venture	249,000	-	249,000	100.0%
Interest income	596,000	1,313,000	(717,000) (c)	(54.6%)
Dividend income	4,000	8,000	(4,000)	(50.0%)
	<u>102,578,000</u>	<u>80,557,000</u>	<u>22,021,000</u>	<u>27.3%</u>
Expenses:				
Cost of operations	27,452,000	20,846,000	6,606,000 (d)	31.7%
Cost of facility management	90,000	73,000	17,000	23.3%
Cost of business services	288,000	313,000	(25,000)	(8.0%)
Depreciation and amortization	28,290,000	19,379,000	8,911,000 (e)	46.0%
General and administrative	2,204,000 (f)	2,120,000	84,000	4.0%
Interest expense	2,983,000 (g)	394,000	2,589,000	657.1%
	<u>61,307,000</u>	<u>43,125,000</u>	<u>18,182,000</u>	<u>42.2%</u>
Income before gain on investments and minority interest	41,271,000	37,432,000	3,839,000	10.3%
Gain on investment in marketable securities	25,000	15,000	10,000	66.7%
Gain on disposition of properties	5,366,000 (h)	-	5,366,000	100.0%
Income before minority interest	46,662,000	37,447,000	9,215,000	24.6%
Minority interest in income - preferred units	(8,825,000)	(6,373,000)	(2,452,000)	38.5%
Minority interest in income - common units	(7,663,000)	(6,779,000)	(884,000)	13.0%
Net income	<u>\$ 30,174,000</u>	<u>\$ 24,295,000</u>	<u>\$ 5,879,000</u>	<u>24.2%</u>
Net income allocation:				
Allocable to preferred shareholders	\$ 7,550,000	\$ 3,175,000	\$ 4,375,000	137.8%
Allocable to common shareholders	22,624,000	21,120,000	1,504,000	7.1%
	<u>\$ 30,174,000</u>	<u>\$ 24,295,000</u>	<u>\$ 5,879,000</u>	<u>24.2%</u>
Net income per common share:				
Basic	\$ 1.05	\$ 0.93	\$ 0.12	12.9%
Diluted	\$ 1.04	\$ 0.92	\$ 0.12	13.0%
Weighted average common shares outstanding:				
Basic	21,546,000	22,814,000	(1,268,000) (i)	(5.6%)
Diluted	21,774,000	22,885,000	(1,111,000) (i)	(4.9%)

(a)	Rental income has increased due to the following:	
	"Same Park" facilities	\$ 1,602,000
	Other facilities	20,144,000
	Straight line rent adjustment	854,000
		<u>\$ 22,600,000</u>
(b)	Business services include licensing fees from telecommunication service providers. Decrease from the prior year due to the bankruptcy of Darwin Networks, Winstar and Teligent.	
(c)	Interest income decreased primarily as a result of lower weighted average interest rates (approximately 2.1% in 2002 vs. 4.8% in 2001). Decrease is also due to lower average cash balances (\$25M in 2002 vs. \$55M in 2001).	
(d)	Cost of operations have increased due to the following:	
	"Same Park" facilities	\$ 338,000
	Other facilities	6,268,000
		<u>\$ 6,606,000</u>
(e)	Depreciation expense increased due primarily to 2001 acquisitions.	
(f)	General and administrative expenses for the six months ended June 30, 2002 consists of:	
	Professional fees	\$ 246,000
	Salaries	1,263,000
	Investor services	158,000
	Internal acquisition costs	314,000
	Other	223,000
		<u>\$ 2,204,000</u>
(g)	Interest expense for the six months ended June 30, 2002 consists of:	
	Mortgage notes payable	\$ 1,083,000
	Regular line of credit interest	1,321,000
	Facilities fees	301,000
	Term loan interest (Fleet)	488,000
	Affiliate loan (PSI)	78,000
	Capitalized interest	(288,000)
		<u>\$ 2,983,000</u>
(h)	The San Diego property was disposed of during Q4 2002 which resulted in a gain of \$5.4 million which was previously deferred and later recognized in Q1 2002.	
(i)	Decrease primarily relates to the repurchase of common shares.	

PS BUSINESS PARKS, INC.
Development Analysis
Second Quarter, 2002

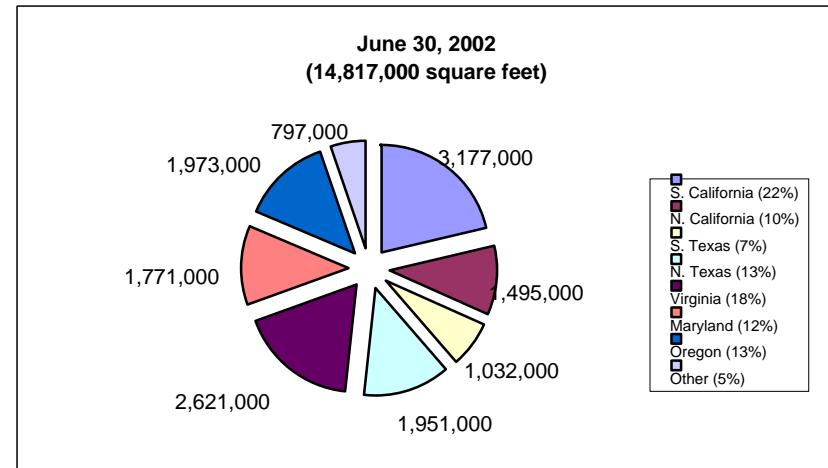
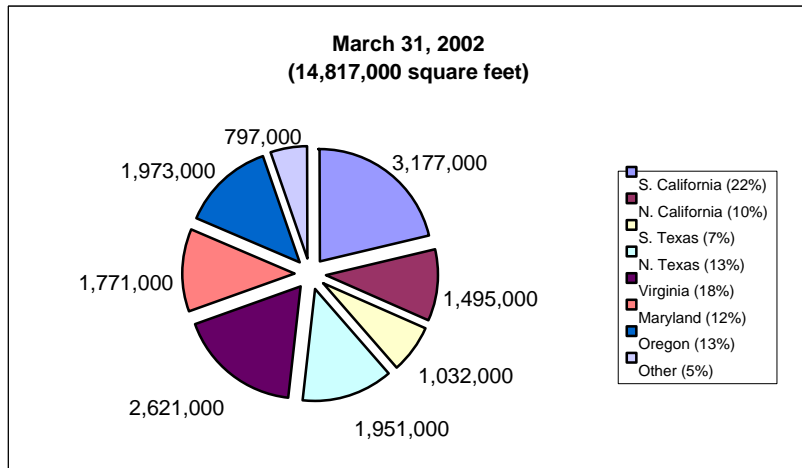
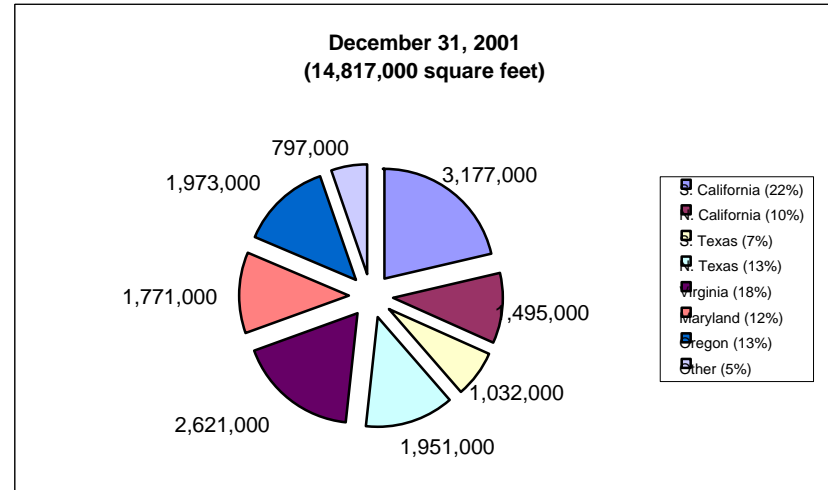
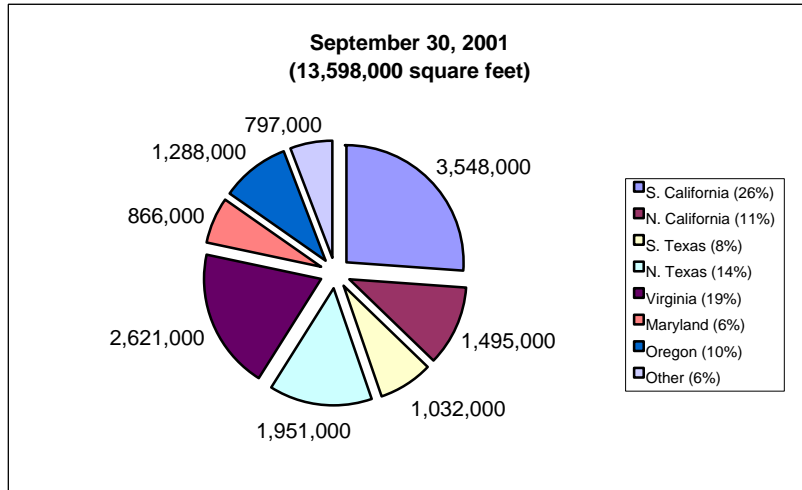
<u>Development</u>	<u>Market</u>	<u>Square Footage</u>	<u>Shell Complete</u>	<u>Percentage Leased</u>	<u>Q202 Occupancy</u>	<u>Q202 Capitalized Interest</u>	<u>Q202 NOI</u>	<u>Costs Incurred to Date</u>	<u>Estimated Costs to Complete</u>	<u>Estimated Total Costs</u>
Greystone II & III	Beaverton, Oregon	97,000	June 2001	27%	27%	\$144,000	\$34,000	\$10,869,000	\$2,976,000	\$13,845,000
Lafayette II	Chantilly, Virginia	141,000	November 2002	78%	60%	None	\$249,000	\$10,302,000	\$1,865,000	\$12,167,000
Royal Tech 17	Dallas, Texas	100,000	October 2000	100%	100%	None	\$317,000	\$10,839,000	\$1,200,000	\$12,039,000
Totals		338,000				\$144,000	\$600,000	\$32,010,000	\$6,041,000	\$38,051,000

PS BUSINESS PARKS, INC.
Analysis of Capital Expenditures (Year-to-Date)

<u>Recurring capital expenditures (1)</u>	<u>Year to date costs</u>	<u>Cost per Weighted Average Square Foot</u>
Maintenance capital expenditures (2)	\$2,618,000	\$0.18
Tenant improvements (3)	\$4,695,000	\$0.32
Leasing commissions (4)	\$1,049,000	\$0.07
Total recurring capital expenditures	<u>\$8,362,000</u>	<u>\$0.57</u>
<u>Non-recurring capital expenditures</u>		
Development costs	\$2,603,000	
Property renovations	\$2,811,000	
Acquisition costs	\$908,000	
Total non-recurring capital expenditures	<u>\$6,322,000</u>	

- (1) The company defines "recurring capital expenditures" as those capitalized costs necessary to continue to operate the property at its current economic value. Costs in excess of \$1,000 for tenant improvements and \$5,000 for maintenance capital expenditures with a useful life greater than 24 months for tenant improvements and 30 months for maintenance capital expenditures are capitalized. It excludes deferred maintenance and leasing costs committed to by previous owners for acquired properties, renovations that substantially enhance the value of a property and first generation leasing costs on development properties. Lease-up costs on acquired properties are included in recurring capital expenditures. Repairs and maintenance were \$1.7 million or approximately \$0.13 per weighted average square foot for the six months ended June 30, 2002 compared to \$1.2 million or \$0.09 per square foot during the same period in 2001.
- (2) Maintenance capital expenditures generally range from \$0.30 to \$0.45 per weighted average square foot annually. Major costs include roofing, HVAC replacement and parking lot replacement and other major repairs.
- (3) Tenant improvement costs generally range from \$0.40 to \$0.60 per weighted average square foot annually. Tenant improvements less than \$1,000 or for leases of two years or less are expensed and included in cost of operations (\$524,000 for the six months ended June 30, 2002 as compared to \$311,000 for the six months ended June 30, 2001).
- (4) Lease commissions generally range from \$0.15 to \$0.25 per weighted average square foot annually.

Rentable Square Footage by Region



PS BUSINESS PARKS, INC.
PORTFOLIO OVERVIEW

Rentable Square Footage of Properties as of June 30, 2002					
Primary Markets	Industrial	Office	Flex	Total	%
Northern Virginia	-	355,000	2,266,000	2,621,000	17.7%
Portland	-	346,000	1,627,000	1,973,000	13.3%
Maryland	-	720,000	1,051,000	1,771,000	12.0%
Dallas	-	-	1,576,000	1,576,000	10.6%
Los Angeles County	712,000	88,000	770,000	1,570,000	10.6%
Northern California	407,000	430,000	660,000	1,497,000	10.1%
Orange County	-	160,000	911,000	1,071,000	7.2%
Austin	-	-	833,000	833,000	5.6%
Phoenix	-	-	569,000	569,000	3.8%
San Diego County	-	-	535,000	535,000	3.6%
Other	-	330,000	471,000	801,000	5.5%
	1,119,000	2,429,000	11,269,000	14,817,000	100.0%

Average Occupancy Rates by Product Type for the Quarter Ending June 30, 2002				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	97.2%	90.4%	91.3%
Portland	-	85.9%	96.4%	95.0%
Maryland	-	90.7%	96.6%	94.2%
Dallas	-	-	94.7%	94.7%
Los Angeles County	99.2%	97.4%	97.1%	98.1%
Northern California	99.0%	94.9%	97.2%	97.0%
Orange County	-	95.0%	98.7%	98.1%
Austin	-	-	89.3%	89.3%
Phoenix	-	-	94.0%	94.0%
San Diego County	-	-	96.4%	96.4%
Other	-	82.3%	91.5%	87.7%
	99.2%	91.3%	94.4%	94.3%

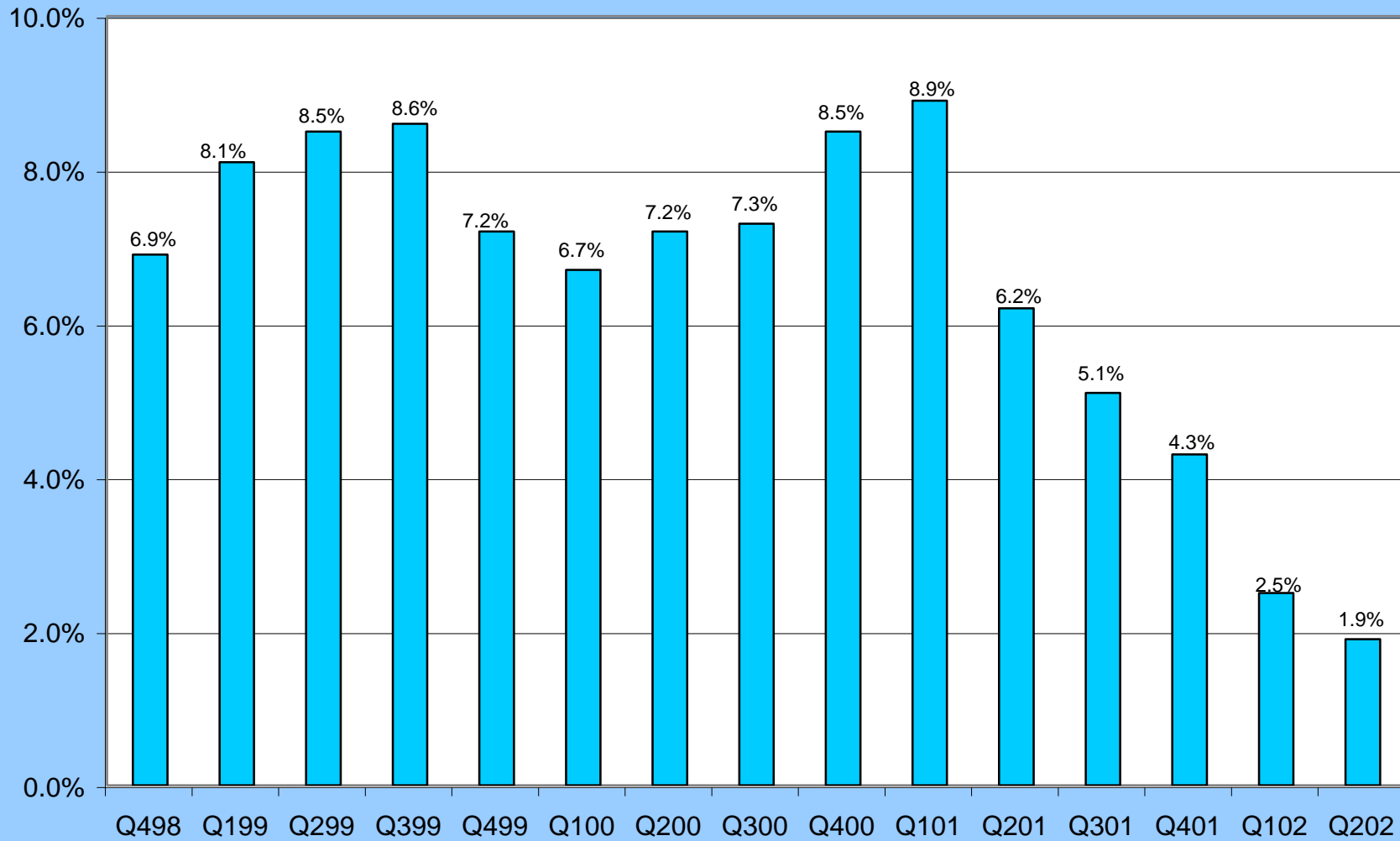
Weighted Average Occupancy Rates by Portfolio Type for the Quarter Ending June 30, 2002			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	90.6%	94.8%	91.3%
Portland	95.4%	88.2%	95.0%
Maryland	94.2%	94.9%	94.2%
Dallas	95.5%	90.5%	94.7%
Los Angeles County	99.2%	97.2%	98.1%
Northern California	98.1%	94.8%	97.0%
Orange County	97.9%	98.5%	98.1%
Austin	89.0%	90.1%	89.3%
Phoenix	91.2%	94.4%	94.0%
San Diego County	-	96.4%	96.4%
Other	87.5%	87.7%	87.7%
	94.4%	94.1%	94.3%

Note:

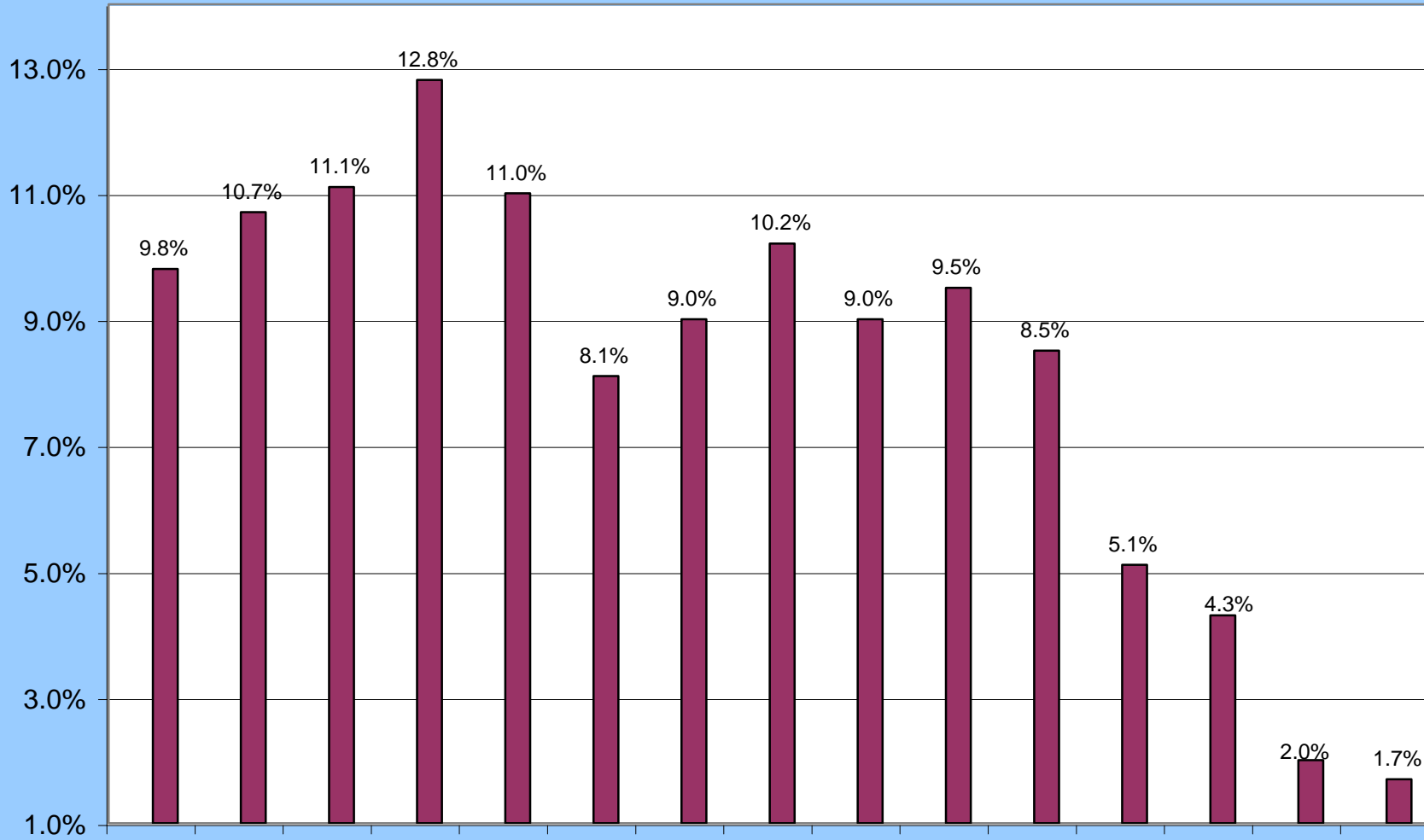
The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet.

The Company's "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

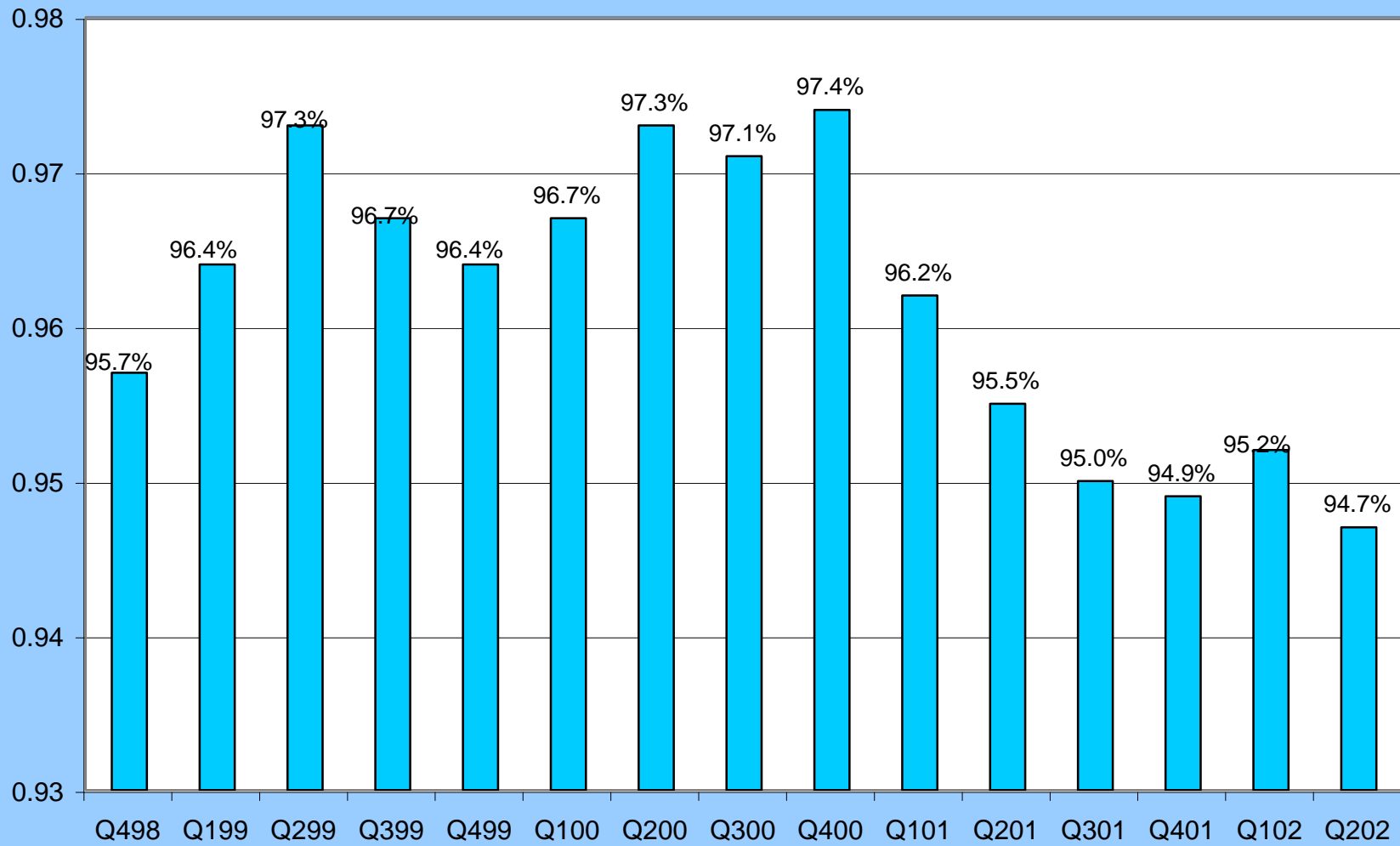
"Same Park" Revenue Growth (%)



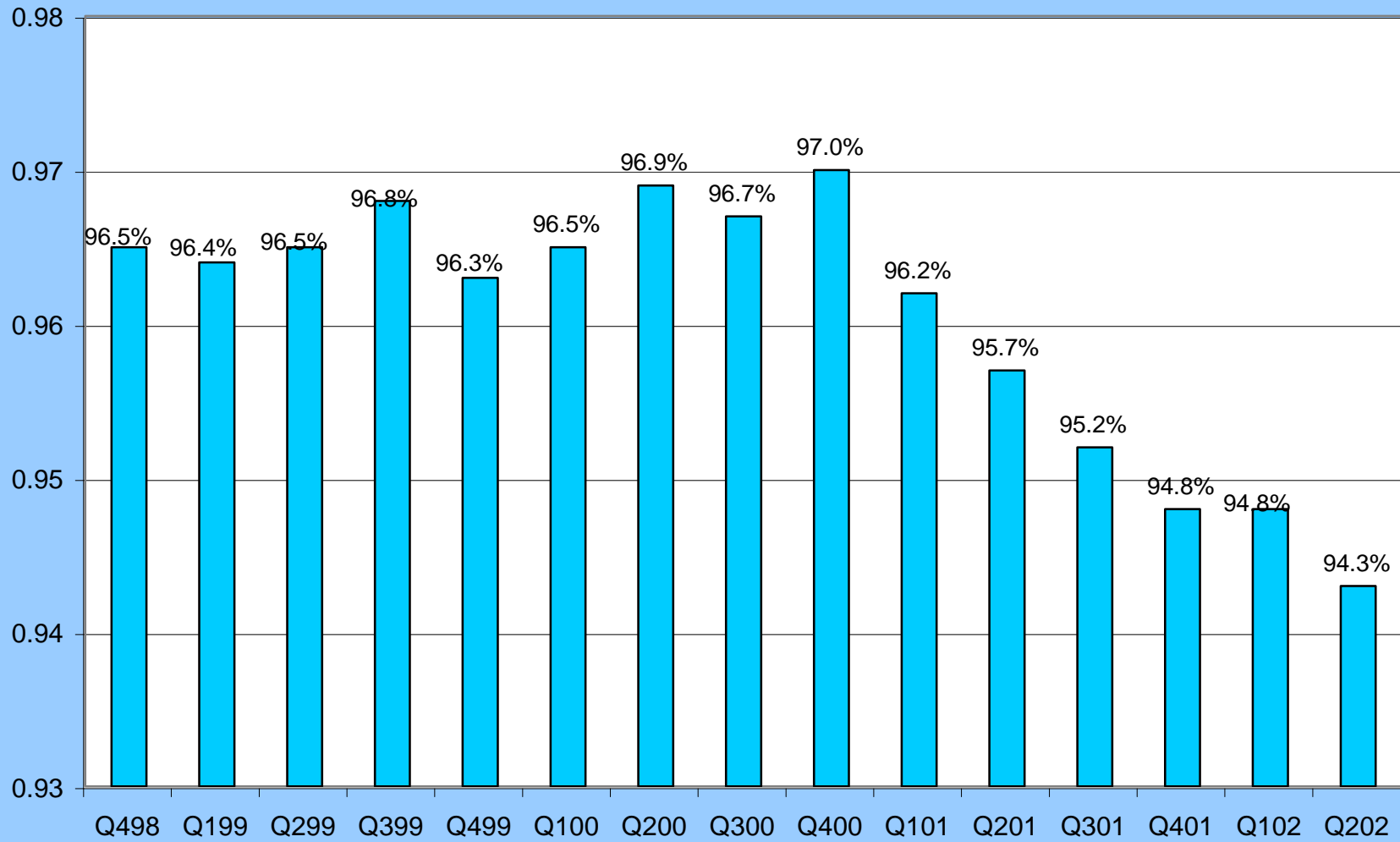
"Same Park" NOI Growth (%)



"Same Park" Occupancy (%)



Total Portfolio Occupancy (%)



PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS

Industry Concentration as of June 30, 2002

Computer Hardware, software and related service	13.3%
Business services	11.1%
Government	8.5%
Communications	7.6%
Contractors	6.6%
Financial services	6.1%
Home furnishings	5.8%
Retail	5.6%
Electronics	4.1%
Manufacturing and assembly	3.6%
	<u>72.3%</u>

Top Ten Customers by Annual Rent as of June 30, 2002

Tenant	Square Footage	Annual Rents	%
U.S. Government	488,000	\$ 9,664,000	4.8%
Citigroup	262,000	4,405,000	2.2%
IBM	263,000	4,115,000	2.1%
Intel	237,000	3,626,000	1.8%
Hughes Network Systems	106,000	2,471,000	1.2%
County of Santa Clara	97,000	2,442,000	1.2%
Pycon, Inc.	134,000	2,023,000	1.0%
Axcelis Technologies	135,000	2,014,000	1.0%
Sabre Holdings	102,000	1,708,000	0.9%
MCI Worldcom	121,000	1,702,000	0.8%
	<u>1,945,000</u>	<u>\$ 34,170,000</u>	<u>17.0%</u>

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF June 30, 2002

Lease Expirations - Flex			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2002	1,140,000	\$ 13,362,000	9.8%
2003	2,485,000	27,784,000	20.3%
2004	2,214,000	25,926,000	19.0%
2005	1,613,000	21,070,000	15.4%
2006	1,262,000	17,936,000	13.1%
Thereafter	2,035,000	30,601,000	22.4%
	<u>10,749,000</u>	<u>\$ 136,679,000</u>	<u>100.0%</u>

Lease Expirations - Office			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2002	202,000	\$ 3,290,000	7.5%
2003	373,000	6,136,000	14.1%
2004	367,000	7,218,000	16.6%
2005	630,000	13,241,000	30.4%
2006	283,000	6,690,000	15.3%
Thereafter	285,000	7,014,000	16.1%
	<u>2,140,000</u>	<u>\$ 43,589,000</u>	<u>100.0%</u>

Lease Expirations - Industrial			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2002	54,000	\$ 328,000	4.8%
2003	155,000	849,000	12.3%
2004	313,000	1,934,000	28.1%
2005	274,000	1,693,000	24.6%
2006	156,000	1,092,000	15.9%
Thereafter	166,000	990,000	14.3%
	<u>1,118,000</u>	<u>\$ 6,886,000</u>	<u>100.0%</u>

Lease Expirations - Total			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2002	1,396,000	\$ 16,980,000	9.1%
2003	3,013,000	\$ 34,769,000	18.6%
2004	2,894,000	\$ 35,078,000	18.7%
2005	2,517,000	\$ 36,004,000	19.2%
2006	1,701,000	\$ 25,718,000	13.8%
Thereafter	2,486,000	\$ 38,605,000	20.6%
	<u>14,007,000</u>	<u>\$ 187,154,000</u>	<u>100.0%</u>

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF June 30, 2002

Southern California					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2002	316,000	\$ 3,834,000	9.6%	2.0%	
2003	864,000	10,471,000	26.3%	5.6%	
2004	782,000	8,825,000	22.2%	4.7%	
2005	556,000	7,714,000	19.4%	4.1%	
2006	307,000	4,256,000	10.7%	2.3%	
Thereafter	272,000	4,682,000	11.8%	2.5%	
	<u>3,097,000</u>	<u>\$ 39,782,000</u>	<u>100.0%</u>	<u>21.3%</u>	

Northern California					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2002	124,000	\$ 1,599,000	7.7%	0.9%	
2003	274,000	3,789,000	18.4%	2.0%	
2004	270,000	3,787,000	18.3%	2.0%	
2005	183,000	2,094,000	10.1%	1.1%	
2006	121,000	1,667,000	8.1%	0.9%	
Thereafter	467,000	7,706,000	37.4%	4.1%	
	<u>1,439,000</u>	<u>\$ 20,642,000</u>	<u>100.0%</u>	<u>11.0%</u>	

Southern Texas					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2002	82,000	\$ 1,055,000	10.8%	0.6%	
2003	246,000	2,641,000	27.0%	1.4%	
2004	235,000	2,206,000	22.6%	1.2%	
2005	263,000	2,776,000	28.4%	1.5%	
2006	45,000	535,000	5.5%	0.3%	
Thereafter	46,000	568,000	5.7%	0.3%	
	<u>917,000</u>	<u>\$ 9,781,000</u>	<u>100.0%</u>	<u>5.2%</u>	

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF June 30, 2002

Northern Texas					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2002	168,000	\$ 1,841,000	10.4%	1.0%	
2003	582,000	4,491,000	25.5%	2.4%	
2004	428,000	3,434,000	19.5%	1.8%	
2005	205,000	2,287,000	13.0%	1.2%	
2006	240,000	3,069,000	17.4%	1.6%	
Thereafter	293,000	2,516,000	14.2%	1.3%	
	<u>1,916,000</u>	<u>\$ 17,638,000</u>	<u>100.0%</u>	<u>9.4%</u>	

Northern Virginia					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2002	127,000	\$ 1,417,000	3.6%	0.8%	
2003	309,000	4,448,000	11.2%	2.4%	
2004	456,000	7,061,000	17.8%	3.8%	
2005	365,000	5,982,000	15.1%	3.2%	
2006	397,000	7,173,000	18.1%	3.8%	
Thereafter	798,000	13,615,000	34.2%	7.3%	
	<u>2,452,000</u>	<u>\$ 39,696,000</u>	<u>100.0%</u>	<u>21.2%</u>	

Maryland					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2002	212,000	\$ 2,973,000	11.3%	1.6%	
2003	218,000	3,202,000	12.2%	1.7%	
2004	305,000	4,627,000	17.6%	2.5%	
2005	365,000	7,785,000	29.6%	4.2%	
2006	165,000	2,811,000	10.7%	1.5%	
Thereafter	368,000	4,932,000	18.6%	2.6%	
	<u>1,633,000</u>	<u>\$ 26,330,000</u>	<u>100.0%</u>	<u>14.1%</u>	

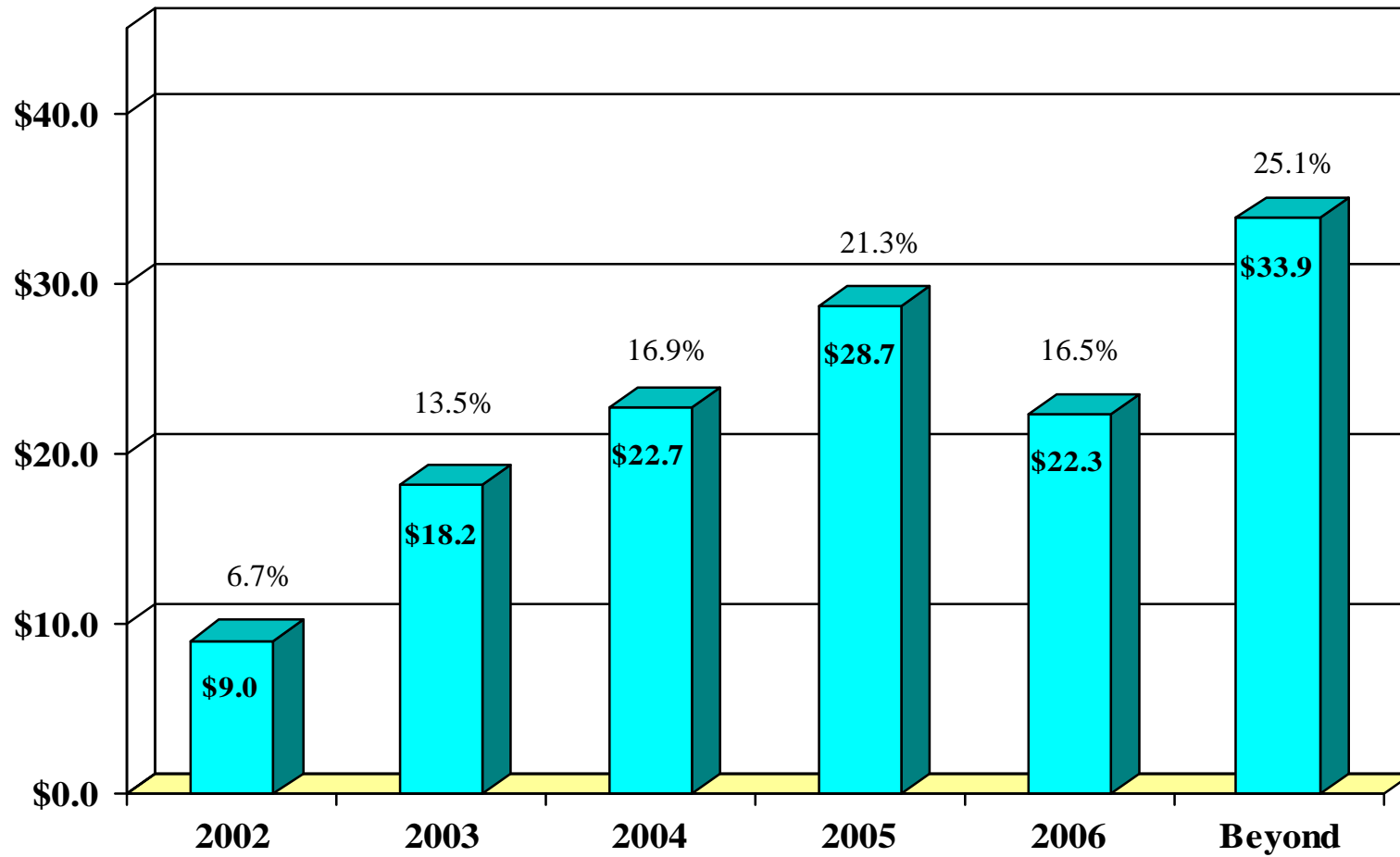
PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF June 30, 2002

Oregon					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2002	197,000	\$ 2,579,000	9.9%	1.4%	
2003	315,000	3,686,000	14.2%	2.0%	
2004	259,000	3,466,000	13.4%	1.9%	
2005	493,000	6,534,000	25.2%	3.5%	
2006	359,000	5,702,000	22.0%	3.0%	
Thereafter	187,000	3,963,000	15.3%	2.1%	
	<u>1,810,000</u>	<u>\$ 25,930,000</u>	<u>100.0%</u>	<u>13.9%</u>	

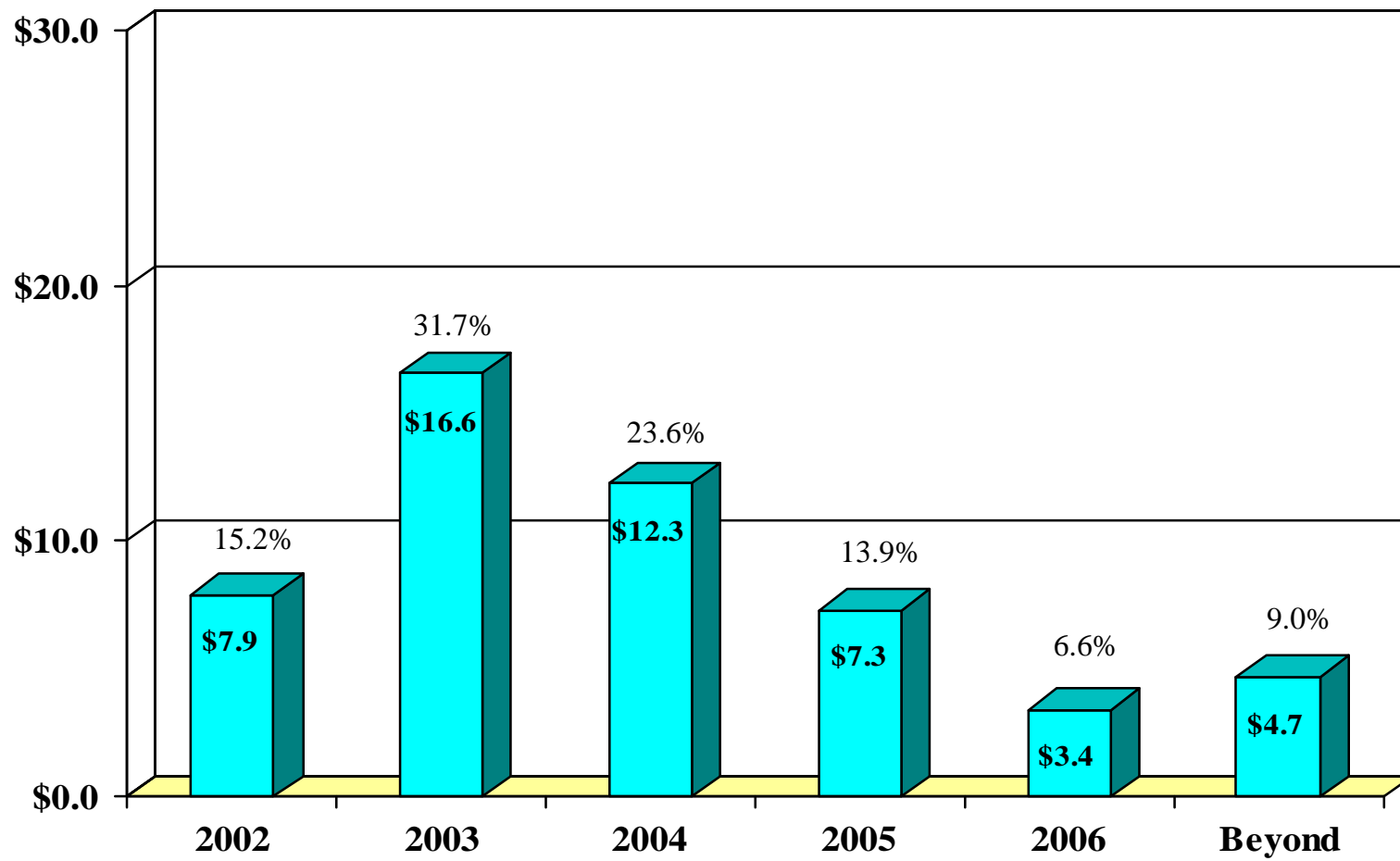
Other					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2002	170,000	\$ 1,682,000	22.9%	0.9%	
2003	205,000	2,041,000	27.7%	1.1%	
2004	159,000	1,672,000	22.7%	0.9%	
2005	87,000	832,000	11.3%	0.4%	
2006	67,000	505,000	6.9%	0.3%	
Thereafter	55,000	623,000	8.5%	0.3%	
	<u>743,000</u>	<u>\$ 7,355,000</u>	<u>100.0%</u>	<u>3.9%</u>	

Total					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2002	1,396,000	\$ 16,980,000	9.1%	9.1%	
2003	3,013,000	\$ 34,769,000	18.6%	18.6%	
2004	2,894,000	\$ 35,078,000	18.7%	18.7%	
2005	2,517,000	\$ 36,004,000	19.2%	19.2%	
2006	1,701,000	\$ 25,718,000	13.7%	13.7%	
Thereafter	2,486,000	\$ 38,605,000	20.7%	20.7%	
	<u>14,007,000</u>	<u>\$ 187,154,000</u>	<u>100.0%</u>	<u>100.0%</u>	

Lease Expirations (Large Tenant Portfolio) as of June 30, 2002 (\$ in millions)



Lease Expirations (Small Tenant Portfolio) as of June 30, 2002 (\$ in millions)



Lease Expirations (Entire Portfolio) as of June 30, 2002 (\$ in millions)

