

PS Business Parks, Inc.
4th Quarter 1998
Financial Comparisons and Fluctuation Analysis

Fact Sheet

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- Three months ended
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PS BUSINESS PARKS, INC.
FOURTH QUARTER FACT SHEET (UNAUDITED)

Income Statement Data:

	Three Months Ended		Increase (Decrease)	% Change
	12/31/98	12/31/97		
Total revenues	\$ 27,284,000	\$ 9,521,000	\$ 17,763,000	186.6%
Net income	\$ 8,276,000	\$ 1,177,000	\$ 7,099,000	603.1%
Net income per share:				
Basic	\$ 0.35	\$ 0.28	\$ 0.07	25.0%
Diluted	\$ 0.35	\$ 0.28	\$ 0.07	25.0%
Weighted average shares outstanding:				
Basic	23,636,000	4,225,000	19,411,000	459.4%
Diluted	23,699,000	4,237,000	19,462,000	459.3%

	Year Ended		Increase (Decrease)	% Change
	12/31/98	12/31/97		
Total revenues	\$ 90,260,000	\$ 31,578,000	\$ 58,682,000	185.8%
Net income	\$ 29,400,000	\$ 3,836,000	\$ 25,564,000	666.4%
Net income per share:				
Basic	\$ 1.52	\$ 1.23	\$ 0.29	23.6%
Diluted	\$ 1.51	\$ 1.23	\$ 0.28	22.8%
Weighted average shares outstanding:				
Basic	19,361,000	3,117,000	16,244,000	521.1%
Diluted	19,429,000	3,129,000	16,300,000	520.9%

Funds from Operations (FFO):

	Three Months Ended		Increase (Decrease)	% Change
	12/31/98	12/31/97		
FFO allocable to common	\$ 13,034,000	\$ 1,695,000	\$ 11,339,000	669.0%
Weighted average shares outstanding - diluted	23,699,000	4,237,000	19,462,000	459.3%
FFO per common share - diluted	\$ 0.55	\$ 0.40	\$ 0.15	37.5%

	Year Ended		Increase (Decrease)	% Change
	12/31/98	12/31/97		
FFO allocable to common	\$ 41,578,000	\$ 5,444,000	\$ 36,134,000	663.7%
Weighted average shares outstanding - diluted	19,429,000	3,129,000	16,300,000	520.9%
FFO per common share - diluted	\$ 2.14	\$ 1.74	\$ 0.40	23.0%

Balance Sheet Data:

	12/31/98	12/31/97	Increase (Decrease)	% Change
Total assets	\$ 709,414,000	\$ 323,454,000	\$ 385,960,000	119.3%
Total debt	\$ 50,541,000	\$ 3,500,000	\$ 47,041,000	1344.0%
Minority interest	\$ 153,015,000	\$ 168,665,000	\$ (15,650,000)	(9.3%)
Shareholders' equity	\$ 489,905,000	\$ 142,958,000	\$ 346,947,000	242.7%
Total common shares outstanding	23,636,000	7,728,000	15,908,000	205.8%
Book value per common share	\$ 20.73	\$ 18.50	\$ 2.23	12.0%

PS BUSINESS PARKS, INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
AS OF DECEMBER 31, 1998 AND 1997

	12/31/98	12/31/97	Increase (Decrease)	% Change
Cash and equivalents	\$ 6,068,000	\$ 3,884,000	\$ 2,184,000	56.2%
Real estate facilities:				
Land	176,241,000	91,754,000	84,487,000	92.1%
Buildings and equipment	536,697,000	226,466,000	310,231,000	137.0%
	712,938,000	318,220,000	394,718,000 (a)	124.0%
Accumulated depreciation	(22,517,000)	(3,982,000)	(18,535,000)	465.5%
	690,421,000	314,238,000	376,183,000	119.7%
Construction in progress	7,716,000 (b)	-	7,716,000	#DIV/0!
	698,137,000	314,238,000	383,899,000	122.2%
Intangible assets, net	1,583,000	3,272,000	(1,689,000) (c)	-51.6%
Other assets	3,626,000 (d)	2,060,000	1,566,000	76.0%
Total assets	<u>\$ 709,414,000</u>	<u>\$ 323,454,000</u>	<u>\$ 385,960,000</u>	<u>119.3%</u>
Accrued and other liabilities	\$ 15,953,000 (e)	\$ 8,331,000	\$ 7,622,000	91.5%
Notes payable	50,541,000 (f)	3,500,000	47,041,000	1344.0%
Total liabilities	66,494,000	11,831,000	54,663,000	462.0%
Minority interest	153,015,000	168,665,000	(15,650,000)	-9.3%
Shareholders' equity:				
Preferred stock	-	-	-	#DIV/0!
Common stock	236,000	77,000	159,000	206.5%
Paid in capital	482,471,000	143,277,000	339,194,000	236.7%
Cumulative net income	32,554,000	3,154,000	29,400,000	932.1%
Cumulative distributions	(25,356,000)	(3,550,000)	(21,806,000)	614.3%
Total shareholders' equity	489,905,000	142,958,000	346,947,000	242.7%
Total liabilities and shareholders' equity	<u>\$ 709,414,000</u>	<u>\$ 323,454,000</u>	<u>\$ 385,960,000</u>	<u>119.3%</u>

(a) PSP11 Merger	49,620,000
Additional acquisitions costs for 1997 acquisitions	5,323,000
Property acquisitions	328,701,000
Maintenance capital expenditures	3,376,000
Tenant improvements	5,258,000
Lease commissions	1,979,000
Capital improvements	461,000
	<u>394,718,000</u>
(b) The Company has three development projects in:	
Beaverton, OR (Woodside)	5,617,000
Beaverton, OR (Creekside)	838,000
Irving, TX (Royal Tech 16)	1,261,000
	<u>7,716,000</u>
(c) Reallocation to real estate	(1,315,000)
Amortization expense	(374,000)
	<u>(1,689,000)</u>
(d) Other assets at 12/31/98 consists of:	
Due from affiliate	177,000
Accounts receivable	65,000
Straight line rents	2,086,000
Prepaid and other	1,298,000
	<u>3,626,000</u>
(e) Accrued and other liabilities at 12/31/98 consists of:	
Deferred rental revenue	1,691,000
Accounts payable	393,000
Property taxes	1,401,000
Security deposits	5,871,000
Other	1,357,000
Reserves for acquisition costs	5,240,000
	<u>15,953,000</u>
(f) Notes payable at 12/31/98 consists of:	
Assumption of debt in connection with property acquisitions	38,041,000
Borrowings on \$100 million line of credit	12,500,000
	<u>50,541,000</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED DECEMBER 31, 1998 AND 1997

	12/31/98	12/31/97	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 26,861,000	\$ 9,130,000	\$ 17,731,000 (a)	194.2%
Facility management fees	89,000	260,000	(171,000) (b)	(65.8%)
Interest and other income	334,000	131,000	203,000 (c)	155.0%
	<u>27,284,000</u>	<u>9,521,000</u>	<u>17,763,000</u>	<u>186.6%</u>
Expenses:				
Cost of operations	7,712,000	4,061,000	3,651,000 (d)	89.9%
Cost of facility management	28,000	32,000	(4,000) (b)	(12.5%)
Depreciation and amortization	7,487,000	1,785,000	5,702,000 (e)	319.4%
General and administrative	644,000 (f)	694,000	(50,000)	(7.2%)
Interest expense	625,000 (g)	1,000	624,000	62400.0%
	<u>16,496,000</u>	<u>6,573,000</u>	<u>9,923,000</u>	<u>151.0%</u>
Income before minority interest	10,788,000	2,948,000	7,840,000	265.9%
Minority interest in income	<u>(2,512,000)</u>	<u>(1,771,000)</u>	<u>(741,000)</u>	<u>41.8%</u>
Net income	<u>\$ 8,276,000</u>	<u>\$ 1,177,000</u>	<u>\$ 7,099,000</u>	<u>603.1%</u>
Net income per share:				
Basic	<u>\$ 0.35</u>	<u>\$ 0.28</u>	<u>\$ 0.07</u>	<u>25.7%</u>
Diluted	<u>\$ 0.35</u>	<u>\$ 0.28</u>	<u>\$ 0.07</u>	<u>25.7%</u>
Weighted average shares outstanding:				
Basic	<u>23,636,000</u>	<u>4,225,000</u>	<u>19,411,000</u>	<u>459.4%</u>
Diluted	<u>23,699,000</u>	<u>4,237,000</u>	<u>19,462,000</u>	<u>459.3%</u>

(a) Rental income has increased due to the following:		
Consistent group of properties	\$	310,000
Straight line rent adjustment		1,162,000
Acquisitions during 1997 and 1998		16,259,000
	<u>\$</u>	<u>17,731,000</u>
(b) Facility management fees and related costs have decreased due to the acquisition of properties previously managed.		
(c) Interest and other income increased as a result of higher average cash balances from equity offerings in January and May of 1998.		
(d) Cost of operations have increased due to the following:		
Consistent group of properties	\$	(327,000)
Acquisitions during 1997 and 1998		3,978,000
	<u>\$</u>	<u>3,651,000</u>
(e) Depreciation expense increased in connection with the acquisition of real estate facilities during 1997 and 1998.		
(f) General and administrative expenses for the three months ended 12/31/98 consists of:		
Professional fees	\$	63,000
Overhead allocation		146,000
Acquisition costs		297,000
Abandoned projects		29,000
Other		109,000
	<u>\$</u>	<u>644,000</u>
(g) Interest expense for the three months ended 12/31/98 consists of:		
Assumed mortgages	\$	565,000
Other (primarily line of credit facility costs)		328,000
Capitalized interest		(268,000)
	<u>\$</u>	<u>625,000</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	12/31/98	12/31/97	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 88,320,000	\$ 30,169,000	\$ 58,151,000 (a)	192.8%
Facility management fees	529,000	956,000	(427,000) (b)	(44.7%)
Interest and other income	1,411,000	453,000	958,000 (c)	211.5%
	<u>90,260,000</u>	<u>31,578,000</u>	<u>58,682,000</u>	<u>185.8%</u>
Expenses:				
Cost of operations	26,073,000	12,330,000	13,743,000 (d)	111.5%
Cost of facility management	77,000	189,000	(112,000) (b)	(59.3%)
Depreciation and amortization	18,908,000	5,195,000	13,713,000 (e)	264.0%
General and administrative	2,233,000 (f)	1,461,000	772,000	52.8%
Interest expense	2,361,000 (g)	1,000	2,360,000	236000.0%
	<u>49,652,000</u>	<u>19,176,000</u>	<u>30,476,000</u>	<u>158.9%</u>
Income before minority interest	40,608,000	12,402,000	28,206,000	227.4%
Minority interest in income	(11,208,000)	(8,566,000)	(2,642,000)	30.8%
Net income	<u>\$ 29,400,000</u>	<u>\$ 3,836,000</u>	<u>\$ 25,564,000</u>	<u>666.4%</u>
Net income per share:				
Basic	\$ 1.52	\$ 1.23	\$ 0.29	23.4%
Diluted	\$ 1.51	\$ 1.23	\$ 0.29	23.4%
Weighted average shares outstanding:				
Basic	19,361,000	3,117,000	16,244,000	521.1%
Diluted	19,429,000	3,129,000	16,300,000	520.9%

(a) Rental income has increased due to the following:		
Consistent group of properties	\$ 1,109,000	
Straight line rent adjustment	2,086,000	
Acquisitions during 1997 and 1998	54,956,000	
	<u>\$ 58,151,000</u>	
(b) Facility management fees and related costs have decreased due to the acquisition of properties previously managed.		
(c) Interest and other income increased as a result of higher average cash balances from equity offerings in January and May of 1998.		
(d) Cost of operations have increased due to the following:		
Consistent group of properties	\$ (6,000)	
Acquisitions during 1997 and 1998	13,749,000	
	<u>\$ 13,743,000</u>	
(e) Depreciation expense increased in connection with the acquisition of real estate facilities during 1997 and 1998.		
(f) General and administrative expenses for the year ended 12/31/98 consists of:		
Professional fees	\$ 333,000	
Overhead allocation	637,000	
Acquisition costs	844,000	
Abandoned projects	45,000	
Other	374,000	
	<u>\$ 2,233,000</u>	
(g) Interest expense for the year ended 12/31/98 consists of:		
PSI loan	\$ 491,000	
Assumed mortgages	1,510,000	
Other (primarily line of credit facility costs)	628,000	
Capitalized interest	(268,000)	
	<u>\$ 2,361,000</u>	

PS BUSINESS PARKS, INC.

ANALYSIS OF FUNDS FROM OPERATIONS (UNAUDITED)

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 1998 AND 1997

	Three Months Ended		Increase (Decrease)	% Change	Year Ended		Increase (Decrease)	% Change
	12/31/98	12/31/97			12/31/98	12/31/97		
<u>Funds from Operations (FFO):</u>								
Net income	\$ 8,276,000	\$ 1,177,000	\$ 7,099,000	603.1%	\$ 29,400,000	\$ 3,836,000	\$ 25,564,000	666.4%
Depreciation and amortization	7,487,000	1,785,000	5,702,000	319.4%	18,908,000	5,195,000	13,713,000	264.0%
Minority interest in income	2,512,000	1,771,000	741,000	41.8%	11,208,000	8,566,000	2,642,000	30.8%
Effects of straight line rents	(1,162,000)	-	(1,162,000)	#DIV/0!	(2,086,000)	-	(2,086,000)	#DIV/0!
Total funds from operations	<u>\$ 17,113,000</u>	<u>\$ 4,733,000</u>	<u>\$ 12,380,000</u>	<u>261.6%</u>	<u>\$ 57,430,000</u>	<u>\$ 17,597,000</u>	<u>\$ 39,833,000</u>	<u>226.4%</u>
Weighted average common shares	23,636,000	4,225,000	19,411,000	459.4%	19,361,000	3,117,000	16,244,000	521.1%
Weighted average dilutive stock options	63,000	12,000	51,000	425.0%	68,000	12,000	56,000	466.7%
Weighted average OP units	7,401,000	7,460,000	(59,000)	(0.8%)	7,383,000	6,961,000	422,000	6.1%
Total pro forma fully-converted shares	<u>31,100,000</u>	<u>11,697,000</u>	<u>19,403,000</u>	<u>165.9%</u>	<u>26,812,000</u>	<u>10,090,000</u>	<u>16,722,000</u>	<u>165.7%</u>
FFO per share/OP Unit	<u>\$ 0.55</u>	<u>\$ 0.40</u>	<u>\$ 0.15</u>	<u>37.5%</u>	<u>\$ 2.14</u>	<u>\$ 1.74</u>	<u>\$ 0.40</u>	<u>23.0%</u>
<u>Funds available for distribution (FAD):</u>								
Total funds from operations	\$ 17,113,000	\$ 4,733,000	\$ 12,380,000	261.6%	\$ 57,430,000	\$ 17,597,000	\$ 39,833,000	226.4%
Less capitalized expenditures:								
Maintenance capital expenditures	(1,259,000)	(299,000)	(960,000)	321.1%	(3,376,000)	(1,442,000)	(1,934,000)	134.1%
Tenant improvements	(2,670,000)	(524,000)	(2,146,000)	409.5%	(5,258,000)	(1,415,000)	(3,843,000)	271.6%
Capitalized lease commissions	(654,000)	(72,000)	(582,000)	808.3%	(1,979,000)	(359,000)	(1,620,000)	451.3%
Total capitalized expenditures	<u>(4,583,000)</u>	<u>(895,000)</u>	<u>(3,688,000)</u>	<u>412.1%</u>	<u>(10,613,000)</u>	<u>(3,216,000)</u>	<u>(7,397,000)</u>	<u>230.0%</u>
FAD	<u>\$ 12,530,000</u>	<u>\$ 3,838,000</u>	<u>\$ 8,692,000</u>	<u>226.5%</u>	<u>\$ 46,817,000</u>	<u>\$ 14,381,000</u>	<u>\$ 32,436,000</u>	<u>225.5%</u>
FAD per share/OP Unit	<u>\$ 0.40</u>	<u>\$ 0.33</u>	<u>\$ 0.07</u>	<u>21.2%</u>	<u>\$ 1.75</u>	<u>\$ 1.43</u>	<u>\$ 0.32</u>	<u>22.4%</u>
<u>Cash available for debt repayments and reinvestments:</u>								
FAD	\$ 12,530,000	\$ 3,838,000	\$ 8,692,000	226.5%	\$ 46,817,000	\$ 14,381,000	\$ 32,436,000	225.5%
Distributions to shareholders	(5,909,000)	(3,550,000)	(2,359,000)	66.5%	(21,806,000)	(3,550,000)	(18,256,000)	514.3%
Distributions to OP unitholders	(1,850,000)	(3,442,000)	1,592,000	(46.3%)	(8,098,000)	(3,442,000)	(4,656,000)	135.3%
Cash available for debt repayments and reinvestments	<u>\$ 4,771,000</u>	<u>\$ (3,154,000)</u>	<u>\$ 7,925,000</u>	<u>(251.3%)</u>	<u>\$ 16,913,000</u>	<u>\$ 7,389,000</u>	<u>\$ 9,524,000</u>	<u>128.9%</u>

PS BUSINESS PARKS, INC.
PORTFOLIO OVERVIEW

*Rentable Square Footage of Properties by Location and Type of
Property at December 31, 1998*

Geographic Area	Flex	Office	Total
Southern California	2,764,000	321,000	3,085,000
Northern California	1,065,500	39,500	1,105,000
Virginia/Maryland	1,901,200	414,100	2,315,300
Texas	2,159,800	329,900	2,489,700
Oregon	981,300	121,000	1,102,300
Other	832,600	-	832,600
Total	9,704,400	1,225,500	10,929,900
% of Total	88.8%	11.2%	100.0%

PS BUSINESS PARKS, INC.
PORTFOLIO OVERVIEW

*Percentage of Net Operating Income by Location for the Quarter
Ended December 31, 1998*

Geographic Area	Total
Southern California	32.1%
Northern California	7.8%
Virginia/Maryland	22.7%
Texas	15.4%
Oregon	16.8%
Other	5.1%
Total	<u>100.0%</u>

PS BUSINESS PARKS, INC.
PORTFOLIO OVERVIEW

Lease Expirations as of December 31, 1998

Year of Lease Expiration	Rentable Square Footage Subject to Expiring Leases	Annual Base Rents Under Expiring Leases	Percentage of Total Annual Base Rents Represented By Expiring Leases
1999	2,640,865	25,722,025	25.5%
2000	2,617,801	25,497,382	25.2%
2001	1,787,982	17,414,945	17.2%
2002	1,316,363	12,821,376	12.7%
2003	1,016,347	9,899,220	9.8%
Thereafter	996,304	9,704,001	9.6%
Total	<u>10,375,662</u>	<u>101,058,948</u>	<u>100.0%</u>

PS BUSINESS PARKS, INC.
PORTFOLIO OVERVIEW

Average Occupancy by Location as of December 31, 1998

Geographic Area	Total
Southern California	96.1%
Northern California	94.8%
Virginia/Maryland	96.4%
Texas	94.4%
Oregon	98.3%
Other	94.8%
Total	<u>95.8%</u>

PS BUSINESS PARKS, INC.
CAPITAL STRUCTURE

Principal Maturity Dates

Debt at December 31, 1998 consists of the following:

	Total	1999	2000	2001	2002	2003	Thereafter
7.625% mortgage note, secured by one commercial property, due May 2004	11,418,000	747,000	806,000	870,000	938,000	1,012,000	7,045,000
7.125% mortgage note, secured by one commercial property, due May 2006	8,905,000	154,000	180,000	193,000	208,000	223,000	7,947,000
7.625% mortgage note, secured by six commercial properties, due November 2001	8,672,000	159,000	173,000	8,340,000	-	-	-
8.125% mortgage note, secured by one commercial property, due July 2005	5,416,000	89,000	105,000	113,000	123,000	133,000	4,853,000
8.5% mortgage note, secured by one commercial property, due July 2007	1,939,000	41,000	49,000	53,000	58,000	63,000	1,675,000
8% mortgage note, secured by one commercial property, due April 2003	1,691,000	47,000	51,000	55,000	60,000	1,478,000	-
Total debt	<u>38,041,000</u>	<u>1,237,000</u>	<u>1,364,000</u>	<u>9,624,000</u>	<u>1,387,000</u>	<u>2,909,000</u>	<u>21,520,000</u>

Weighted average interest rate

7.82%

Weighted average maturity

5.6 years

\$100 million unsecured line of credit

12,500,000

Equity at December, 1998 consists of the following:

	Shares Outstanding	Conversion Ratio	Common Stock Equivalents	\$ Value Equivalent
Common stock	23,635,650	N/A	N/A	564,301,144 (1)
Operating partnership units	7,400,951	1:1	7,400,951	176,697,705 (1)
Total equity (2)				<u>740,998,849</u>

(1) Value based on December 31, 1998 closing stock price of \$23 7/8.

(2) Does not include 68,248 shares related to stock options for the year ending December 31, 1998, 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.

**PS BUSINESS PARKS, INC.
MARKET CAPITALIZATION**

Market capitalization at December 31, 1998 was approximately \$792 million and consists of the following:

