



Analyst Book

For the Quarter Ended December 31, 1999

FOURTH QUARTER RESULTS

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PS BUSINESS PARKS, INC.
FOURTH QUARTER FACT SHEET

OPERATING DATA:

	Three Months Ended			Year Ended		
	12/31/1999	12/31/1998	Difference	12/31/1999	12/31/1998	Difference
Total revenues	\$ 34,833,000	\$ 27,284,000	27.7%	\$ 128,613,000	\$ 90,260,000	42.5%
Net income allocable to common shareholders	\$ 9,631,000	\$ 8,276,000	16.4%	\$ 37,849,000	\$ 29,400,000	28.7%
Net income per common share:						
Diluted	\$ 0.40	\$ 0.35	14.3%	\$ 1.59	\$ 1.51	5.3%
Weighted average common shares outstanding:						
Diluted	23,704,000	23,699,000	0.0%	23,709,000	19,429,000	22.0%

FUNDS FROM OPERATIONS:

	Three Months Ended			Year Ended		
	12/31/1999	12/31/1998	Difference	12/31/1999	12/31/1998	Difference
FFO allocable to common shareholders	\$ 14,934,000	\$ 13,034,000	14.6%	\$ 58,087,000	\$ 41,578,000	39.7%
Weighted average shares outstanding - diluted	23,704,000	23,699,000	0.0%	23,709,000	19,429,000	22.0%
FFO per common share - diluted	\$ 0.63	\$ 0.55	14.5%	\$ 2.45	\$ 2.14	14.5%

PROPERTY INFORMATION:

	Three Months Ended			Year Ended		
	12/31/1999	12/31/1998	Difference	12/31/1999	12/31/1998	Difference
Total number of properties	125	106	17.9%	125	106	17.9%
Net rentable square footage	12,359,000	10,930,000	13.1%	12,359,000	10,930,000	13.1%

Same Park Facilities

Weighted average occupancy	96.4%	96.2%	0.2%	96.5%	94.5%	2.0%
Annual realized rent per sq. ft. for period (1)	\$ 10.73	\$ 10.02	7.1%	\$ 10.45	\$ 9.87	5.9%

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

BALANCE SHEET DATA:

	12/31/1999	12/31/1998	Difference
Total assets	\$ 903,741,000	\$ 709,414,000	27.4%
Total debt	\$ 37,066,000	\$ 50,541,000	(26.7%)
Minority interest - preferred	\$ 132,750,000	\$ -	N/A
Minority interest - common	\$ 157,199,000	\$ 153,015,000	2.7%
Perpetual preferred stock	\$ 55,000,000	\$ -	N/A
Common shareholders' equity	\$ 500,531,000	\$ 489,905,000	2.2%
Total common shares outstanding	23,645,000	23,636,000	0.0%
Book value per common share	\$ 21.17	\$ 20.73	2.1%

MARKET VALUE INFORMATION:

	12/31/1999	12/31/1998	Difference
Market value of common stock/OP units*	\$ 707,271,000	\$ 740,999,000	(4.6%)
Total debt	37,066,000	50,541,000	(26.7%)
Total preferred stock/OP units	187,750,000	-	N/A
Total capitalization	\$ 932,087,000	\$ 791,540,000	17.8%

* Market value based on year end stock price

PS BUSINESS PARKS, INC.

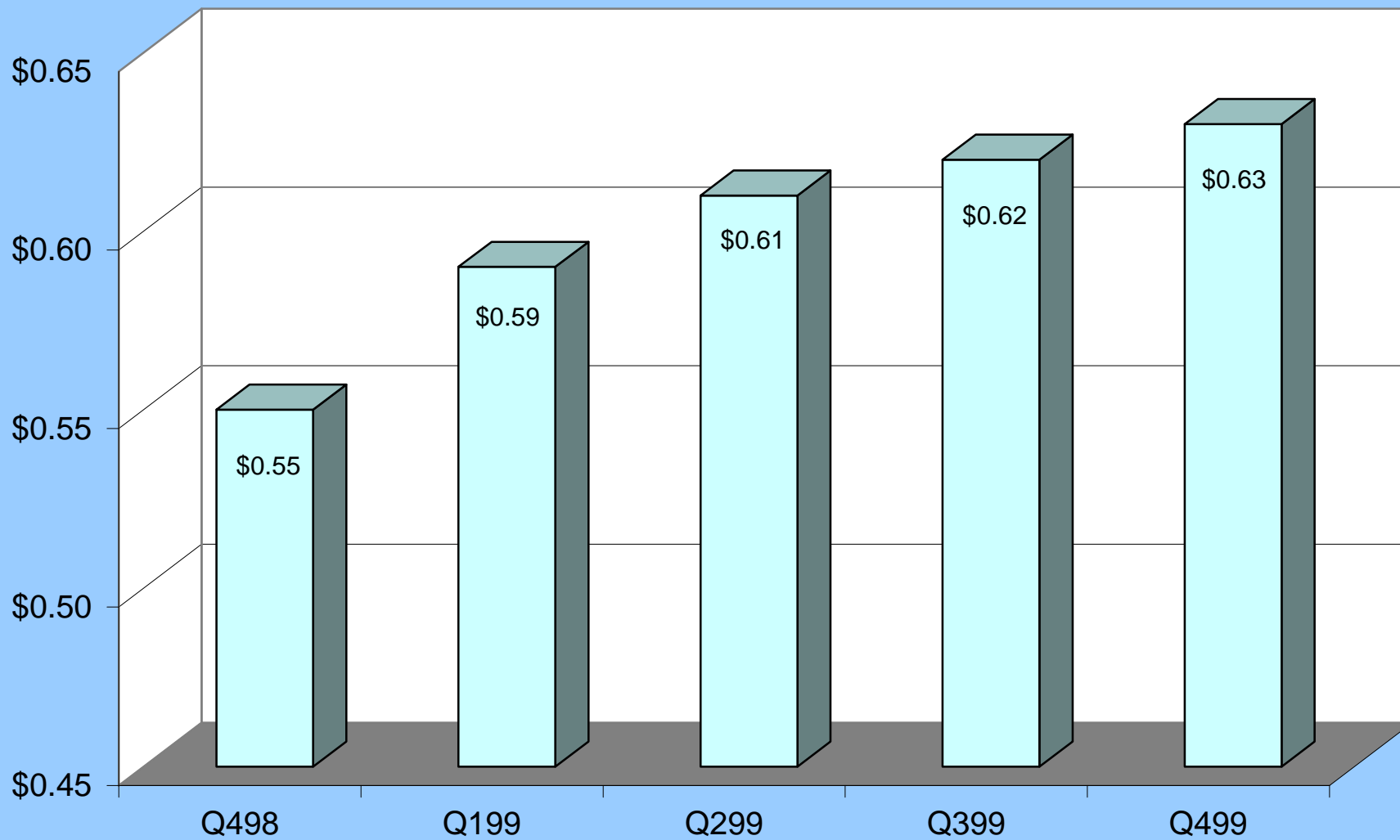
Sources and Uses of Funds
For the Year Ended December 31,

	(Actual) 1999
<u>Sources of Funds:</u>	
Funds from operations	\$ 76,353,000
Preferred distributions	7,562,000
Funds from operations before preferred distributions	<u>83,915,000</u>
Issuance of equity:	
Common stock	179,000
Preferred stock, net	53,064,000
Preferred OP units, net	129,613,000
Borrowings:	
Public Storage, Inc.	41,400,000
Wells Fargo Bank	14,000,000
Change in working capital	4,525,000
Total Sources of Funds	<u>326,696,000</u>
<u>Uses of Funds:</u>	
Acquisition of real estate facilities:	(83,442,000)
Construction in progress:	(14,550,000)
Capital expenditures	(11,679,000)
Renovations	(3,177,000)
Preferred dividends/distributions	(7,562,000)
Common dividends/distributions	(31,070,000)
Repayments:	
Public Storage, Inc.	(41,400,000)
Wells Fargo Bank	(26,500,000)
Mortgage notes payable	(20,694,000)
Investments in marketable securities	(18,470,000)
Total Uses of Funds	<u>(258,544,000)</u>
Net increase (decrease) in cash balance	<u>68,152,000</u>
Beginning cash balance	6,068,000
Ending cash balance	<u>\$ 74,220,000</u>

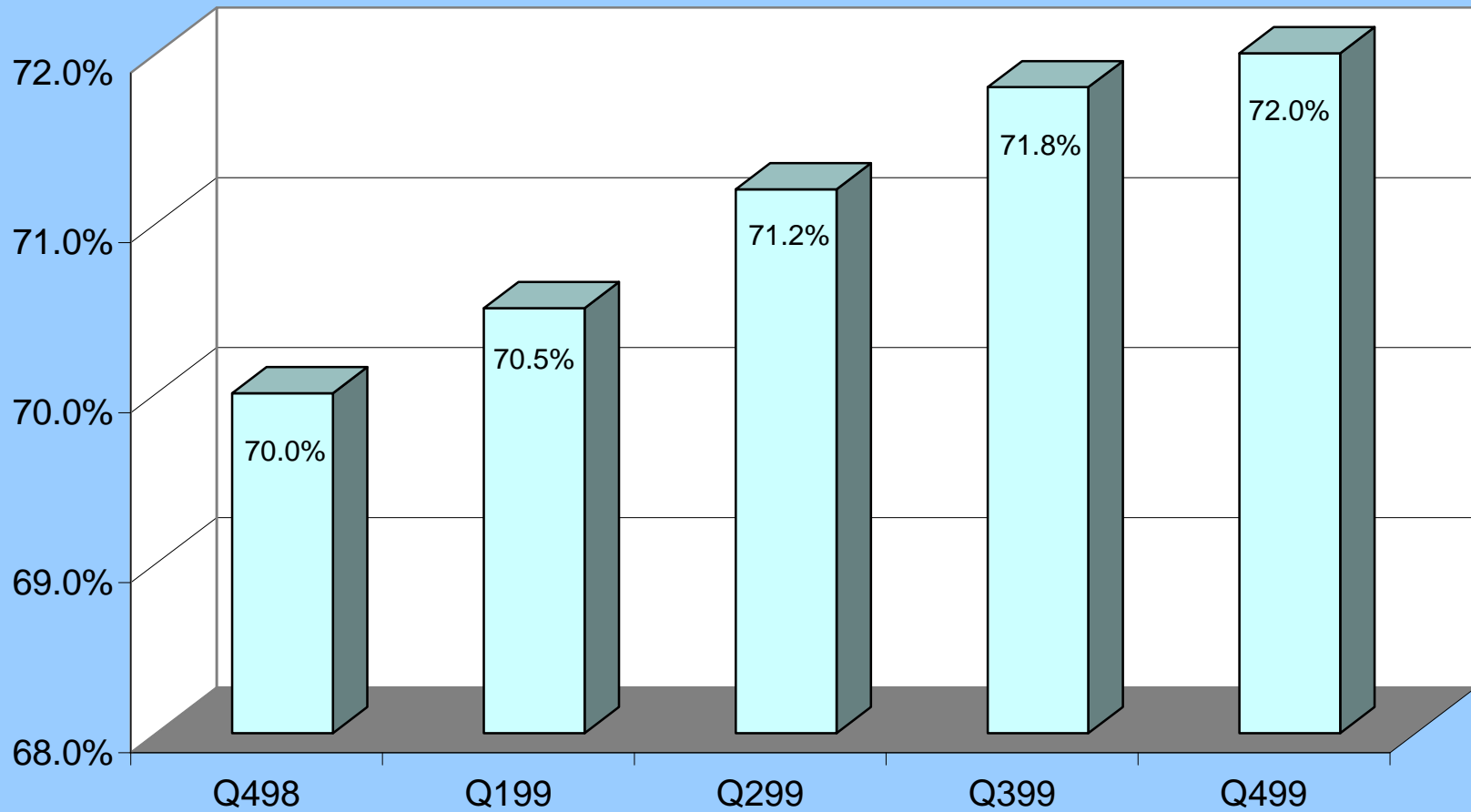
PS BUSINESS PARKS, INC.
ANALYSIS OF FUNDS FROM OPERATIONS

	Three Months Ended		Increase (Decrease)	% Change	Year Ended		Increase (Decrease)	% Change
	12/31/1999	12/31/1998			12/31/1999	12/31/1998		
Funds from operations (FFO):								
Net income allocable to common shareholders	\$ 9,631,000	\$ 8,276,000	\$ 1,355,000	16.4%	\$ 37,849,000	\$ 29,400,000	\$ 8,449,000	28.7%
Extraordinary item, net of minority interest	195,000	-	195,000	N/A	195,000	-	195,000	N/A
Depreciation and amortization	8,121,000	7,487,000	634,000	8.5%	29,762,000	18,908,000	10,854,000	57.4%
Minority interest in income	2,421,000	2,512,000	(91,000)	(3.6%)	11,954,000	11,208,000	746,000	6.7%
Less effects of straight line rents	(863,000)	(1,162,000)	299,000	(25.7%)	(3,407,000)	(2,086,000)	(1,321,000)	63.3%
FFO allocable to common shareholders/unitholders	<u>\$ 19,505,000</u>	<u>\$ 17,113,000</u>	<u>\$ 2,392,000</u>	<u>14.0%</u>	<u>\$ 76,353,000</u>	<u>\$ 57,430,000</u>	<u>\$ 18,923,000</u>	<u>32.9%</u>
Weighted average common shares outstanding	23,645,000	23,636,000	9,000	0.0%	23,641,000	19,361,000	4,280,000	22.1%
Weighted average common OP units outstanding	7,443,000	7,401,000	42,000	0.6%	7,428,000	7,383,000	45,000	0.6%
Weighted average dilutive stock options	59,000	63,000	(4,000)	(6.3%)	68,000	68,000	-	0.0%
Total pro forma fully-converted shares	<u>31,147,000</u>	<u>31,100,000</u>	<u>47,000</u>	<u>0.2%</u>	<u>31,137,000</u>	<u>26,812,000</u>	<u>4,325,000</u>	<u>16.1%</u>
FFO per share/OP Unit	<u>\$ 0.63</u>	<u>\$ 0.55</u>	<u>\$ 0.08</u>	<u>14.5%</u>	<u>\$ 2.45</u>	<u>\$ 2.14</u>	<u>\$ 0.31</u>	<u>14.5%</u>
Funds available for distribution (FAD):								
Total funds from operations	\$ 19,505,000	\$ 17,113,000	\$ 2,392,000	14.0%	\$ 76,353,000	\$ 57,430,000	\$ 18,923,000	32.9%
Less capitalized expenditures:								
Maintenance capital expenditures	(1,758,000)	(1,259,000)	(499,000)	39.6%	(3,911,000)	(3,376,000)	(535,000)	15.8%
Tenant improvements	(1,698,000)	(2,670,000)	972,000	(36.4%)	(5,555,000)	(5,258,000)	(297,000)	5.6%
Capitalized lease commissions	(734,000)	(654,000)	(80,000)	12.2%	(2,213,000)	(1,979,000)	(234,000)	11.8%
Total capitalized expenditures	<u>(4,190,000)</u>	<u>(4,583,000)</u>	<u>393,000</u>	<u>(8.6%)</u>	<u>(11,679,000)</u>	<u>(10,613,000)</u>	<u>(1,066,000)</u>	<u>10.0%</u>
FAD	<u>\$ 15,315,000</u>	<u>\$ 12,530,000</u>	<u>\$ 2,785,000</u>	<u>22.2%</u>	<u>\$ 64,674,000</u>	<u>\$ 46,817,000</u>	<u>\$ 17,857,000</u>	<u>38.1%</u>
FAD per share/OP Unit	<u>\$ 0.49</u>	<u>\$ 0.40</u>	<u>\$ 0.09</u>	<u>22.5%</u>	<u>\$ 2.08</u>	<u>\$ 1.75</u>	<u>\$ 0.33</u>	<u>18.9%</u>
Cash available for debt repayments and reinvestments:								
FAD	\$ 15,315,000	\$ 12,530,000	\$ 2,785,000	22.2%	\$ 64,674,000	\$ 46,817,000	\$ 17,857,000	38.1%
Distributions to common shareholders	(5,912,000)	(5,909,000)	(3,000)	0.1%	(23,641,000)	(21,806,000)	(1,835,000)	8.4%
Distributions to common OP unitholders	(1,861,000)	(1,850,000)	(11,000)	0.6%	(7,429,000)	(8,098,000)	669,000	(8.3%)
Cash available for debt repayments and reinvestments	<u>\$ 7,542,000</u>	<u>\$ 4,771,000</u>	<u>\$ 2,771,000</u>	<u>58.1%</u>	<u>\$ 33,604,000</u>	<u>\$ 16,913,000</u>	<u>\$ 16,691,000</u>	<u>98.7%</u>

Diluted FFO Per Common Share/OP Unit



Gross Operating Margin Percentage* (Entire Portfolio)



* Gross margin is computed by dividing property net operating income by rental income.

PS BUSINESS PARKS, INC.
CAPITAL STRUCTURE

Debt at December 31, 1999 consists of the following:

	Total	2000	2001	2002	2003	2004	Thereafter
7.125% mortgage note, secured by one commercial property, due May 2006	8,751,000	180,000	193,000	208,000	223,000	239,000	7,708,000
8.19% mortgage note, secured by one commercial property, due March 2007	6,666,000	184,000	199,000	216,000	235,000	254,000	5,578,000
7.29% mortgage note, secured by one commercial property, due February 2009	6,372,000	100,000	108,000	116,000	125,000	134,000	5,789,000
8.125% mortgage note, secured by one commercial property, due July 2005	5,327,000	105,000	113,000	123,000	133,000	145,000	4,708,000
7.28% mortgage note, secured by two commercial properties, due February 2003	4,304,000	118,000	127,000	137,000	3,922,000	-	-
8% mortgage note, secured by one commercial property, due April 2003	2,108,000	85,000	93,000	100,000	1,830,000	-	-
8.5% mortgage note, secured by one commercial property, due July 2007	1,898,000	49,000	53,000	58,000	63,000	69,000	1,606,000
8% mortgage note, secured by one commercial property, due April 2003	1,640,000	51,000	56,000	60,000	1,473,000	-	-
Total debt	<u>37,066,000</u>	<u>872,000</u>	<u>942,000</u>	<u>1,018,000</u>	<u>8,004,000</u>	<u>841,000</u>	<u>25,389,000</u>

Weighted average interest rate

7.67%

Weighted average maturity

6.3 years

\$100 million unsecured line of credit

-

Borrowings from affiliate

-

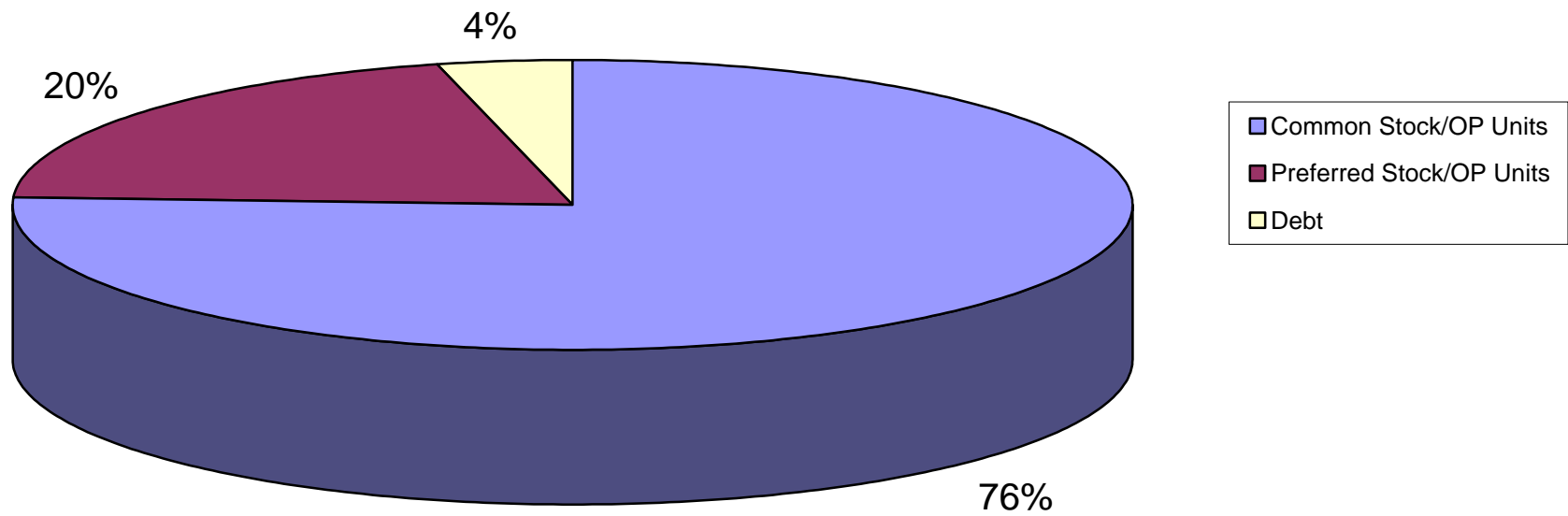
Equity at December 31, 1999 consists of the following:

	Shares/Units Outstanding	Coupon Rate	\$ Value Equivalent
Preferred stock	2,200,000	9.250%	55,000,000
Preferred operating partnership units	510,000	8.875%	12,750,000
Preferred operating partnership units	3,200,000	8.750%	80,000,000
Preferred operating partnership units	1,200,000	8.875%	30,000,000
Preferred operating partnership units	400,000	8.875%	10,000,000
Total preferred equity	<u>7,510,000</u>	<u>8.932%</u>	<u>187,750,000</u>
Common stock	23,645,461		537,934,238 (1)
Common operating partnership units	7,443,356		169,336,349 (1)
Total common equity (2)	<u>31,088,817</u>		<u>707,270,587</u>

(1) Value based on December 31, 1999 closing stock price of \$22 3/4.

(2) Does not include 68,422 shares related to stock options for the year ending December 31, 1999, computed using the Treasury Stock method. These stock options are treated as common stock equivalents for purposes of calculating average shares outstanding used in computing net income and FFO per share.

Total Market Capitalization as of December 31, 1999: \$932 million



PS BUSINESS PARKS, INC.
CONSOLIDATED BALANCE SHEETS

	12/31/1999	12/31/1998	Increase (Decrease)	% Change
ASSETS				
Cash and equivalents	\$ 74,220,000	\$ 6,068,000	\$ 68,152,000	1123.1%
Real estate facilities:				
Land	194,140,000	176,241,000	17,899,000	10.2%
Buildings and equipment	636,261,000	536,697,000	99,564,000	18.6%
	830,401,000	712,938,000	117,463,000 (a)	16.5%
Accumulated depreciation	(50,976,000)	(22,517,000)	(28,459,000)	126.4%
	779,425,000	690,421,000	89,004,000	12.9%
Properties held for sale, net	14,235,000 (b)	-	14,235,000	N/A
Construction in progress	8,616,000 (c)	7,716,000	900,000	11.7%
	802,276,000	698,137,000	104,139,000	14.9%
Receivables	771,000	242,000	529,000	218.6%
Deferred rent receivables	5,493,000	2,086,000	3,407,000	163.3%
Intangible assets, net	1,282,000	1,583,000	(301,000)	-19.0%
Other assets	19,699,000 (d)	1,298,000	18,401,000	1417.6%
Total assets	\$ 903,741,000	\$ 709,414,000	\$ 194,327,000	27.4%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accrued and other liabilities	\$ 21,195,000 (e)	\$ 15,953,000	\$ 5,242,000	32.9%
Notes payable	37,066,000	50,541,000	(13,475,000) (f)	-26.7%
Total liabilities	58,261,000	66,494,000	(8,233,000)	-12.4%
Minority interest - preferred	132,750,000	-	132,750,000 (g)	N/A
Minority interest - common	157,199,000	153,015,000	4,184,000	2.7%
Shareholders' equity:				
Preferred stock	55,000,000	-	55,000,000 (h)	N/A
Common stock	236,000	236,000	-	0.0%
Paid in capital	478,889,000	482,471,000	(3,582,000) (i)	-0.7%
Cumulative net income	73,809,000	32,554,000	41,255,000 (j)	126.7%
Cumulative distributions	(52,403,000)	(25,356,000)	(27,047,000) (k)	106.7%
Total shareholders' equity	555,531,000	489,905,000	65,626,000	13.4%
Total liabilities and shareholders' equity	\$ 903,741,000	\$ 709,414,000	\$ 194,327,000	27.4%

(a) Property acquisitions	\$ 104,194,000
Developed projects	13,650,000
Maintenance capital expenditures	3,911,000
Tenant improvements	5,555,000
Lease commissions	2,213,000
Renovation costs	3,177,000
Reclass properties held for sale	(15,237,000)
	\$ 117,463,000
(b) Two properties have been designated for sale in 2000:	
Baltimore, MD (B&O)	\$ 13,589,000
Houston, TX (South Shaver)	1,648,000
Accumulated depreciation	(1,002,000)
	\$ 14,235,000
(c) The Company has five development projects in:	
Beaverton, OR (Creekside)	\$ 1,964,000
Beaverton, OR (Woodside)	2,954,000
Chantilly, VA (Lafayette)	1,627,000
Chantilly, VA (Park East IV)	2,067,000
Irving, TX (Royal Tech 17/18)	4,000
	\$ 8,616,000
(d) Other assets at December 31, 1999 consists of:	
Investments in marketable securities	\$ 18,470,000
Prepaid and other assets	1,229,000
	\$ 19,699,000
(e) Accrued and other liabilities at December 31, 1999 consists of:	
Deferred rental revenue	\$ 1,629,000
Accounts payable	388,000
Property taxes	3,606,000
Security deposits	7,109,000
Other	4,548,000
Reserves for acquisition costs	3,915,000
	\$ 21,195,000
(f) Notes payable decreased due to the following:	
Assumption of debt in connection with property acquisitions	\$ 19,719,000
Principal payments	(20,694,000)
Repayment of borrowings from affiliate/line of credit, net	(12,500,000)
	\$ (13,475,000)
(g) Private placement of 510,000 preferred OP units (8 7/8%)	\$ 12,750,000
Private placement of 3,200,000 preferred OP units (8 3/4%)	80,000,000
Private placement of 1,200,000 preferred OP units (8 7/8%)	30,000,000
Private placement of 400,000 preferred OP units (8 7/8%)	10,000,000
	\$ 132,750,000
(h) Public offering of 2,200,000 shares of preferred stock (9 1/4%)	
(i) Issuance of common stock	\$ 179,000
Preferred stock issuance costs	(1,936,000)
Minority interest adjustment	(1,825,000)
	\$ (3,582,000)
(j) Represents net income for the year ended December 31, 1999.	
(k) Distributions to preferred shareholders	\$ (3,406,000)
Distributions to common shareholders	(23,641,000)
	\$ (27,047,000)

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

	12/31/1999	12/31/1998	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 32,783,000	\$ 26,861,000	\$ 5,922,000 (a)	22.0%
Facility management fees from affiliates	120,000	89,000	31,000	34.8%
Interest and other income	1,930,000	334,000	1,596,000 (b)	477.8%
	<u>34,833,000</u>	<u>27,284,000</u>	<u>7,549,000</u>	<u>27.7%</u>
Expenses:				
Cost of operations	8,940,000	7,712,000	1,228,000 (c)	15.9%
Cost of facility management	24,000	28,000	(4,000)	(14.3%)
Depreciation and amortization	8,121,000	7,487,000	634,000 (d)	8.5%
General and administrative	814,000 (e)	644,000	170,000	26.4%
Interest expense	495,000 (f)	625,000	(130,000)	(20.8%)
	<u>18,394,000</u>	<u>16,496,000</u>	<u>1,898,000</u>	<u>11.5%</u>
Income before minority interest	16,439,000	10,788,000	5,651,000	52.4%
Minority interest in income - preferred units	(2,920,000)	-	(2,920,000)	N/A
Minority interest in income - common units	<u>(2,421,000)</u>	<u>(2,512,000)</u>	<u>91,000</u>	<u>(3.6%)</u>
Income before extraordinary item	11,098,000	8,276,000	2,822,000	34.1%
Extraordinary loss, net of minority interest	(195,000) (g)	-	(195,000)	N/A
Net income	<u>10,903,000</u>	<u>8,276,000</u>	<u>2,627,000</u>	<u>31.7%</u>
Net income allocation:				
Allocable to preferred shareholders	1,272,000	-	1,272,000	N/A
Allocable to common shareholders	9,631,000	8,276,000	1,355,000	16.4%
	<u>\$ 10,903,000</u>	<u>\$ 8,276,000</u>	<u>\$ 2,627,000</u>	<u>31.7%</u>
Net income per common share - Basic:				
Income before extraordinary item	\$ 0.42	\$ 0.35	\$ 0.07	20.0%
Extraordinary loss, net of minority interest	(0.01)	-	(0.01)	N/A
Net income	<u>\$ 0.41</u>	<u>\$ 0.35</u>	<u>\$ 0.06</u>	<u>17.1%</u>
Net income per common share - Diluted:				
Income before extraordinary item	\$ 0.42	\$ 0.35	\$ 0.07	20.0%
Extraordinary loss, net of minority interest	(0.01)	-	(0.01)	N/A
Net income	<u>\$ 0.41</u>	<u>\$ 0.35</u>	<u>\$ 0.06</u>	<u>17.1%</u>
Weighted average common shares outstanding:				
Basic	<u>23,645,000</u>	<u>23,636,000</u>	<u>9,000</u>	<u>0.0%</u>
Diluted	<u>23,704,000</u>	<u>23,699,000</u>	<u>5,000</u>	<u>0.0%</u>

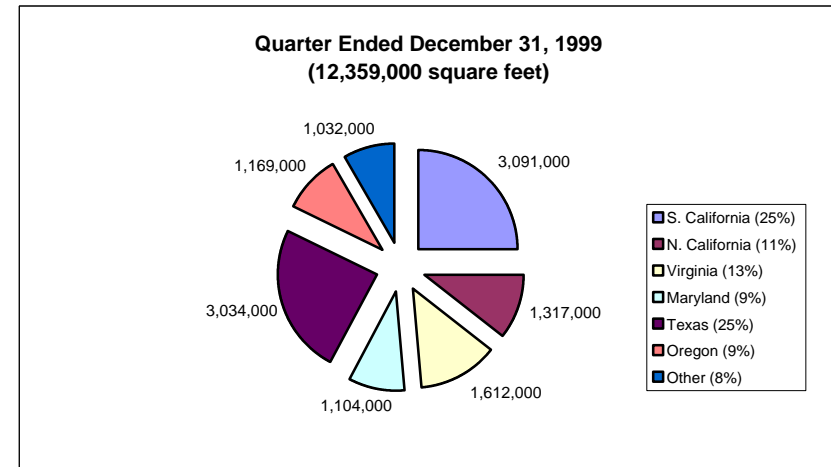
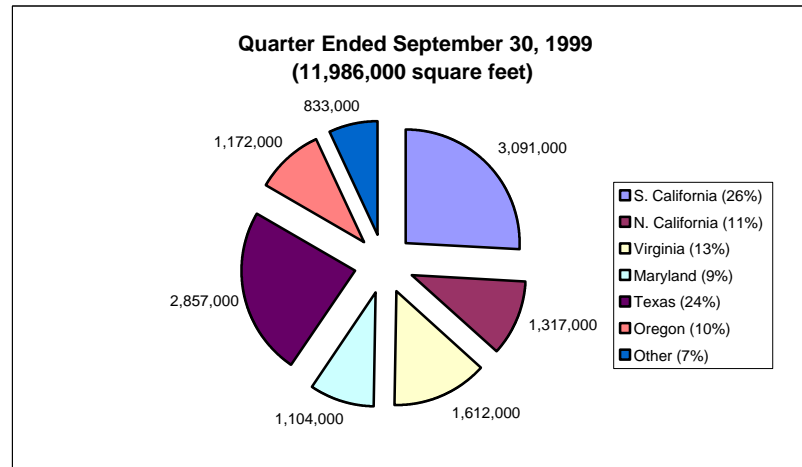
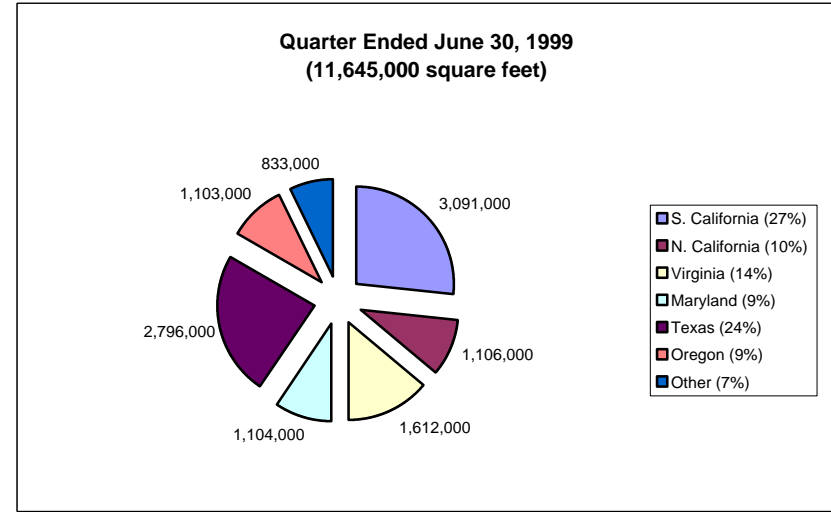
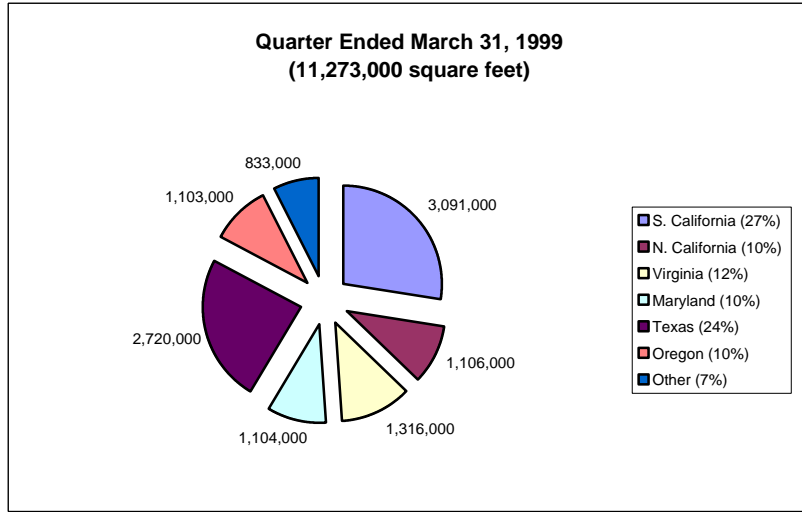
(a) Rental income has increased due to the following:	
Acquisitions during 1998 and 1999	\$ 3,971,000
Straight line rent adjustment	(299,000)
Consistent group of properties	2,250,000
	<u>\$ 5,922,000</u>
(b) Interest income increased as a result of higher average cash balances.	
(c) Cost of operations has increased due to the following:	
Acquisitions during 1998 and 1999	\$ 1,143,000
Consistent group of properties	85,000
	<u>\$ 1,228,000</u>
(d) Depreciation expense increased in connection with the acquisition of real estate facilities during 1998 and 1999.	
(e) General and administrative expenses for the three months ended December 31, 1999 consists of:	
Professional fees	\$ 246,000
Salaries	161,000
General administrative costs	149,000
Internal acquisition costs	106,000
Abandoned projects	11,000
Other	141,000
	<u>\$ 814,000</u>
(f) Interest expense for the three months ended December 31, 1999 consists of:	
Assumed mortgages	\$ 836,000
Line of credit	64,000
Capitalized interest	(405,000)
	<u>\$ 495,000</u>
(g) Extraordinary loss for the year ended December 31, 1999 consists of:	
Early extinguishment of debt	\$ 256,000
Minority interest portion	(61,000)
	<u>\$ 195,000</u>

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

	12/31/1999	12/31/1998	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 125,327,000	\$ 88,320,000	\$ 37,007,000 (a)	41.9%
Facility management fees from affiliates	471,000	529,000	(58,000) (b)	(11.0%)
Interest and other income	2,815,000	1,411,000	1,404,000 (c)	99.5%
	<u>128,613,000</u>	<u>90,260,000</u>	<u>38,353,000</u>	<u>42.5%</u>
Expenses:				
Cost of operations	34,891,000	26,073,000	8,818,000 (d)	33.8%
Cost of facility management	94,000	77,000	17,000	22.1%
Depreciation and amortization	29,762,000	18,908,000	10,854,000 (e)	57.4%
General and administrative	3,153,000 (f)	2,233,000	920,000	41.2%
Interest expense	3,153,000 (g)	2,361,000	792,000	33.5%
	<u>71,053,000</u>	<u>49,652,000</u>	<u>21,401,000</u>	<u>43.1%</u>
Income before minority interest	57,560,000	40,608,000	16,952,000	41.7%
Minority interest in income - preferred units	(4,156,000)	-	(4,156,000)	N/A
Minority interest in income - common units	(11,954,000)	(11,208,000)	(746,000)	6.7%
Income before extraordinary item	41,450,000	29,400,000	12,050,000	41.0%
Extraordinary loss, net of minority interest	(195,000) (h)	-	(195,000)	N/A
Net income	<u>\$ 41,255,000</u>	<u>\$ 29,400,000</u>	<u>\$ 11,855,000</u>	<u>40.3%</u>
Net income allocation:				
Allocable to preferred shareholders	\$ 3,406,000	\$ -	\$ 3,406,000	N/A
Allocable to common shareholders	37,849,000	29,400,000	8,449,000	28.7%
	<u>\$ 41,255,000</u>	<u>\$ 29,400,000</u>	<u>\$ 11,855,000</u>	<u>40.3%</u>
Net income per common share - Basic:				
Income before extraordinary item	\$ 1.61	\$ 1.52	\$ 0.09	5.9%
Extraordinary loss, net of minority interest	(0.01)	-	\$ (0.01)	N/A
Net income	<u>\$ 1.60</u>	<u>\$ 1.52</u>	<u>\$ 0.08</u>	<u>5.3%</u>
Net income per common share - Diluted:				
Income before extraordinary item	\$ 1.61	\$ 1.51	\$ 0.10	6.6%
Extraordinary loss, net of minority interest	(0.01)	-	\$ (0.01)	N/A
Net income	<u>\$ 1.60</u>	<u>\$ 1.51</u>	<u>\$ 0.09</u>	<u>6.0%</u>
Weighted average common shares outstanding:				
Basic	<u>23,641,000</u>	<u>19,361,000</u>	<u>4,280,000 (i)</u>	<u>22.1%</u>
Diluted	<u>23,709,000</u>	<u>19,429,000</u>	<u>4,280,000 (i)</u>	<u>22.0%</u>

(a) Rental income has increased due to the following:	
Acquisitions during 1998 and 1999	\$ 29,769,000
Straight line rent adjustment	1,321,000
Consistent group of properties	5,917,000
	<u>\$ 37,007,000</u>
(b) Facility management fees have decreased due to the acquisition of properties previously managed.	
(c) Interest income increased as a result of higher average cash balances.	
(d) Cost of operations have increased due to the following:	
Acquisitions during 1997 and 1998	\$ 8,428,000
Consistent group of properties	390,000
	<u>\$ 8,818,000</u>
(e) Depreciation expense increased in connection with the acquisition of real estate facilities during 1998 and 1999.	
(f) General and administrative expenses for the year ended December 31, 1999 consists of:	
Professional fees	\$ 643,000
Salaries	1,015,000
General administrative costs	540,000
Internal acquisition costs	430,000
Abandoned projects	41,000
Other	484,000
	<u>\$ 3,153,000</u>
(g) Interest expense for the year ended December 31, 1999 consists of:	
PSI loan	\$ 371,000
Assumed mortgages	3,121,000
Line of credit	650,000
Capitalized interest	(989,000)
	<u>\$ 3,153,000</u>
(h) Extraordinary loss for the year ended December 31, 1999 consists of:	
Early extinguishment of debt	\$ 256,000
Minority interest portion	(61,000)
	<u>\$ 195,000</u>
(i) Increase relates primarily to the private and public issuance of 6,774,000 and 5,026,000 shares, respectively. In addition, the Company issued 2,283,000 shares in connection with the Merger with PSPXI.	

Rentable Square Footage by Region



PS BUSINESS PARKS, INC.
PORTFOLIO OVERVIEW

Rentable Square Footage of Properties as of December 31, 1999*				
<u>Primary Markets</u>	<u>Office</u>	<u>Flex</u>	<u>Total</u>	<u>%</u>
Dallas	-	1,414,000	1,414,000	11.6%
Northern Virginia	233,000	1,379,000	1,612,000	13.2%
Los Angeles County	88,000	1,482,000	1,570,000	12.8%
Orange County	-	911,000	911,000	7.4%
Northern California	64,000	1,253,000	1,317,000	10.8%
Maryland	267,000	837,000	1,104,000	9.0%
Portland	121,000	982,000	1,103,000	9.0%
Austin	-	831,000	831,000	6.8%
San Diego County	233,000	378,000	611,000	5.0%
Phoenix	-	569,000	569,000	4.7%
Other	330,000	860,000	1,190,000	9.7%
	<u>1,336,000</u>	<u>10,896,000</u>	<u>12,232,000</u>	<u>100.0%</u>

Average Occupancy Rates for the Quarter Ending December 31, 1999			
<u>Primary Markets</u>	<u>Office</u>	<u>Flex</u>	<u>Total</u>
Dallas	-	94.0%	94.0%
Northern Virginia	97.7%	97.2%	97.3%
Los Angeles County	96.9%	96.5%	96.5%
Orange County	-	99.3%	99.3%
Northern California	99.3%	95.6%	95.8%
Maryland	94.9%	100.0%	98.8%
Portland	99.1%	97.9%	98.0%
Austin	-	94.3%	94.3%
San Diego County	99.4%	99.2%	99.2%
Phoenix	-	97.9%	97.9%
Other	78.7%	95.3%	89.9%
	<u>92.9%</u>	<u>96.7%</u>	<u>96.3%</u>

* Rentable square footage excludes new developments placed in service.

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF DECEMBER 31, 1999

Lease Expirations - Flex			
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
2000	3,006,000	\$ 28,323,000	26.5%
2001	2,159,000	23,167,000	21.7%
2002	1,930,000	18,709,000	17.5%
2003	1,258,000	14,136,000	13.2%
2004	952,000	10,195,000	9.5%
Thereafter	1,004,000	12,411,000	11.6%
	<u>10,309,000</u>	<u>\$ 106,941,000</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>
2000	404,000	\$ 6,006,000	31.1%
2001	271,000	4,024,000	20.8%
2002	199,000	3,052,000	15.8%
2003	139,000	2,436,000	12.6%
2004	88,000	1,449,000	7.5%
Thereafter	115,000	2,369,000	12.2%
	<u>1,216,000</u>	<u>\$ 19,336,000</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>
2000	3,410,000	\$ 34,329,000	27.2%
2001	2,430,000	27,191,000	21.5%
2002	2,129,000	21,761,000	17.2%
2003	1,397,000	16,572,000	13.1%
2004	1,040,000	11,644,000	9.2%
Thereafter	1,119,000	14,780,000	11.8%
	<u>11,525,000</u>	<u>\$ 126,277,000</u>	<u>100.0%</u>

Cumulative Lease Expirations (annual rents in millions) as of December 31, 1999

