



**PS BUSINESS PARKS**

**Analysis of Operating Results  
and Financial Condition**

**For the Periods Ended December 31, 2001**

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION  
FOR THE PERIODS ENDED DECEMBER 31, 2001**

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**PS BUSINESS PARKS, INC.**  
**FOURTH QUARTER FACT SHEET**

**OPERATING DATA**

	Three Months Ended			Years Ended		
	12/31/01	12/31/00	Difference	12/31/01	12/31/00	Difference
Total revenues	\$ 45,949,000	\$ 38,294,000	20.0%	\$ 170,391,000	\$ 150,634,000	13.1%
Net income allocable to common shareholders	\$ 9,886,000	\$ 16,183,000	(38.9%)	\$ 41,016,000	\$ 46,093,000	(11.0%)
Net income per common share:						
Basic	\$ 0.46	\$ 0.70	(34.3%)	\$ 1.84	\$ 1.98	(7.1%)
Diluted	\$ 0.46	\$ 0.70	(34.3%)	\$ 1.83	\$ 1.97	(7.1%)
Weighted average common shares outstanding:						
Basic	21,576,000	23,073,000	(6.5%)	22,350,000	23,284,000	(4.0%)
Diluted	21,692,000	23,196,000	(6.5%)	22,435,000	23,365,000	(4.0%)

**FUNDS FROM OPERATIONS**

	Three Months Ended			Years Ended		
	12/31/01	12/31/00	Difference	12/31/01	12/31/00	Difference
FFO allocable to common shareholders	\$ 17,571,000	\$ 16,933,000	3.8%	\$ 70,670,000	\$ 65,422,000	8.0%
Weighted average common shares outstanding - diluted	21,692,000	23,196,000	(6.5%)	22,435,000	23,365,000	(4.0%)
FFO per common share - diluted	\$ 0.81	\$ 0.73	11.0%	\$ 3.15	\$ 2.80	12.5%

**PROPERTY INFORMATION**

	Three Months Ended			Years Ended		
	12/31/01	12/31/00	Difference	12/31/01	12/31/00	Difference
Net rentable square footage at period end (wholly-owned)	14,817,000	12,096,000	22.5%	14,817,000	12,096,000	22.5%
<b>Same Park Facilities</b>						
Weighted average occupancy	94.9%	97.1%	(2.2%)	95.6%	96.8%	(1.2%)
Annualized realized rent per sq. ft. (1)	\$ 13.00	\$ 12.18	6.7%	\$ 12.78	\$ 11.90	7.4%

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

**BALANCE SHEET DATA**

	As of 12/31/01	As of 12/31/00	Difference
Total assets	\$ 1,169,955,000	\$ 930,756,000	25.7%
Minority interest - preferred	\$ 197,750,000	\$ 144,750,000	36.6%
Minority interest - common	\$ 162,141,000	\$ 161,728,000	0.3%
Perpetual preferred stock	\$ 121,000,000	\$ 55,000,000	120.0%
Common shareholders' equity	\$ 478,731,000	\$ 509,343,000	(6.0%)
Total common shares outstanding at period end	21,540,000	23,045,000	(6.5%)
Book value per common share	\$ 22.23	\$ 22.10	0.6%

**MARKET VALUE INFORMATION**

	As of 12/31/01	As of 12/31/00	Difference
Market value of common stock and OP units	\$ 908,622,000	\$ 844,577,000	7.6%
Total debt	165,145,000	30,971,000	433.2%
Total preferred stock and OP units	318,750,000	199,750,000	59.6%
Total market capitalization	\$ 1,392,517,000	\$ 1,075,298,000	29.5%
Stock price	\$ 31.50	\$ 27.80	13.3%

**PS BUSINESS PARKS, INC.**

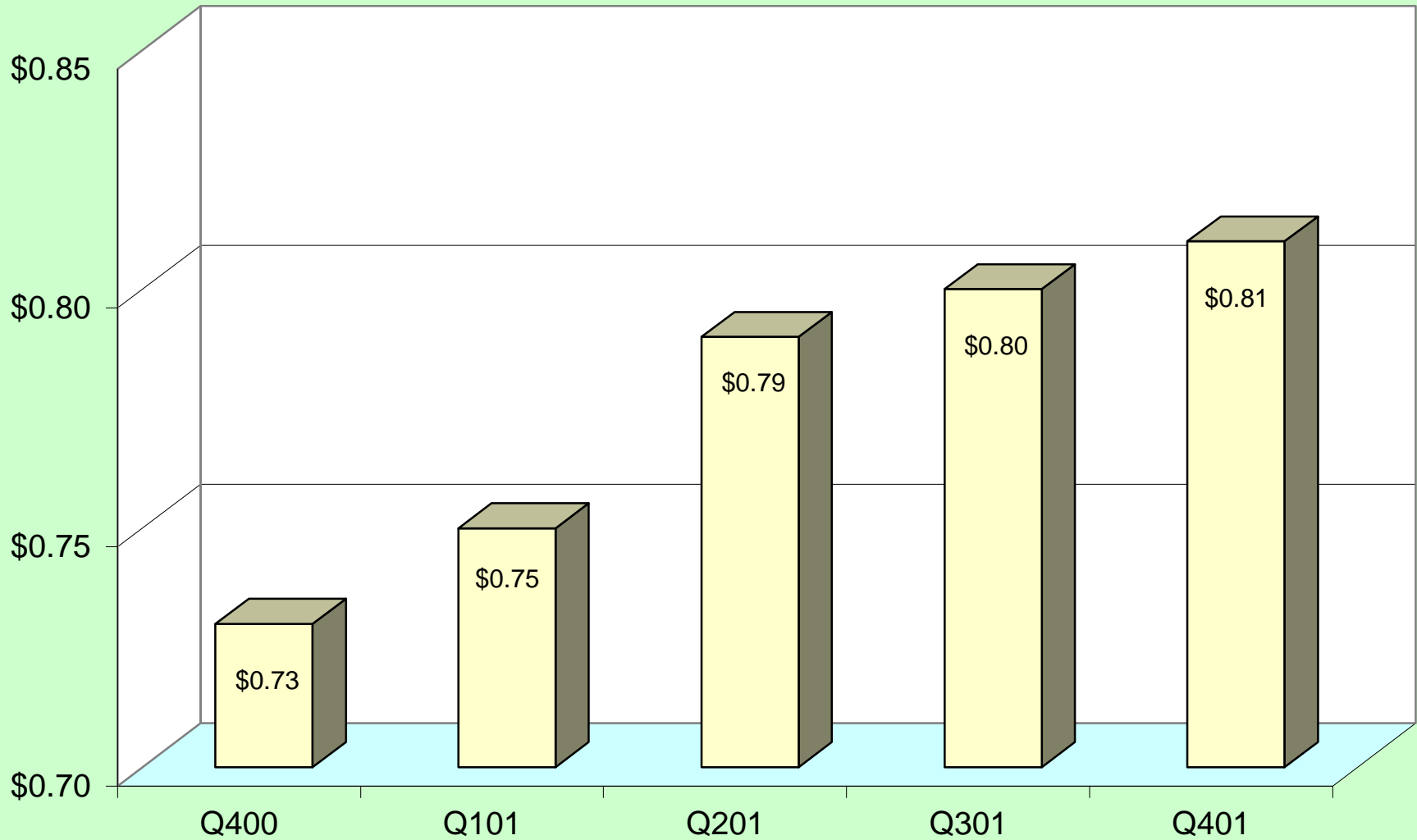
Sources and Uses of Funds  
For the Year Ended December 31, 2001

	<u>FY01</u> <u>(YTD Actual)</u>
<b><u>Sources of Funds:</u></b>	
Funds from operations	\$ 93,568,000
Joint venture	13,005,000
Disposition of property	1,175,000
Borrowings from line of credit	100,000,000
Borrowings from affiliate	35,000,000
Issuance of preferred stock/unit, net	115,987,000
Exercise of stock options	1,603,000
Sale of marketable securities	6,401,000
Change in working capital	10,091,000
Total Sources of Funds	<u>376,830,000</u>
<b><u>Uses of Funds:</u></b>	
Property acquisitions	(301,104,000)
Developed projects and additional acquisition costs	(16,705,000)
Recurring capital expenditures	(11,641,000)
Investment in marketable securities	(9,441,000)
Common dividends and OP distributions	(38,598,000)
Repurchase of common stock/OP units	(44,734,000)
Principal payments on mortgage notes payable	(826,000)
Total Uses of Funds	<u>(423,049,000)</u>
Net decrease in cash balance	<u>(46,219,000)</u>
Beginning cash balance	49,295,000
Ending cash balance	<u>\$ 3,076,000</u>

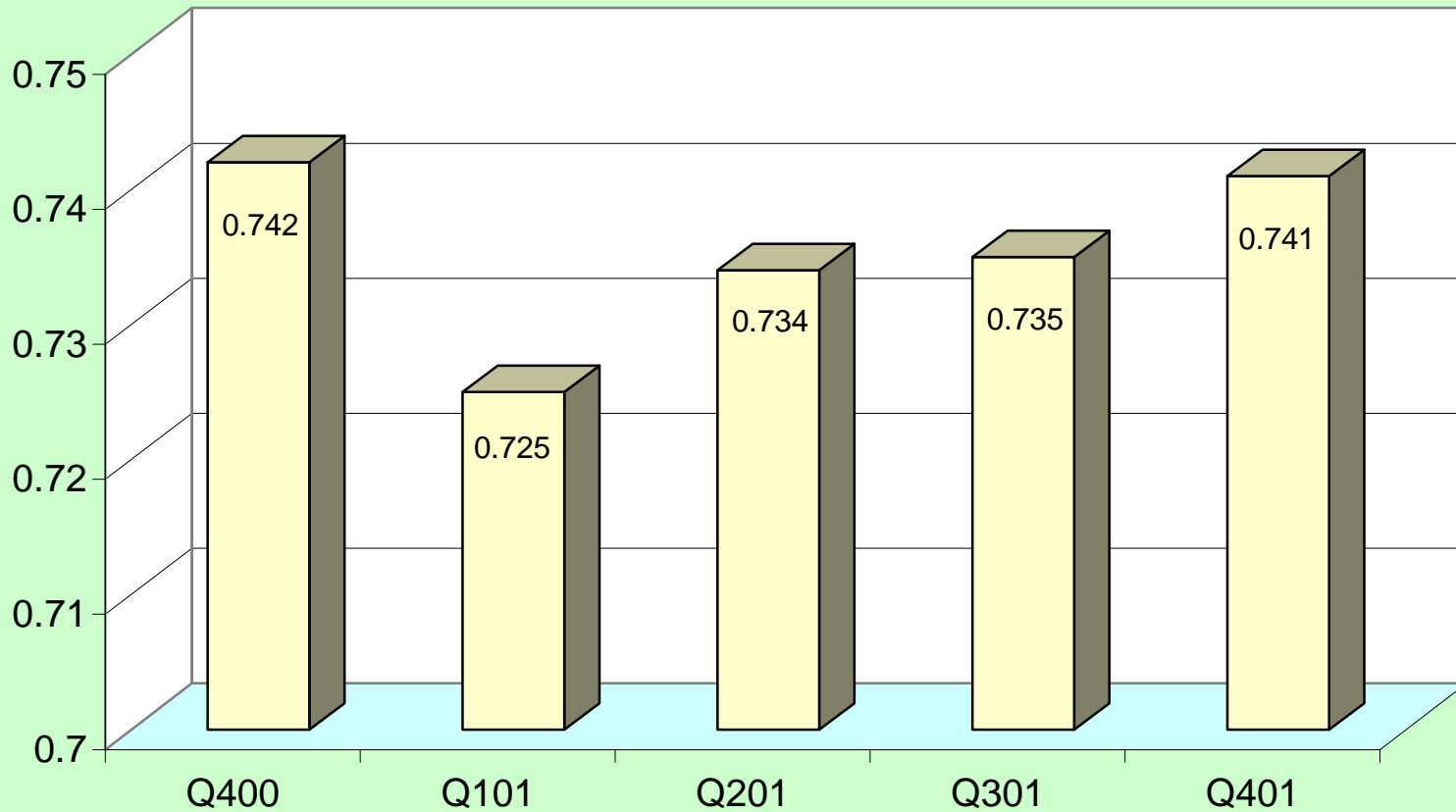
**PS BUSINESS PARKS, INC.**  
**ANALYSIS OF FUNDS FROM OPERATIONS**

	Three Months Ended		Increase (Decrease)	% Change	Years Ended		Increase (Decrease)	% Change
	12/31/01	12/31/00			12/31/01	12/31/00		
<b><u>Funds from operations (FFO):</u></b>								
Net income allocable to common shareholders	\$ 9,886,000	\$ 16,183,000	\$ (6,297,000)	(38.9%)	\$ 41,016,000	\$ 46,093,000	\$ (5,077,000)	(11.0%)
Less gain/loss on investment in marketable securities	7,000	(7,849,000)	7,856,000	(100.1%)	(8,000)	(7,849,000)	7,841,000	N/A
Less gain on disposition of properties	-	-	-	N/A	-	(256,000)	256,000	(100.0%)
Depreciation and amortization	11,009,000	8,914,000	2,095,000	23.5%	41,067,000	35,637,000	5,430,000	15.2%
Depreciation from unconsolidated joint venture	15,000	-	15,000	N/A	15,000	-	15,000	N/A
Minority interest in income	3,335,000	5,163,000	(1,828,000)	(35.4%)	13,382,000	14,556,000	(1,174,000)	(8.1%)
Less effects of straight line rents	(733,000)	(253,000)	(480,000)	189.7%	(1,904,000)	(2,204,000)	300,000	(13.6%)
<b>FFO allocable to common shareholders/unitholders</b>	<b>\$ 23,519,000</b>	<b>\$ 22,158,000</b>	<b>\$ 1,361,000</b>	<b>6.1%</b>	<b>\$ 93,568,000</b>	<b>\$ 85,977,000</b>	<b>\$ 7,591,000</b>	<b>8.8%</b>
Weighted average common shares outstanding	21,576,000	23,073,000	(1,497,000)	(6.5%)	22,350,000	23,284,000	(934,000)	(4.0%)
Weighted average common OP units outstanding	7,305,000	7,336,000	(31,000)	(0.4%)	7,306,000	7,363,000	(57,000)	(0.8%)
Weighted average dilutive stock options	116,000	123,000	(7,000)	(5.7%)	85,000	81,000	4,000	4.9%
<b>Total pro forma fully-converted shares</b>	<b>28,997,000</b>	<b>30,532,000</b>	<b>(1,535,000)</b>	<b>(5.0%)</b>	<b>29,741,000</b>	<b>30,728,000</b>	<b>(987,000)</b>	<b>(3.2%)</b>
<b>FFO per common share/OP unit</b>	<b>\$ 0.81</b>	<b>\$ 0.73</b>	<b>\$ 0.08</b>	<b>11.0%</b>	<b>\$ 3.15</b>	<b>\$ 2.80</b>	<b>\$ 0.35</b>	<b>12.5%</b>
<b><u>Funds available for distribution (FAD):</u></b>								
Total funds from operations	\$ 23,519,000	\$ 22,158,000	\$ 1,361,000	6.1%	\$ 93,568,000	\$ 85,977,000	\$ 7,591,000	8.8%
Less capitalized expenditures:								
Maintenance capital expenditures	1,613,000	927,000	686,000	74.0%	4,202,000	3,228,000	974,000	30.2%
Tenant improvements	1,835,000	2,206,000	(371,000)	(16.8%)	4,926,000	5,264,000	(338,000)	(6.4%)
Capitalized lease commissions	847,000	1,036,000	(189,000)	(18.2%)	2,513,000	3,275,000	(762,000)	(23.3%)
<b>Total capitalized expenditures</b>	<b>4,295,000</b>	<b>4,169,000</b>	<b>126,000</b>	<b>3.0%</b>	<b>11,641,000</b>	<b>11,767,000</b>	<b>(126,000)</b>	<b>(1.1%)</b>
<b>FAD</b>	<b>\$ 19,224,000</b>	<b>\$ 17,989,000</b>	<b>\$ 1,235,000</b>	<b>6.9%</b>	<b>\$ 81,927,000</b>	<b>\$ 74,210,000</b>	<b>\$ 7,717,000</b>	<b>10.4%</b>
<b>FAD per common share/OP unit</b>	<b>\$ 0.66</b>	<b>\$ 0.59</b>	<b>\$ 0.07</b>	<b>11.9%</b>	<b>\$ 2.75</b>	<b>\$ 2.42</b>	<b>\$ 0.33</b>	<b>13.6%</b>
<b><u>Cash available for debt repayments and reinvestments:</u></b>								
FAD	\$ 19,224,000	\$ 17,989,000	\$ 1,235,000	6.9%	\$ 81,927,000	\$ 74,210,000	\$ 7,717,000	10.4%
Realized gain on PAG	-	6,139,000	(6,139,000)	(100.0%)	-	6,139,000	(6,139,000)	(100.0%)
Distributions to common shareholders	(9,477,000)	(5,761,000)	(3,716,000)	64.5%	(29,027,000)	(23,241,000)	(5,786,000)	24.9%
Distributions to common OP unitholders	(3,215,000)	(1,834,000)	(1,381,000)	75.3%	(9,571,000)	(7,363,000)	(2,208,000)	30.0%
<b>Cash available for debt repayments and reinvestments</b>	<b>\$ 6,532,000</b>	<b>\$ 16,533,000</b>	<b>\$ (10,001,000)</b>	<b>(60.5%)</b>	<b>\$ 43,329,000</b>	<b>\$ 49,745,000</b>	<b>\$ (6,416,000)</b>	<b>(12.9%)</b>

## 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 December 31, 2001 consists of the following:*

	Total	2002	2003	2004	2005	2006	Thereafter
7.050% mortgage note, secured by one commercial property, due May 2006	8,374,000	211,000	226,000	242,000	260,000	7,435,000	-
8.190% mortgage note, secured by one commercial property, due March 2007	6,283,000	216,000	235,000	254,000	276,000	300,000	5,002,000
7.290% mortgage note, secured by one commercial property, due February 2009	6,164,000	116,000	125,000	134,000	144,000	155,000	5,490,000
7.280% mortgage note, secured by two commercial properties, due February 2003	4,059,000	137,000	3,922,000	-	-	-	-
8.000% mortgage note, secured by one commercial property, due April 2003	1,930,000	100,000	1,830,000	-	-	-	-
8.500% mortgage note, secured by one commercial property, due July 2007	1,797,000	58,000	63,000	69,000	75,000	81,000	1,451,000
8.000% mortgage note, secured by one commercial property, due April 2003	1,538,000	65,000	1,473,000	-	-	-	-
Total mortgage notes payable(1)	30,145,000	903,000	7,874,000	699,000	755,000	7,971,000	11,943,000
\$100 million unsecured line of credit	100,000,000						
Note payable to affiliate	35,000,000						
Total debt	165,145,000	11.9%					

*Equity at December 31, 2001 consists of the following:*

9.250% Series A preferred stock (2,200,000 depository 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 (2,640,000 depository shares outstanding)	66,000,000	
9.250% Series E preferred operating partnership units (2,120,000 units outstanding)	53,000,000	
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)	318,750,000	22.9%
Common stock (21,539,783 shares outstanding)	678,503,000	(3)
Common operating partnership units (7,305,355 units outstanding)	230,119,000	(3)
Total common equity(3)	908,622,000	65.3%
Total market capitalization	1,392,517,000	100%

- (1) The weighted average interest rate and maturity was 7.56% and 4.4 years, respectively.
- (2) The weighted average distribution rate on preferred equity is 9.1%.
- (3) Value based on December 31, 2001 closing stock price of \$31.50.
- (4) Does not include 116,000 shares related to stock options for the year ending December 31, 2001 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**

	12/31/01	12/31/00	Increase (Decrease)	% Change
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,076,000	\$ 49,295,000	\$ (46,219,000)	(a) -93.8%
Marketable securities	9,134,000	6,065,000	3,069,000	50.6%
Real estate facilities, at cost:				
Land	288,792,000	214,020,000	74,772,000	34.9%
Buildings and equipment	948,899,000	709,328,000	239,571,000	33.8%
	1,237,691,000	923,348,000	314,343,000	(b) 34.0%
Accumulated depreciation	(121,609,000)	(83,841,000)	(37,768,000)	45.0%
	1,116,082,000	839,507,000	276,575,000	32.9%
Properties held for disposition, net	9,498,000	-	9,498,000	N/A
Land held for development	10,629,000	5,737,000	4,892,000	85.3%
Construction in progress	-	19,467,000	(19,467,000)	-100.0%
	1,136,209,000	864,711,000	271,498,000	31.4%
Investment in unconsolidated joint venture	974,000	-	974,000	N/A
Rent receivable	745,000	445,000	300,000	67.4%
Interest receivable	137,000	16,000	121,000	756.3%
Note receivable	7,450,000	-	7,450,000	N/A
Deferred rent receivables	9,601,000	7,697,000	1,904,000	24.7%
Intangible assets, net	679,000	981,000	(302,000)	-30.8%
Other assets	1,950,000	1,546,000	404,000	26.1%
Total assets	<u>\$ 1,169,955,000</u>	<u>\$ 930,756,000</u>	<u>\$ 239,199,000</u>	<u>25.7%</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Accrued and other liabilities	\$ 45,188,000	(c) \$ 28,964,000	\$ 16,224,000	56.0%
Line of credit	100,000,000	-	100,000,000	N/A
Note payable to affiliate	35,000,000	-	35,000,000	N/A
Mortgage notes payable	30,145,000	30,971,000	(826,000)	-2.7%
Total liabilities	210,333,000	59,935,000	150,398,000	250.9%
Minority interest:				
Preferred units	197,750,000	144,750,000	53,000,000	36.6%
Common units	162,141,000	161,728,000	413,000	0.3%
Shareholders' equity:				
Preferred stock	121,000,000	55,000,000	66,000,000	120.0%
Common stock	215,000	230,000	(15,000)	-6.5%
Paid-in capital	422,161,000	464,855,000	(42,694,000)	(d) -9.2%
Cumulative net income	174,860,000	124,990,000	49,870,000	(e) 39.9%
Comprehensive gain	108,000	-	108,000	N/A
Cumulative distributions	(118,613,000)	(80,732,000)	(37,881,000)	(f) 46.9%
Total shareholders' equity	599,731,000	564,343,000	35,388,000	6.3%
Total liabilities and shareholders' equity	<u>\$ 1,169,955,000</u>	<u>\$ 930,756,000</u>	<u>\$ 239,199,000</u>	<u>25.7%</u>

(a)	See sources and uses of funds on page 2	
(b)	Property acquisitions	\$ 301,104,000
	Property dispositions	(3,811,000)
	Developed projects and additional acquisition costs	31,337,000
	Transfer of assets to joint venture	(14,415,000)
	Properties held for disposition	(11,513,000)
	Maintenance capital expenditures	4,202,000
	Tenant improvements	4,926,000
	Lease commissions	2,513,000
		<u>\$ 314,343,000</u>
(c)	Accrued and other liabilities at December 31, 2001 consists of:	
	Deferred rental revenue	\$ 3,391,000
	Deferred gain on disposition of property	5,366,000
	Accounts payable	2,147,000
	Property taxes	4,868,000
	Security deposits	11,167,000
	Other	4,289,000
	Accrued distributions	4,910,000
	Reserves for acquisition costs	9,050,000
		<u>\$ 45,188,000</u>
(d)	Paid-in capital decreased due to the following:	
	Repurchased shares	\$ (43,910,000)
	Exercise of stock options	1,602,000
	Preferred stock issuance costs	(1,663,000)
	Minority interest adjustment	1,277,000
		<u>\$ (42,694,000)</u>
(e)	Represents net income for the year ended December 31, 2001	
(f)	Distributions to preferred shareholders	\$ (8,854,000)
	Distributions to common shareholders	(29,027,000)
		<u>\$ (37,881,000)</u>

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

	12/31/01	12/31/00	Increase (Decrease)	% Change
<b>Revenues:</b>				
Rental income	\$ 45,098,000	\$ 36,906,000	\$ 8,192,000 (a)	22.2%
Facility management fees primarily from affiliates	184,000	156,000	28,000	17.9%
Business services	45,000	198,000	(153,000) (b)	(77.3%)
Equity income in unconsolidated joint venture	25,000		25,000	N/A
Interest income	592,000	1,030,000	(438,000) (c)	(42.5%)
Dividend income	5,000	4,000	1,000	25.0%
	<u>45,949,000</u>	<u>38,294,000</u>	<u>7,655,000</u>	<u>20.0%</u>
<b>Expenses:</b>				
Cost of operations	12,362,000	9,858,000	2,504,000 (d)	25.4%
Cost of facility management	41,000	34,000	7,000	20.6%
Cost of business services	112,000	202,000	(90,000)	(44.6%)
Depreciation and amortization	11,009,000	8,914,000	2,095,000	23.5%
General and administrative	1,163,000 (e)	1,095,000	68,000	6.2%
Interest expense	783,000 (f)	235,000	548,000	233.2%
	<u>25,470,000</u>	<u>20,338,000</u>	<u>5,132,000</u>	<u>25.2%</u>
Income before gain (loss) on investments and minority interest	20,479,000	17,956,000	2,523,000	14.1%
Gain (loss) on investment in marketable securities	(7,000)	7,849,000	(7,856,000)	(100.1%)
Gain on disposition of properties	-	-	-	N/A
Income before minority interest	20,472,000	25,805,000	(5,333,000)	(20.7%)
Minority interest in income - preferred units	(4,411,000)	(3,187,000)	(1,224,000)	38.4%
Minority interest in income - common units	(3,335,000)	(5,163,000)	1,828,000	(35.4%)
Net income	<u>\$ 12,726,000</u>	<u>\$ 17,455,000</u>	<u>\$ (4,729,000)</u>	<u>(27.1%)</u>
<b>Net income allocation:</b>				
Allocable to preferred shareholders	\$ 2,840,000	\$ 1,272,000	\$ 1,568,000	123.3%
Allocable to common shareholders	9,886,000	16,183,000	(6,297,000)	(38.9%)
	<u>\$ 12,726,000</u>	<u>\$ 17,455,000</u>	<u>\$ (4,729,000)</u>	<u>(27.1%)</u>
<b>Net income per common share:</b>				
Basic	\$ 0.46	\$ 0.70	\$ (0.24)	(34.3%)
Diluted	<u>\$ 0.46</u>	<u>\$ 0.70</u>	<u>(0.24)</u>	<u>(34.3%)</u>
<b>Weighted average common shares outstanding:</b>				
Basic	21,576,000	23,073,000	(1,497,000) (g)	(6.5%)
Diluted	<u>21,692,000</u>	<u>23,196,000</u>	<u>(1,504,000) (g)</u>	<u>(6.5%)</u>

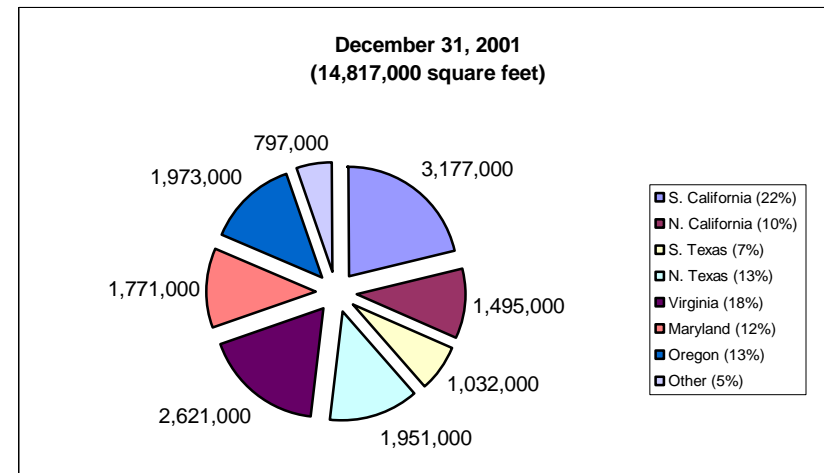
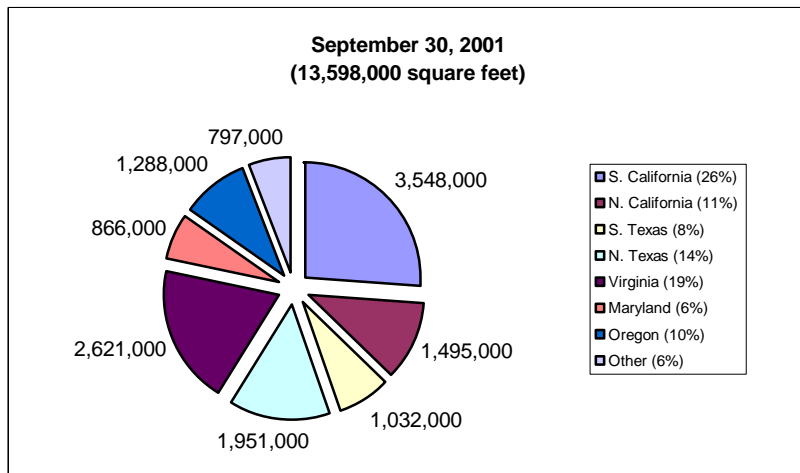
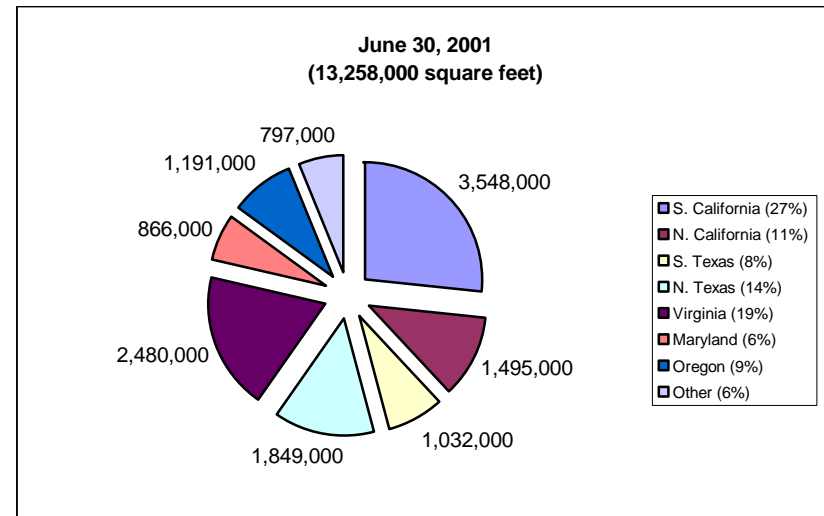
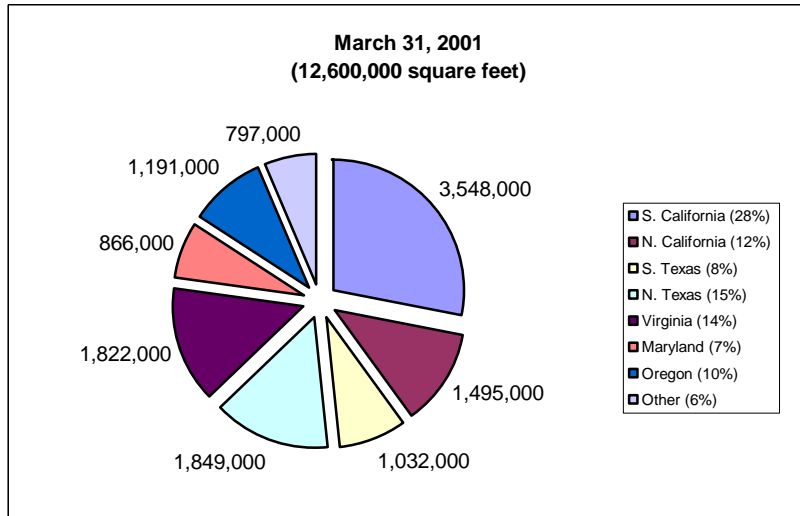
<b>(a)</b> Rental income has increased due to the following:		
"Same Park" facilities	\$	1,286,000
Other facilities		6,426,000
Straight line rent adjustment		480,000
	<u>\$</u>	<u>8,192,000</u>
<b>(b)</b> Business services include licensing fees from telecommunication service providers. Decrease from the prior year is due to the bankruptcy of Darwin Networks, Winstar and Teligent.		
<b>(c)</b> Interest income decreased as a result of lower weighted average interest bearing investments (\$71M in 2001 vs. \$66M in 2000) and weighted average interest rates (3.3% in 2001 vs. 6.3% in 2000).		
<b>(d)</b> Cost of operations have increased due to the following:		
"Same Park" facilities	\$	244,000
Other facilities		2,260,000
	<u>\$</u>	<u>2,504,000</u>
<b>(e)</b> General and administrative expenses for the three months ended December 31, 2001 consists of:		
Professional fees	\$	221,000
Salaries		402,000
General administrative costs		282,000
Internal acquisition costs		134,000
Abandoned projects		-
Other		124,000
	<u>\$</u>	<u>1,163,000</u>
<b>(f)</b> Interest expense for the three months ended December 31, 2001 consists of:		
Mortgage notes payable	\$	573,000
Short-term borrowings		236,000
Line of credit facility fee		64,000
Capitalized interest		(90,000)
	<u>\$</u>	<u>783,000</u>
<b>(g)</b> Decrease relates to the repurchase of common shares.		

**PS BUSINESS PARKS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED**

	12/31/01	12/31/00	Increase (Decrease)	% Change
<b>Revenues:</b>				
Rental income	\$ 167,062,000	\$ 144,171,000	\$ 22,891,000 (a)	15.9%
Facility management fees primarily from affiliates	683,000	539,000	144,000	26.7%
Business services	353,000	547,000	(194,000) (b)	(35.5%)
Equity income in unconsolidated joint venture	25,000	-	25,000	N/A
Interest income	2,251,000	4,076,000	(1,825,000) (c)	(44.8%)
Dividend income	17,000	1,301,000	(1,284,000) (d)	(98.7%)
	<u>170,391,000</u>	<u>150,634,000</u>	<u>19,757,000</u>	<u>13.1%</u>
<b>Expenses:</b>				
Cost of operations	45,214,000	39,290,000	5,924,000 (e)	15.1%
Cost of facility management	152,000	111,000	41,000	36.9%
Cost of business services	572,000	344,000	228,000	66.3%
Depreciation and amortization	41,067,000	35,637,000	5,430,000	15.2%
General and administrative	4,320,000 (f)	3,954,000	366,000	9.3%
Interest expense	1,715,000 (g)	1,481,000	234,000	15.8%
	<u>93,040,000</u>	<u>80,817,000</u>	<u>12,223,000</u>	<u>15.1%</u>
Income before gain on investments and minority interest	77,351,000	69,817,000	7,534,000	10.8%
Gain on investment in marketable securities	8,000	7,849,000	(7,841,000)	(99.9%)
Gain on disposition of properties	-	256,000	(256,000)	(100.0%)
Income before minority interest	77,359,000	77,922,000	(563,000)	(0.7%)
Minority interest in income - preferred units	(14,107,000)	(12,185,000)	(1,922,000)	15.8%
Minority interest in income - common units	(13,382,000)	(14,556,000)	1,174,000	(8.1%)
Net income	<u>\$ 49,870,000</u>	<u>\$ 51,181,000</u>	<u>\$ (1,311,000)</u>	<u>(2.6%)</u>
<b>Net income allocation:</b>				
Allocable to preferred shareholders	\$ 8,854,000	\$ 5,088,000	\$ 3,766,000	74.0%
Allocable to common shareholders	41,016,000	46,093,000	(5,077,000)	(11.0%)
	<u>\$ 49,870,000</u>	<u>\$ 51,181,000</u>	<u>\$ (1,311,000)</u>	<u>(2.6%)</u>
<b>Net income per common share:</b>				
Basic	\$ 1.84	\$ 1.98	\$ (0.14)	(7.1%)
Diluted	<u>\$ 1.83</u>	<u>\$ 1.97</u>	<u>\$ (0.14)</u>	<u>(7.1%)</u>
<b>Weighted average common shares outstanding:</b>				
Basic	22,350,000	23,284,000	(934,000) (h)	(4.0%)
Diluted	<u>22,435,000</u>	<u>23,365,000</u>	<u>(930,000) (h)</u>	<u>(4.0%)</u>

<b>(a)</b> Rental income has increased due to the following:		
"Same Park" facilities	\$	7,892,000
Other facilities		15,299,000
Straight line rent adjustment		(300,000)
	<u>\$</u>	<u>22,891,000</u>
<b>(b)</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.		
<b>(c)</b> Interest income decreased as a result of lower weighted average interest bearing investments (\$53M in 2001 vs. \$62M in 2000) and weighted average interest rates (4.2% in 2001 vs. 6.5% in 2000).		
<b>(d)</b> No dividend income was received from Pacific Gulf Properties Inc. ("PAG") during the year ended December 31, 2001.		
<b>(e)</b> Cost of operations have increased due to the following:		
"Same Park" facilities	\$	1,324,000
Other facilities		4,600,000
	<u>\$</u>	<u>5,924,000</u>
<b>(f)</b> General and administrative expenses for the year ended December 31, 2001 consists of:		
Professional fees	\$	792,000
Salaries		1,587,000
General administrative costs		676,000
Internal acquisition costs		587,000
Abandoned projects		7,000
Other		671,000
	<u>\$</u>	<u>4,320,000</u>
<b>(g)</b> Interest expense for the year ended December 31, 2001 consists of:		
Mortgage notes payable	\$	2,317,000
Short-term borrowings		236,000
Line of credit facility fees		253,000
Capitalized interest		(1,091,000)
	<u>\$</u>	<u>1,715,000</u>
<b>(h)</b> Decrease relates to the repurchase of common shares		

## Rentable Square Footage by Region



**PS BUSINESS PARKS, INC.**  
**PORTFOLIO OVERVIEW**

**Rentable Square Footage of Properties as of December 31, 2001**

Primary Markets	Industrial	Office	Flex	Total	%
Northern Virginia	-	355,000	2,266,000	2,621,000	17.7%
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%
Dallas	-	-	1,576,000	1,576,000	10.6%
Portland	-	346,000	1,627,000	1,973,000	13.3%
Orange County	-	160,000	911,000	1,071,000	7.2%
Maryland	-	720,000	1,051,000	1,771,000	12.0%
Austin	-	-	833,000	833,000	5.6%
San Diego County	-	-	535,000	535,000	3.6%
Phoenix	-	-	569,000	569,000	3.8%
Other	-	330,000	471,000	801,000	5.5%
	<u>1,119,000</u>	<u>2,429,000</u>	<u>11,269,000</u>	<u>14,817,000</u>	<u>100.0%</u>

**Average Occupancy Rates by Product Type for the Quarter Ending December 31, 2001**

Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	98.7%	95.6%	96.0%
Los Angeles County	90.4%	99.6%	96.8%	94.1%
Northern California	99.6%	92.9%	95.7%	96.8%
Dallas	-	-	94.2%	94.2%
Portland	-	92.3%	97.4%	96.7%
Orange County	-	97.0%	97.5%	97.4%
Maryland	-	96.0%	97.3%	97.2%
Austin	-	-	92.9%	92.9%
San Diego County	-	-	98.8%	98.8%
Phoenix	-	-	84.3%	84.3%
Other	-	77.5%	93.0%	86.6%
	<u>93.8%</u>	<u>91.9%</u>	<u>95.3%</u>	<u>94.8%</u>

**Weighted Average Occupancy Rates by Portfolio Type for the Quarter Ending December 31, 2001**

Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	95.4%	98.9%	96.0%
Los Angeles County	90.4%	97.1%	94.1%
Northern California	98.7%	92.6%	96.8%
Dallas	96.9%	81.0%	94.2%
Portland	96.9%	93.7%	96.7%
Orange County	98.2%	96.0%	97.4%
Maryland	97.1%	100.0%	97.2%
Austin	93.6%	91.0%	92.9%
San Diego County	-	98.8%	98.8%
Phoenix	93.5%	82.9%	84.3%
Other	86.1%	86.7%	86.6%
	<u>95.9%</u>	<u>92.5%</u>	<u>94.8%</u>

**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.

**PS BUSINESS PARKS, INC.**  
**PORTFOLIO ANALYSIS**

Industry Concentration as of December 31, 2001

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 December 31, 2001

<u>Tenant</u>	<u>Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
U.S. Government	361,000	7,381,000	3.7%
IBM	292,000	\$ 4,287,000	2.1%
Citigroup	262,000	3,650,000	1.8%
Intel	237,000	3,240,000	1.6%
County of Santa Clara	97,000	2,335,000	1.2%
Hughes Network Systems	90,000	2,194,000	1.1%
Pycon, Inc.	134,000	1,986,000	1.0%
Fusion Systems Corp.	135,000	1,746,000	0.9%
Sabre Holdings	100,000	1,707,000	0.8%
MCI Worldcom	121,000	1,680,000	0.8%
	<u>1,829,000</u>	<u>\$ 30,206,000</u>	<u>15.0%</u>

**PS BUSINESS PARKS, INC.**  
**PORTFOLIO ANALYSIS AS OF December 31, 2001**

Lease Expirations - Flex			
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
2002	2,245,000	\$ 25,055,000	18.7%
2003	2,152,000	25,991,000	19.4%
2004	1,966,000	22,489,000	16.8%
2005	1,420,000	19,197,000	14.3%
2006	1,226,000	17,775,000	13.2%
Thereafter	1,733,000	23,683,000	17.6%
	<u>10,742,000</u>	<u>\$ 134,190,000</u>	<u>100.0%</u>

Lease Expirations - Office			
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
2002	299,000	\$ 4,799,000	11.3%
2003	381,000	6,263,000	14.8%
2004	362,000	5,741,000	13.5%
2005	578,000	12,139,000	28.6%
2006	295,000	6,641,000	15.7%
Thereafter	292,000	6,811,000	16.1%
	<u>2,207,000</u>	<u>\$ 42,394,000</u>	<u>100.0%</u>

Lease Expirations - Industrial			
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
2002	89,000	\$ 525,000	7.9%
2003	163,000	884,000	13.3%
2004	303,000	1,776,000	26.8%
2005	273,000	1,615,000	24.4%
2006	160,000	1,092,000	16.5%
Thereafter	137,000	738,000	11.1%
	<u>1,125,000</u>	<u>\$ 6,630,000</u>	<u>100.0%</u>

Lease Expirations - Total			
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
2002	2,634,000	\$ 30,380,000	16.6%
2003	2,696,000	\$ 33,138,000	18.1%
2004	2,630,000	\$ 30,006,000	16.4%
2005	2,272,000	\$ 32,951,000	18.0%
2006	1,680,000	\$ 25,509,000	13.9%
Thereafter	2,162,000	\$ 31,232,000	17.0%
	<u>14,074,000</u>	<u>\$ 183,216,000</u>	<u>100.0%</u>

**PS BUSINESS PARKS, INC.**  
**PORTFOLIO ANALYSIS AS OF December 31, 2001**

Southern California					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	% of Company		
			%	Annual rents	
2002	723,000	\$ 8,838,000	22.5%	4.8%	
2003	820,000	10,185,000	26.0%	5.6%	
2004	663,000	7,378,000	18.8%	4.0%	
2005	467,000	6,379,000	16.3%	3.5%	
2006	301,000	4,105,000	10.5%	2.2%	
Thereafter	167,000	2,358,000	5.9%	1.3%	
	<u>3,141,000</u>	<u>\$ 39,243,000</u>	<u>100.0%</u>	<u>21.4%</u>	

Northern California					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	% of Company		
			%	Annual rents	
2002	238,000	\$ 2,892,000	14.0%	1.6%	
2003	283,000	3,839,000	18.6%	2.1%	
2004	251,000	2,895,000	14.0%	1.6%	
2005	156,000	1,606,000	7.8%	0.9%	
2006	128,000	1,739,000	8.4%	0.9%	
Thereafter	476,000	7,670,000	37.2%	4.2%	
	<u>1,532,000</u>	<u>\$ 20,641,000</u>	<u>100.0%</u>	<u>11.3%</u>	

Southern Texas					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	% of Company		
			%	Annual rents	
2002	223,000	\$ 2,133,000	22.4%	1.2%	
2003	206,000	2,426,000	25.4%	1.3%	
2004	238,000	2,168,000	22.7%	1.2%	
2005	190,000	1,972,000	20.7%	1.1%	
2006	47,000	567,000	5.9%	0.3%	
Thereafter	22,000	272,000	2.9%	0.1%	
	<u>926,000</u>	<u>\$ 9,538,000</u>	<u>100.0%</u>	<u>5.2%</u>	



**PS BUSINESS PARKS, INC.**  
**PORTFOLIO ANALYSIS AS OF December 31, 2001**

Northern Texas					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	% of Company		
				%	Annual rents
2002	282,000	\$ 2,944,000	16.5%		1.6%
2003	382,000	4,166,000	23.4%		2.3%
2004	367,000	3,105,000	17.4%		1.7%
2005	194,000	2,387,000	13.4%		1.3%
2006	238,000	3,099,000	17.4%		1.7%
Thereafter	227,000	2,113,000	11.9%		1.2%
	<u>1,690,000</u>	<u>\$ 17,814,000</u>	<u>100.0%</u>		<u>9.7%</u>

Northern Virginia					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	% of Company		
				%	Annual rents
2002	364,000	\$ 4,758,000	12.9%		2.6%
2003	303,000	4,175,000	11.3%		2.3%
2004	450,000	5,469,000	14.8%		3.0%
2005	329,000	5,773,000	15.6%		3.2%
2006	401,000	7,038,000	19.0%		3.8%
Thereafter	660,000	9,797,000	26.4%		5.3%
	<u>2,507,000</u>	<u>\$ 37,010,000</u>	<u>100.0%</u>		<u>20.2%</u>

Maryland					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	% of Company		
				%	Annual rents
2002	251,000	\$ 3,152,000	11.9%		1.7%
2003	223,000	3,202,000	12.0%		1.7%
2004	310,000	4,602,000	17.3%		2.5%
2005	407,000	8,066,000	30.3%		4.4%
2006	175,000	2,963,000	11.1%		1.6%
Thereafter	361,000	4,609,000	17.4%		2.5%
	<u>1,727,000</u>	<u>\$ 26,594,000</u>	<u>100.0%</u>		<u>14.5%</u>

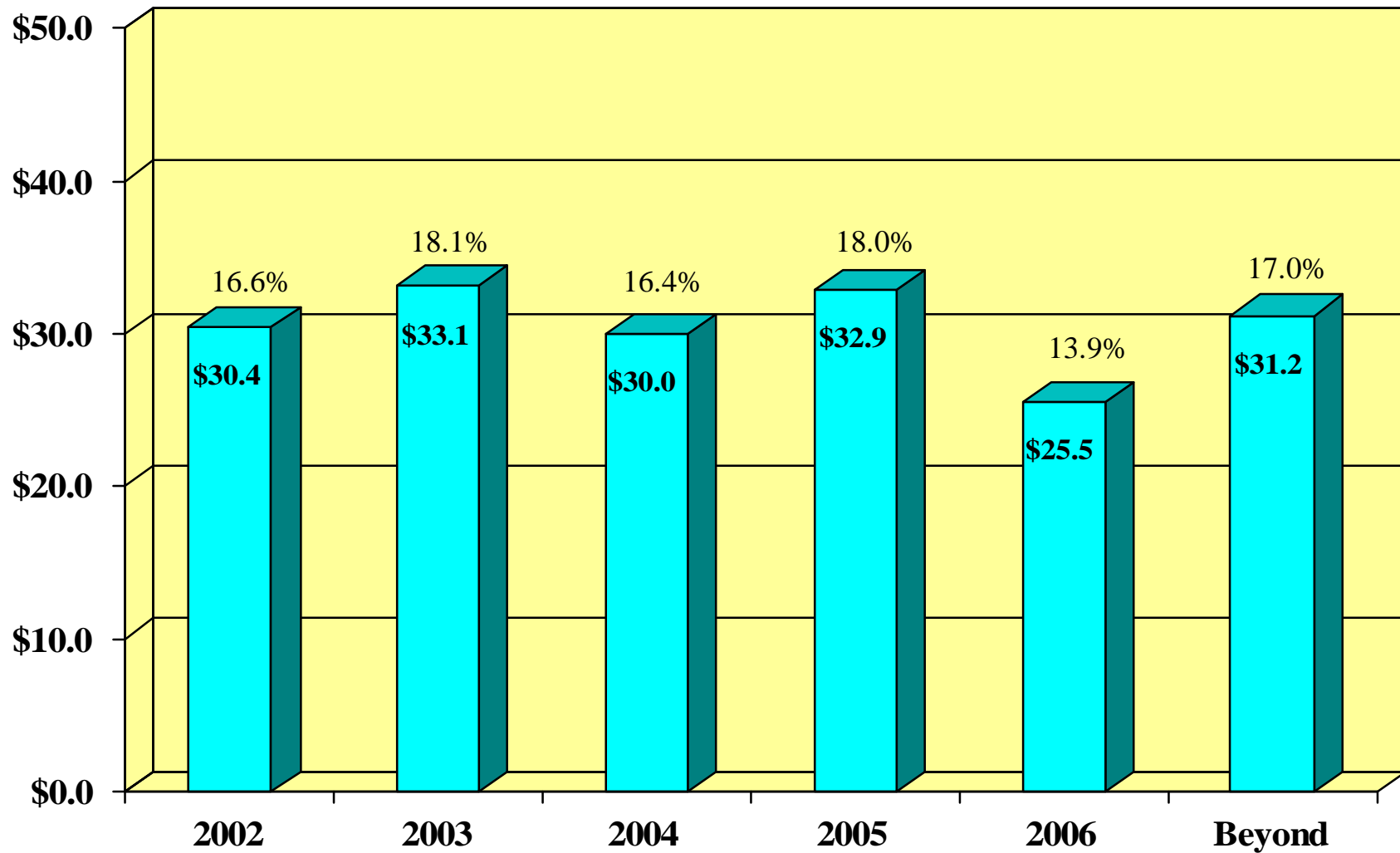
**PS BUSINESS PARKS, INC.**  
**PORTFOLIO ANALYSIS AS OF December 31, 2001**

Oregon					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2002	244,000	\$ 2,660,000	10.6%	1.5%	
2003	301,000	3,449,000	13.8%	1.9%	
2004	224,000	3,028,000	12.1%	1.7%	
2005	509,000	6,560,000	26.2%	3.6%	
2006	354,000	5,568,000	22.3%	3.0%	
Thereafter	177,000	3,727,000	15.0%	2.0%	
	<u>1,809,000</u>	<u>\$ 24,992,000</u>	<u>100.0%</u>	<u>13.6%</u>	

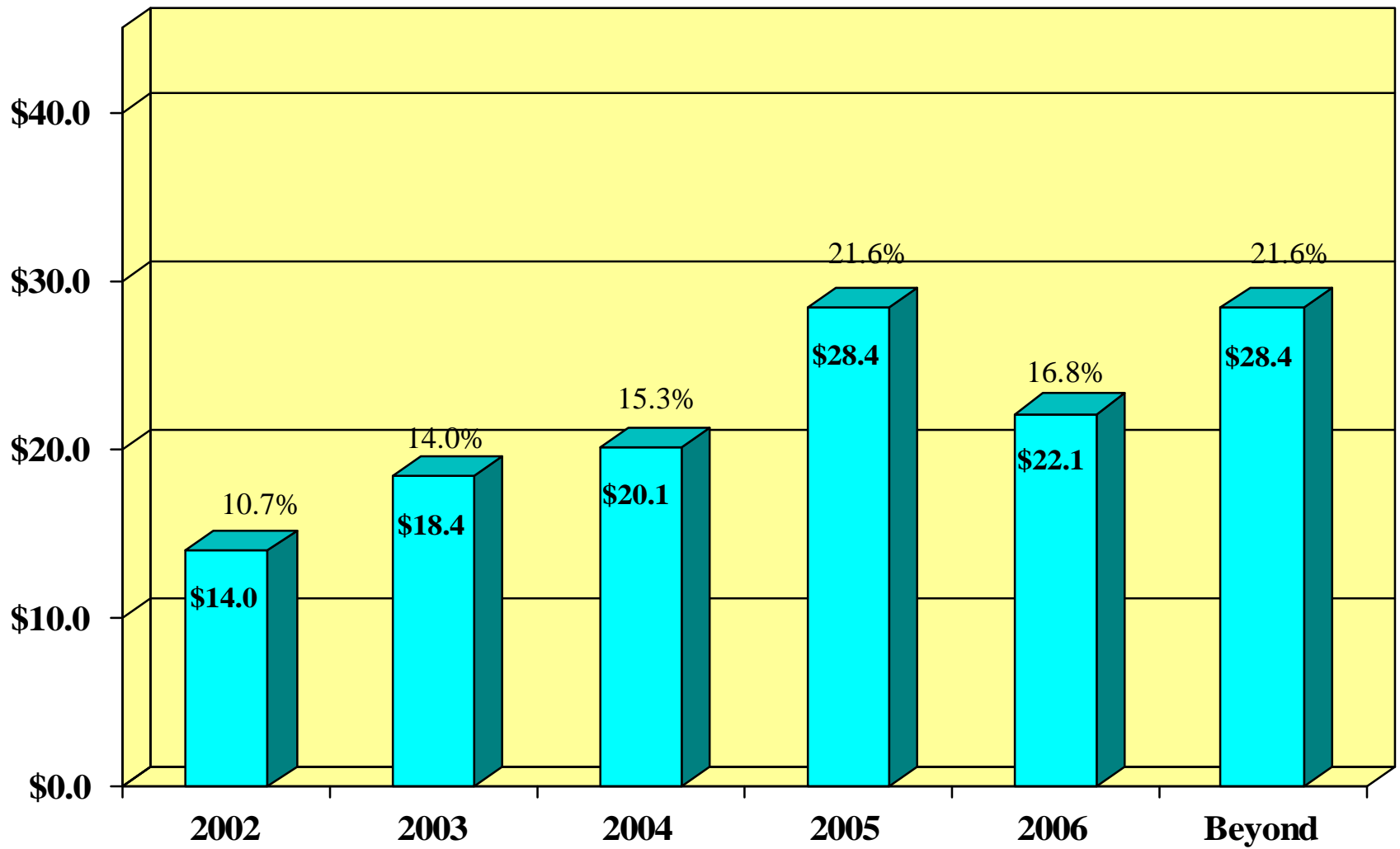
Other					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2002	309,000	\$ 3,003,000	40.7%	1.6%	
2003	178,000	1,696,000	23.0%	0.9%	
2004	127,000	1,361,000	18.4%	0.7%	
2005	20,000	208,000	2.8%	0.1%	
2006	36,000	430,000	5.8%	0.2%	
Thereafter	72,000	686,000	9.3%	0.4%	
	<u>742,000</u>	<u>\$ 7,384,000</u>	<u>100.0%</u>	<u>4.0%</u>	

Total					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2002	2,634,000	\$ 30,380,000	16.6%	16.6%	
2003	2,696,000	\$ 33,138,000	18.1%	18.1%	
2004	2,630,000	\$ 30,006,000	16.4%	16.4%	
2005	2,272,000	\$ 32,951,000	18.0%	18.0%	
2006	1,680,000	\$ 25,509,000	13.9%	13.9%	
Thereafter	2,162,000	\$ 31,232,000	17.0%	17.0%	
	<u>14,074,000</u>	<u>\$ 183,216,000</u>	<u>100.0%</u>	<u>100.0%</u>	

### Lease Expirations (Entire Portfolio) as of December 31, 2001 (\$ in millions)



### Lease Expirations (Large Tenant Portfolio) as of December 31, 2001 (\$ in millions)



### Lease Expirations (Small Tenant Portfolio) as of December 31, 2001 (\$ in millions)

