



PSBUSINESSPARKS

**Analysis of Operating Results
and Financial Condition**

For the Periods Ended September 30, 2001

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE PERIODS ENDED SEPTEMBER 30, 2001**

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PS BUSINESS PARKS, INC.
THIRD QUARTER FACT SHEET

OPERATING DATA

	Three Months Ended			Nine Months Ended		
	09/30/01	09/30/00	Difference	09/30/01	09/30/00	Difference
Total revenues	\$ 43,885,000	\$ 38,485,000	14.0%	\$ 124,442,000	\$ 112,340,000	10.8%
Net income allocable to common shareholders	\$ 10,010,000	\$ 10,199,000	(1.9%)	\$ 31,130,000	\$ 29,910,000	4.1%
Net income per common share:						
Basic	\$ 0.45	\$ 0.44	2.3%	\$ 1.38	\$ 1.28	7.8%
Diluted	\$ 0.45	\$ 0.44	2.3%	\$ 1.37	\$ 1.28	7.0%
Weighted average common shares outstanding:						
Basic	22,210,000	23,117,000	(3.9%)	22,610,000	23,354,000	(3.2%)
Diluted	22,295,000	23,216,000	(4.0%)	22,685,000	23,426,000	(3.2%)

FUNDS FROM OPERATIONS

	Three Months Ended			Nine Months Ended		
	09/30/01	09/30/00	Difference	09/30/01	09/30/00	Difference
FFO allocable to common shareholders	\$ 17,836,000	\$ 16,716,000	6.7%	\$ 53,083,000	\$ 48,492,000	9.5%
Weighted average common shares outstanding - diluted	22,295,000	23,216,000	(4.0%)	22,685,000	23,426,000	(3.2%)
FFO per common share - diluted	\$ 0.80	\$ 0.72	11.1%	\$ 2.34	\$ 2.07	13.0%

PROPERTY INFORMATION

	Three Months Ended			Nine Months Ended		
	09/30/01	09/30/00	Difference	09/30/01	09/30/00	Difference
Net rentable square footage at period end	13,598,000	12,096,000	12.4%	13,598,000	12,096,000	12.4%
Same Park Facilities						
Weighted average occupancy	95.0%	96.6%	(1.6%)	95.6%	96.6%	(1.0%)
Annualized realized rent per sq. ft. (1)	\$ 12.93	\$ 12.11	6.8%	\$ 12.74	\$ 11.82	7.8%

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

BALANCE SHEET DATA

	As of 9/30/01	As of 12/31/00	Difference
Total assets	\$ 1,028,505,000	\$ 930,756,000	10.5%
Minority interest - preferred	\$ 197,750,000	\$ 144,750,000	36.6%
Minority interest - common	\$ 162,338,000	\$ 161,728,000	0.4%
Perpetual preferred stock	\$ 121,000,000	\$ 55,000,000	120.0%
Common shareholders' equity	\$ 481,861,000	\$ 509,343,000	(5.4%)
Total common shares outstanding at period end	21,704,000	23,045,000	(5.8%)
Book value per common share	\$ 22.20	\$ 22.10	0.4%

MARKET VALUE INFORMATION

	As of 9/30/01	As of 12/31/00	Difference
Market value of common stock and OP units	\$ 803,561,000	\$ 844,577,000	(4.9%)
Total debt	30,354,000	30,971,000	(2.0%)
Total preferred stock and OP units	318,750,000	199,750,000	59.6%
Total market capitalization	\$ 1,152,665,000	\$ 1,075,298,000	7.2%
Stock price	\$ 27.70	\$ 27.80	(0.4%)

PS BUSINESS PARKS, INC.

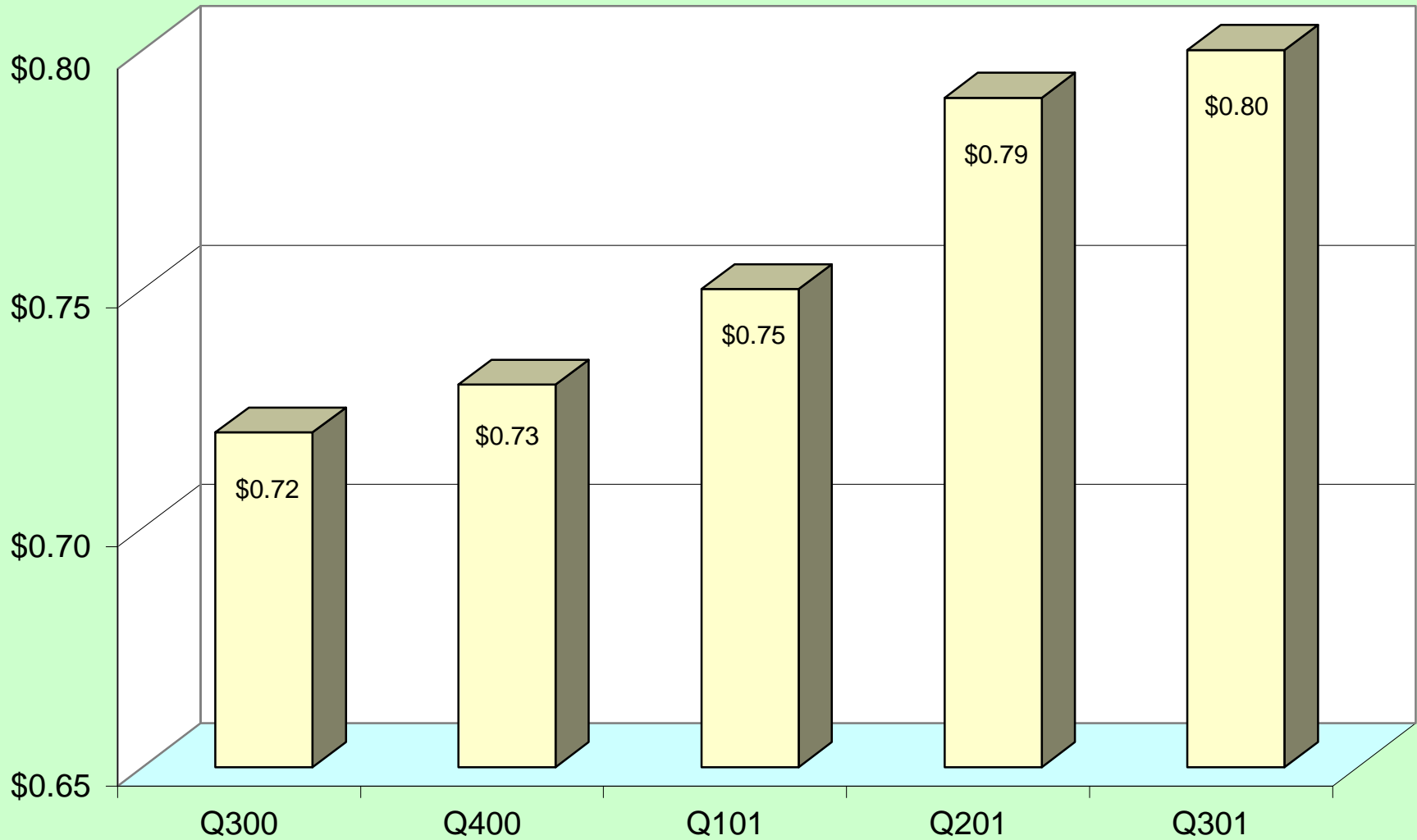
Sources and Uses of Funds
For the Nine Months Ended September 30, 2001

	<u>FY01</u> <u>(YTD Actual)</u>
<u>Sources of Funds:</u>	
Funds from operations	\$ 70,049,000
Issuance of preferred stock/unit, net	115,987,000
Exercise of stock options	1,398,000
Sale of PAG common stock	6,079,000
Change in working capital	6,348,000
Total Sources of Funds	<u>199,861,000</u>
<u>Uses of Funds:</u>	
Property acquisitions	(90,239,000)
Developed projects	(9,534,000)
Recurring capital expenditures	(7,346,000)
Investment in marketable securities	(9,440,000)
Common dividends and OP distributions	(25,906,000)
Repurchase of common stock/OP units	(39,783,000)
Principal payments on mortgage notes payable	(617,000)
Total Uses of Funds	<u>(182,865,000)</u>
Net increase in cash balance	<u>16,996,000</u>
Beginning cash balance	49,295,000
Ending cash balance	<u>\$ 66,291,000</u>

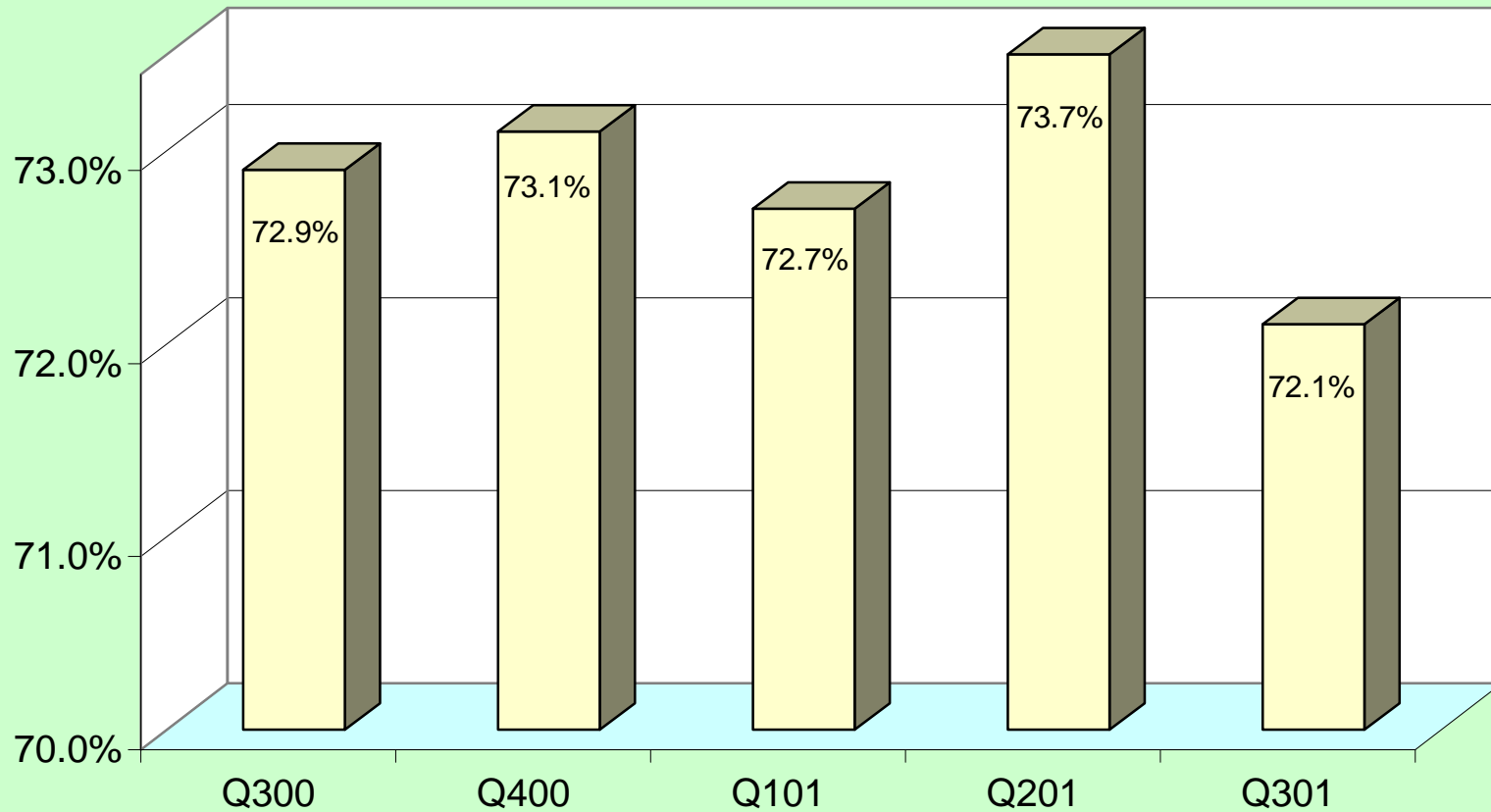
PS BUSINESS PARKS, INC.
ANALYSIS OF FUNDS FROM OPERATIONS

	Three Months Ended		Increase (Decrease)	% Change	Nine Months Ended		Increase (Decrease)	% Change
	09/30/01	09/30/00			09/30/01	09/30/00		
<u>Funds from operations (FFO):</u>								
Net income allocable to common shareholders	\$ 10,010,000	\$ 10,199,000	\$ (189,000)	(1.9%)	\$ 31,130,000	\$ 29,910,000	\$ 1,220,000	4.1%
Less gain on investment in PAG	-	-	-	N/A	(15,000)	-	(15,000)	N/A
Less gain on disposition of properties	-	(159,000)	159,000	(100.0%)	-	(256,000)	256,000	(100.0%)
Depreciation and amortization	10,679,000	9,449,000	1,230,000	13.0%	30,058,000	26,723,000	3,335,000	12.5%
Minority interest in income	3,268,000	3,203,000	65,000	2.0%	10,047,000	9,393,000	654,000	7.0%
Less effects of straight line rents	(288,000)	(727,000)	439,000	(60.4%)	(1,171,000)	(1,951,000)	780,000	(40.0%)
FFO allocable to common shareholders/unitholders	\$ 23,669,000	\$ 21,965,000	\$ 1,704,000	7.8%	\$ 70,049,000	\$ 63,819,000	\$ 6,230,000	9.8%
Weighted average common shares outstanding	22,210,000	23,117,000	(907,000)	(3.9%)	22,610,000	23,354,000	(744,000)	(3.2%)
Weighted average common OP units outstanding	7,305,000	7,336,000	(31,000)	(0.4%)	7,307,000	7,372,000	(65,000)	(0.9%)
Weighted average dilutive stock options	85,000	99,000	(14,000)	(14.1%)	75,000	72,000	3,000	4.2%
Total pro forma fully-converted shares	29,600,000	30,552,000	(952,000)	(3.1%)	29,992,000	30,798,000	(806,000)	(2.6%)
FFO per common share/OP unit	\$ 0.80	\$ 0.72	\$ 0.08	11.1%	\$ 2.34	\$ 2.07	\$ 0.27	13.0%
<u>Funds available for distribution (FAD):</u>								
Total funds from operations	\$ 23,669,000	\$ 21,965,000	\$ 1,704,000	7.8%	\$ 70,049,000	\$ 63,819,000	\$ 6,230,000	9.8%
Less capitalized expenditures:								
Maintenance capital expenditures	1,366,000	1,120,000	246,000	22.0%	2,589,000	2,301,000	288,000	12.5%
Tenant improvements	1,453,000	984,000	469,000	47.7%	3,091,000	3,058,000	33,000	1.1%
Capitalized lease commissions	687,000	747,000	(60,000)	(8.0%)	1,666,000	2,239,000	(573,000)	(25.6%)
Total capitalized expenditures	3,506,000	2,851,000	655,000	23.0%	7,346,000	7,598,000	(252,000)	(3.3%)
FAD	\$ 20,163,000	\$ 19,114,000	\$ 1,049,000	5.5%	\$ 62,703,000	\$ 56,221,000	\$ 6,482,000	11.5%
FAD per common share/OP unit	\$ 0.68	\$ 0.63	\$ 0.05	7.9%	\$ 2.09	\$ 1.83	\$ 0.26	14.2%
<u>Cash available for debt repayments and reinvestments:</u>								
FAD	\$ 20,163,000	\$ 19,114,000	\$ 1,049,000	5.5%	\$ 62,703,000	\$ 56,221,000	\$ 6,482,000	11.5%
Distributions to common shareholders	(6,336,000)	(5,778,000)	(558,000)	9.7%	(19,550,000)	(17,480,000)	(2,070,000)	11.8%
Distributions to common OP unitholders	(2,118,000)	(1,834,000)	(284,000)	15.5%	(6,356,000)	(5,529,000)	(827,000)	15.0%
Cash available for debt repayments and reinvestments	\$ 11,709,000	\$ 11,502,000	\$ 207,000	1.8%	\$ 36,797,000	\$ 33,212,000	\$ 3,585,000	10.8%

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 (excluding straight-line rent adjustment).

PS BUSINESS PARKS, INC.
CAPITAL STRUCTURE

Principal Maturity Dates

Debt at September 30, 2001 consists of the following:

	Total	2001	2002	2003	2004	2005	Thereafter
7.050% mortgage note, secured by one commercial property, due May 2006	8,424,000	50,000	211,000	226,000	242,000	260,000	7,435,000
8.190% mortgage note, secured by one commercial property, due March 2007	6,334,000	51,000	216,000	235,000	254,000	276,000	5,302,000
7.290% mortgage note, secured by one commercial property, due February 2009	6,192,000	28,000	116,000	125,000	134,000	144,000	5,645,000
7.280% mortgage note, secured by two commercial properties, due February 2003	4,092,000	33,000	137,000	3,922,000	-	-	-
8.000% mortgage note, secured by one commercial property, due April 2003	1,954,000	24,000	100,000	1,830,000	-	-	-
8.500% mortgage note, secured by one commercial property, due July 2007	1,811,000	14,000	58,000	63,000	69,000	75,000	1,532,000
8.000% mortgage note, secured by one commercial property, due April 2003	1,547,000	14,000	60,000	1,473,000	-	-	-
Total mortgage notes payable (1)	30,354,000	214,000	898,000	7,874,000	699,000	755,000	19,914,000

\$100 million unsecured line of credit

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Total debt

30,354,000 2.6%

Equity at September 30, 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 stock (2,120,000 depository shares 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	27.7%
Common stock (21,704,067 shares outstanding)	601,203,000	(3)
Common operating partnership units (7,305,355 units outstanding)	202,358,000	(3)
Total common equity (3)	803,561,000	69.7%
Total market capitalization	1,152,665,000	100%

(1) The weighted average interest rate and maturity was 7.56% and 4.7 years, respectively.

(2) The weighted average distribution rate on preferred equity is 9.1%.

(3) Value based on September 30, 2001 closing stock price of \$27.70.

(4) Does not include 75,000 shares related to stock options for the nine months ending September 30, 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

	09/30/01	12/31/00	Increase (Decrease)	% Change
ASSETS				
Cash and cash equivalents	\$ 66,291,000	\$ 49,295,000	\$ 16,996,000	(a) 34.5%
Marketable securities	8,657,000	6,065,000	2,592,000	42.7%
Real estate facilities, at cost:				
Land	240,635,000	214,020,000	26,615,000	12.4%
Buildings and equipment	805,415,000	709,328,000	96,087,000	13.5%
	1,046,050,000	923,348,000	122,702,000	(b) 13.3%
Accumulated depreciation	(113,224,000)	(83,841,000)	(29,383,000)	35.0%
	932,826,000	839,507,000	93,319,000	11.1%
Properties held for disposition, net	3,343,000	-	3,343,000	N/A
Land held for development	5,829,000	5,737,000	92,000	1.6%
Construction in progress	-	19,467,000	(19,467,000)	-100.0%
	941,998,000	864,711,000	77,287,000	8.9%
Receivables	514,000	461,000	53,000	11.5%
Deferred rent receivables	8,868,000	7,697,000	1,171,000	15.2%
Intangible assets, net	755,000	981,000	(226,000)	-23.0%
Other assets	1,422,000	1,546,000	(124,000)	-8.0%
Total assets	<u>\$ 1,028,505,000</u>	<u>\$ 930,756,000</u>	<u>\$ 97,749,000</u>	<u>10.5%</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accrued and other liabilities	\$ 35,202,000	(c) \$ 28,964,000	\$ 6,238,000	21.5%
Mortgage notes payable	30,354,000	30,971,000	(617,000)	-2.0%
Total liabilities	65,556,000	59,935,000	5,621,000	9.4%
Minority interest:				
Preferred units	197,750,000	144,750,000	53,000,000	36.6%
Common units	162,338,000	161,728,000	610,000	0.4%
Shareholders' equity:				
Preferred stock	121,000,000	55,000,000	66,000,000	120.0%
Common stock	217,000	230,000	(13,000)	-5.7%
Paid-in capital	426,546,000	464,855,000	(38,309,000)	(d) -8.2%
Cumulative net income	162,134,000	124,990,000	37,144,000	(e) 29.7%
Comprehensive loss	(740,000)	-	(740,000)	N/A
Cumulative distributions	(106,296,000)	(80,732,000)	(25,564,000)	(f) 31.7%
Total shareholders' equity	602,861,000	564,343,000	38,518,000	6.8%
Total liabilities and shareholders' equity	<u>\$ 1,028,505,000</u>	<u>\$ 930,756,000</u>	<u>\$ 97,749,000</u>	<u>10.5%</u>

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

(b) Property acquisitions	\$ 90,239,000
Developed projects	28,911,000
Properties held for disposition	(3,794,000)
Maintenance capital expenditures	2,589,000
Tenant improvements	3,091,000
Lease commissions	1,666,000
	<u>\$ 122,702,000</u>

(c) Accrued and other liabilities at September 30, 2001 consists of:

Deferred rental revenue	\$ 2,097,000
Accounts payable	3,368,000
Property taxes	7,193,000
Security deposits	10,580,000
Other	4,244,000
Reserves for acquisition costs	7,720,000
	<u>\$ 35,202,000</u>

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

Repurchased shares	\$ (38,961,000)
Exercise of stock options	1,397,000
Preferred stock issuance costs	(1,663,000)
Minority interest adjustment	918,000
	<u>\$ (38,309,000)</u>

(e) Represents net income for the nine months ended September 30, 2001

(f) Distributions to preferred shareholders	\$ (6,014,000)
Distributions to common shareholders	(19,550,000)
	<u>\$ (25,564,000)</u>

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

	09/30/01	09/30/00	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 43,290,000	\$ 36,798,000	\$ 6,492,000 (a)	17.6%
Facility management fees primarily from affiliates	170,000	131,000	39,000	29.8%
Business services	75,000	82,000	(7,000) (b)	(8.5%)
Interest income	346,000	1,035,000	(689,000) (c)	(66.6%)
Dividend income	4,000	439,000	(435,000) (d)	(99.1%)
	<u>43,885,000</u>	<u>38,485,000</u>	<u>5,400,000</u>	<u>14.0%</u>
Expenses:				
Cost of operations	12,006,000	9,762,000	2,244,000 (e)	23.0%
Cost of facility management	38,000	27,000	11,000	40.7%
Cost of business services	147,000	78,000	69,000	88.5%
Depreciation and amortization	10,679,000	9,449,000	1,230,000	13.0%
General and administrative	1,037,000 (f)	995,000	42,000	4.2%
Interest expense	538,000 (g)	502,000	36,000	7.2%
	<u>24,445,000</u>	<u>20,813,000</u>	<u>3,632,000</u>	<u>17.5%</u>
Income before disposition of real estate investments and minority interest	19,440,000	17,672,000	1,768,000	10.0%
Gain on disposition of properties	-	159,000	(159,000)	N/A
Income before minority interest	19,440,000	17,831,000	1,609,000	9.0%
Minority interest in income - preferred units	(3,323,000)	(3,157,000)	(166,000)	5.3%
Minority interest in income - common units	(3,268,000)	(3,203,000)	(65,000)	2.0%
Net income	<u>\$ 12,849,000</u>	<u>\$ 11,471,000</u>	<u>\$ 1,378,000</u>	<u>12.0%</u>
Net income allocation:				
Allocable to preferred shareholders	\$ 2,839,000	\$ 1,272,000	\$ 1,567,000	123.2%
Allocable to common shareholders	10,010,000	10,199,000	(189,000)	(1.9%)
	<u>\$ 12,849,000</u>	<u>\$ 11,471,000</u>	<u>\$ 1,378,000</u>	<u>12.0%</u>
Net income per common share:				
Basic	<u>\$ 0.45</u>	<u>\$ 0.44</u>	<u>\$ 0.01</u>	<u>2.3%</u>
Diluted	<u>\$ 0.45</u>	<u>\$ 0.44</u>	<u>\$ 0.01</u>	<u>2.3%</u>
Weighted average common shares outstanding:				
Basic	<u>22,210,000</u>	<u>23,117,000</u>	<u>(907,000) (h)</u>	<u>(3.9%)</u>
Diluted	<u>22,295,000</u>	<u>23,216,000</u>	<u>(921,000) (h)</u>	<u>(4.0%)</u>

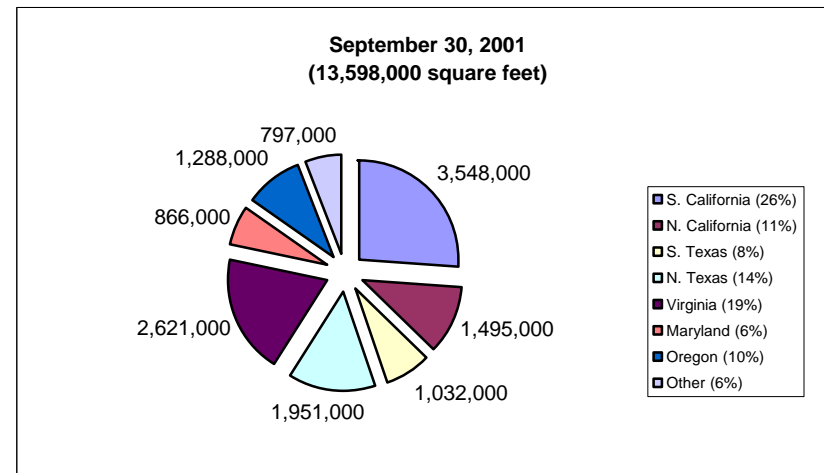
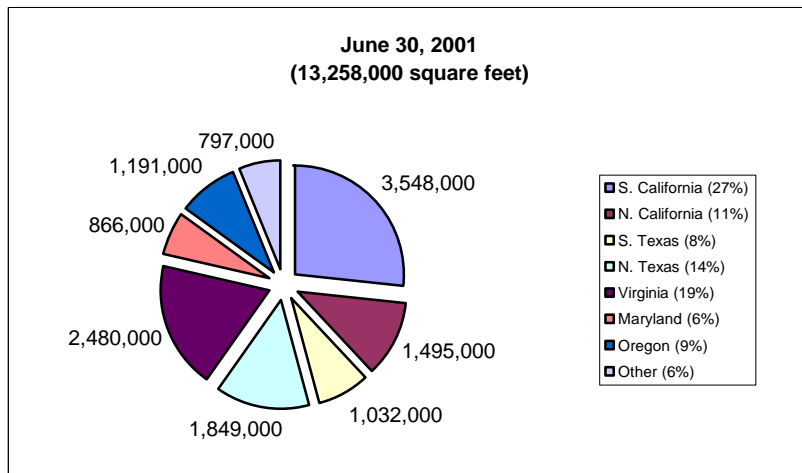
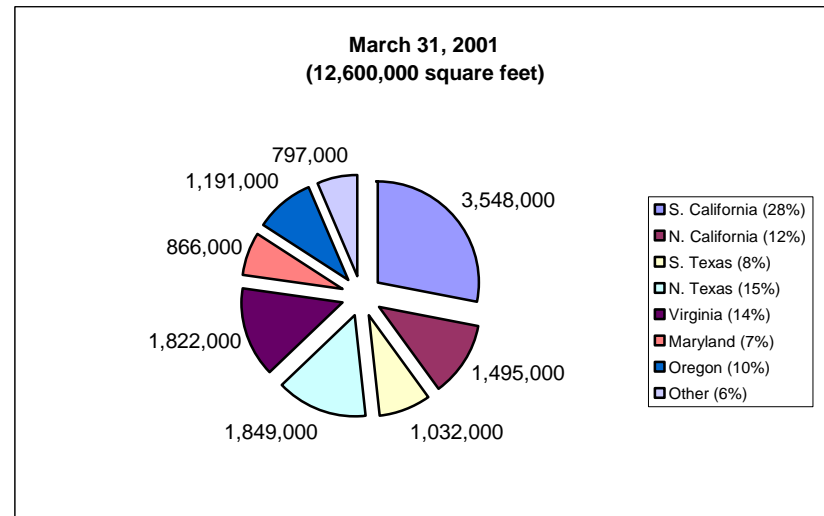
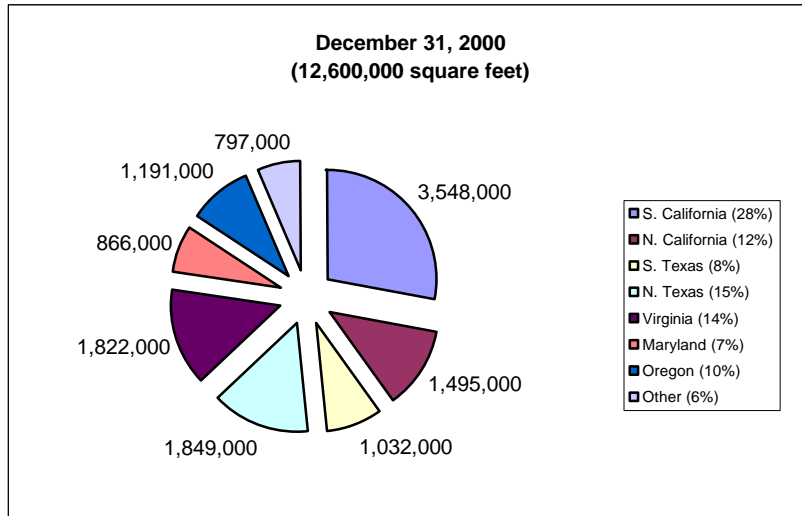
(a) Rental income has increased due to the following:		
"Same Park" facilities	\$	1,707,000
Other facilities		5,224,000
Straight line rent adjustment		(439,000)
	<u>\$</u>	<u>6,492,000</u>
(b) Business services include licensing fees from telecommunication service providers.		
(c) Interest income decreased as a result of lower average cash balances (\$39M in 2001 vs. \$64M in 2000) and interest rates (3.5% in 2001 vs. 6.5% in 2000).		
(d) No dividend income was received from Pacific Gulf Properties Inc. ("PAG") during the three months ended September 30, 2001. In addition, no dividend or interest income was received from approximately \$3.9 million of equity investments held during the period.		
(e) Cost of operations have increased due to the following:		
"Same Park" facilities	\$	435,000
Other facilities		1,809,000
	<u>\$</u>	<u>2,244,000</u>
(f) General and administrative expenses for the three months ended September 30, 2001 consists of:		
Professional fees	\$	148,000
Salaries		459,000
General administrative costs		58,000
Internal acquisition costs		136,000
Abandoned projects		-
Other		236,000
	<u>\$</u>	<u>1,037,000</u>
(g) Interest expense for the three months ended September 30, 2001 consists of:		
Mortgages	\$	577,000
Line of credit facility fee		64,000
Capitalized interest		(103,000)
	<u>\$</u>	<u>538,000</u>
(h) Decrease relates to the repurchase of common shares.		

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

	09/30/01	09/30/00	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 121,964,000	\$ 107,265,000	\$ 14,699,000 (a)	13.7%
Facility management fees primarily from affiliates	499,000	383,000	116,000	30.3%
Business services	308,000	349,000	(41,000) (b)	(11.7%)
Interest income	1,659,000	3,046,000	(1,387,000) (c)	(45.5%)
Dividend income	12,000	1,297,000	(1,285,000) (d)	(99.1%)
	<u>124,442,000</u>	<u>112,340,000</u>	<u>12,102,000</u>	<u>10.8%</u>
Expenses:				
Cost of operations	32,852,000	29,432,000	3,420,000 (e)	11.6%
Cost of facility management	111,000	77,000	34,000	44.2%
Cost of business services	460,000	142,000	318,000	223.9%
Depreciation and amortization	30,058,000	26,723,000	3,335,000	12.5%
General and administrative (f)	3,157,000	2,859,000	298,000	10.4%
Interest expense (g)	932,000	1,246,000	(314,000)	(25.2%)
	<u>67,570,000</u>	<u>60,479,000</u>	<u>7,091,000</u>	<u>11.7%</u>
Income before disposition of real estate investments and minority interest	56,872,000	51,861,000	5,011,000	9.7%
Gain on investment in PAG	15,000	-	15,000	N/A
Gain on disposition of properties	-	256,000	(256,000)	N/A
Income before minority interest	56,887,000	52,117,000	4,770,000	9.2%
Minority interest in income - preferred units	(9,696,000)	(8,998,000)	(698,000)	7.8%
Minority interest in income - common units	(10,047,000)	(9,393,000)	(654,000)	7.0%
Net income	<u>\$ 37,144,000</u>	<u>\$ 33,726,000</u>	<u>\$ 3,418,000</u>	<u>10.1%</u>
Net income allocation:				
Allocable to preferred shareholders	\$ 6,014,000	\$ 3,816,000	\$ 2,198,000	57.6%
Allocable to common shareholders	31,130,000	29,910,000	1,220,000	4.1%
	<u>\$ 37,144,000</u>	<u>\$ 33,726,000</u>	<u>\$ 3,418,000</u>	<u>10.1%</u>
Net income per common share:				
Basic	\$ 1.38	\$ 1.28	\$ 0.10	7.8%
Diluted	\$ 1.37	\$ 1.28	\$ 0.09	7.0%
Weighted average common shares outstanding:				
Basic	22,610,000	23,354,000	(744,000) (h)	(3.2%)
Diluted	22,685,000	23,426,000	(741,000) (h)	(3.2%)

(a) Rental income has increased due to the following:		
"Same Park" facilities	\$	6,606,000
Other facilities		8,873,000
Straight line rent adjustment		(780,000)
	<u>\$</u>	<u>14,699,000</u>
(b) Business services include licensing fees from telecommunication service providers.		
(c) Interest income decreased as a result of lower average cash balances (\$51M in 2001 vs. \$68M in 2000) and interest rates (4.4% in 2001 vs. 6.3% in 2000).		
(d) No dividend income was received from Pacific Gulf Properties Inc. ("PAG") during the nine months ended September 30, 2001. In addition, no dividend or interest income was received from approximately \$3.9 million of equity investments held during the period.		
(e) Cost of operations have increased due to the following:		
"Same Park" facilities	\$	1,080,000
Other facilities		2,340,000
	<u>\$</u>	<u>3,420,000</u>
(f) General and administrative expenses for the nine months ended September 30, 2001 consists of:		
Professional fees	\$	571,000
Salaries		1,185,000
General administrative costs		394,000
Internal acquisition costs		453,000
Abandoned projects		7,000
Other		547,000
	<u>\$</u>	<u>3,157,000</u>
(g) Interest expense for the nine months ended September 30, 2001 consists of:		
Mortgage notes payable	\$	1,744,000
Line of credit facility fees		189,000
Capitalized interest		(1,001,000)
	<u>\$</u>	<u>932,000</u>
(h) 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 September 30, 2001

Primary Markets	Industrial	Office	Flex	Total	%
Northern Virginia	-	589,000	2,032,000	2,621,000	19.3%
Los Angeles County	1,006,000	88,000	770,000	1,864,000	13.7%
Northern California	405,000	64,000	1,026,000	1,495,000	11.0%
Dallas	-	-	1,576,000	1,576,000	11.6%
Portland	-	284,000	1,004,000	1,288,000	9.5%
Orange County	-	161,000	911,000	1,072,000	7.9%
Maryland	-	29,000	837,000	866,000	6.4%
Austin	-	-	833,000	833,000	6.1%
San Diego County	-	234,000	378,000	612,000	4.5%
Phoenix	-	-	569,000	569,000	4.2%
Other	-	331,000	471,000	802,000	6.0%
	1,411,000	1,780,000	10,407,000	13,598,000	100.2%

Average Occupancy Rates by Product Type for the Quarter Ending September 30, 2001

Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	98.5%	96.0%	96.6%
Los Angeles County	94.0%	92.3%	96.2%	94.6%
Northern California	100.0%	96.9%	96.3%	97.4%
Dallas	-	-	94.1%	94.1%
Portland	-	100.0%	96.1%	96.7%
Orange County	-	-	96.6%	96.6%
Maryland	-	100.0%	96.9%	97.0%
Austin	-	-	94.5%	94.5%
San Diego County	-	99.8%	98.1%	98.8%
Phoenix	-	-	86.6%	86.6%
Other	-	82.4%	93.3%	88.8%
	95.7%	94.8%	95.2%	95.2%

Average Occupancy Rates by Portfolio Type for the Quarter Ending September 30, 2001

Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	96.6%	96.5%	96.6%
Los Angeles County	93.9%	95.6%	94.6%
Northern California	98.2%	95.5%	97.4%
Dallas	96.4%	83.2%	94.1%
Portland	96.7%	96.3%	96.7%
Orange County	97.7%	95.3%	96.6%
Maryland	96.9%	100.0%	97.0%
Austin	95.8%	90.1%	94.5%
San Diego County	-	98.8%	98.8%
Phoenix	98.7%	84.7%	86.6%
Other	89.5%	88.7%	88.8%
	96.4%	93.0%	95.2%

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 September 30, 2001

Business services	12.6%
Computer Hardware, software and related service	12.2%
Financial services	6.8%
Home furnishings	6.7%
Retail	6.6%
Communications	6.1%
Electronics	5.1%
Manufacturing and assembly	4.9%
Government	4.8%
Contractors	4.4%
	<u>70.2%</u>

Top Ten Customers by Annual Rent as of September 30, 2001

Tenant	Square Footage	Annual Rents	%
IBM	292,000	\$ 4,287,000	2.5%
Citigroup	262,000	3,419,000	2.0%
U.S. Government	127,000	2,981,000	1.7%
County of Santa Clara	97,000	2,335,000	1.3%
Pycon, Inc.	134,000	1,986,000	1.1%
MCI Worldcom	121,000	1,680,000	1.0%
Footstar	116,000	1,657,000	1.0%
Sun Microsystems	86,000	1,517,000	0.9%
Welch Allyn Protocol, Inc.	95,000	1,339,000	0.8%
TRW System	58,000	1,274,000	0.7%
	<u>1,388,000</u>	<u>\$ 22,475,000</u>	<u>13.0%</u>

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF SEPTEMBER 30, 2001

Lease Expirations - Flex			
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
2001	473,000	\$ 4,776,000	4.0%
2002	2,277,000	24,032,000	20.1%
2003	1,952,000	23,262,000	19.5%
2004	1,649,000	19,255,000	16.1%
2005	1,182,000	16,005,000	13.4%
Thereafter	2,230,000	32,009,000	26.9%
	<u>9,763,000</u>	<u>\$ 119,339,000</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>
2001	101,000	\$ 1,716,000	4.8%
2002	315,000	5,666,000	15.7%
2003	338,000	6,532,000	18.1%
2004	230,000	4,685,000	13.0%
2005	238,000	5,374,000	14.9%
Thereafter	490,000	12,076,000	33.5%
	<u>1,712,000</u>	<u>\$ 36,049,000</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>
2001	24,000	\$ 183,000	2.5%
2002	361,000	1,518,000	21.1%
2003	205,000	1,187,000	16.5%
2004	265,000	1,538,000	21.4%
2005	252,000	1,577,000	22.0%
Thereafter	178,000	1,180,000	16.5%
	<u>1,285,000</u>	<u>\$ 7,183,000</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>
2001	598,000	\$ 6,675,000	4.1%
2002	2,953,000	31,216,000	19.2%
2003	2,495,000	30,981,000	19.1%
2004	2,144,000	25,478,000	15.7%
2005	1,672,000	22,956,000	14.1%
Thereafter	2,898,000	45,265,000	27.8%
	<u>12,760,000</u>	<u>\$ 162,571,000</u>	<u>100.0%</u>

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF SEPTEMBER 30, 2001

Southern California				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2001	177,000	\$ 1,960,000	4.8%	1.2%
2002	992,000	11,613,000	28.3%	7.1%
2003	819,000	10,324,000	25.1%	6.4%
2004	576,000	6,420,000	15.6%	3.9%
2005	428,000	5,958,000	14.5%	3.7%
Thereafter	321,000	4,778,000	11.7%	2.9%
	<u>3,313,000</u>	<u>\$ 41,053,000</u>	<u>100.0%</u>	<u>25.3%</u>

Northern California				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2001	30,000	\$ 329,000	1.7%	0.2%
2002	382,000	3,256,000	16.5%	2.0%
2003	289,000	4,141,000	21.0%	2.5%
2004	236,000	3,136,000	15.9%	1.9%
2005	125,000	1,339,000	6.8%	0.8%
Thereafter	368,000	7,497,000	38.1%	4.6%
	<u>1,430,000</u>	<u>\$ 19,698,000</u>	<u>100.0%</u>	<u>12.1%</u>

Southern Texas				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2001	64,000	\$ 527,000	5.3%	0.3%
2002	220,000	2,138,000	21.6%	1.3%
2003	197,000	2,399,000	24.3%	1.5%
2004	195,000	1,969,000	19.9%	1.2%
2005	168,000	1,952,000	19.7%	1.2%
Thereafter	88,000	903,000	9.2%	0.6%
	<u>932,000</u>	<u>\$ 9,888,000</u>	<u>100.0%</u>	<u>6.1%</u>

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF SEPTEMBER 30, 2001

Northern Texas				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2001	94,000	\$ 1,025,000	5.4%	0.6%
2002	347,000	2,515,000	13.4%	1.5%
2003	432,000	4,457,000	23.7%	2.7%
2004	367,000	3,109,000	16.5%	1.9%
2005	128,000	1,600,000	8.5%	1.0%
Thereafter	474,000	6,126,000	32.5%	3.8%
	<u>1,842,000</u>	<u>\$ 18,832,000</u>	<u>100.0%</u>	<u>11.6%</u>

Northern Virginia				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2001	135,000	\$ 1,661,000	4.3%	1.0%
2002	352,000	4,380,000	11.3%	2.7%
2003	301,000	4,412,000	11.4%	2.7%
2004	421,000	6,761,000	17.5%	4.2%
2005	363,000	5,695,000	14.7%	3.5%
Thereafter	905,000	15,771,000	40.8%	9.7%
	<u>2,477,000</u>	<u>\$ 38,680,000</u>	<u>100.0%</u>	<u>23.8%</u>

Maryland				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2001	7,000	\$ 79,000	0.9%	0.0%
2002	218,000	2,646,000	29.9%	1.6%
2003	111,000	1,130,000	12.7%	0.7%
2004	81,000	730,000	8.2%	0.4%
2005	80,000	874,000	9.9%	0.5%
Thereafter	353,000	3,405,000	38.4%	2.1%
	<u>850,000</u>	<u>\$ 8,864,000</u>	<u>100.0%</u>	<u>5.5%</u>

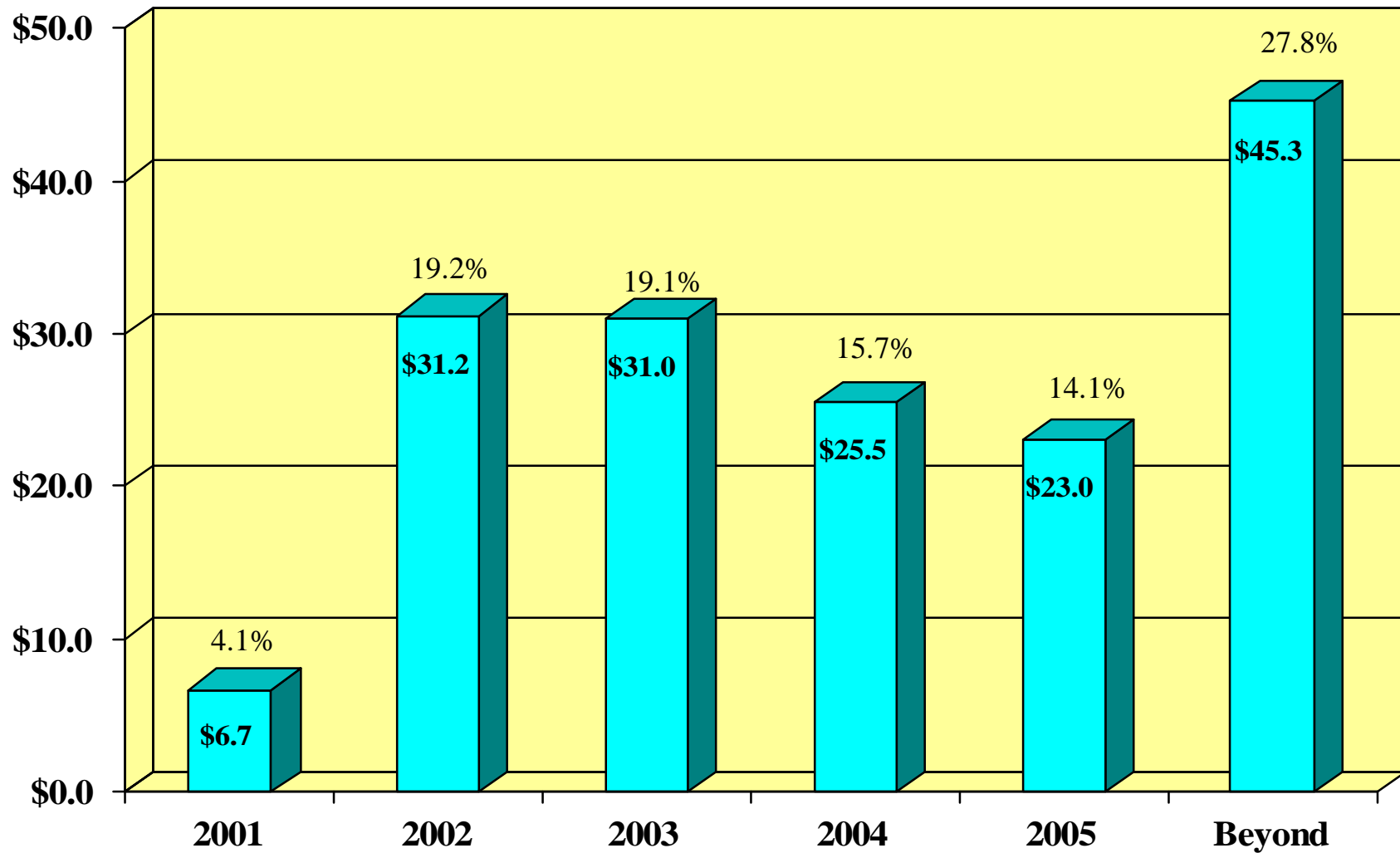
PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF SEPTEMBER 30, 2001

Oregon				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2001	18,000	\$ 252,000	1.4%	0.2%
2002	169,000	1,943,000	10.5%	1.2%
2003	175,000	2,465,000	13.3%	1.5%
2004	174,000	2,348,000	12.7%	1.4%
2005	364,000	5,388,000	29.0%	3.3%
Thereafter	301,000	6,156,000	33.1%	3.8%
	<u>1,201,000</u>	<u>\$ 18,552,000</u>	<u>100.0%</u>	<u>11.4%</u>

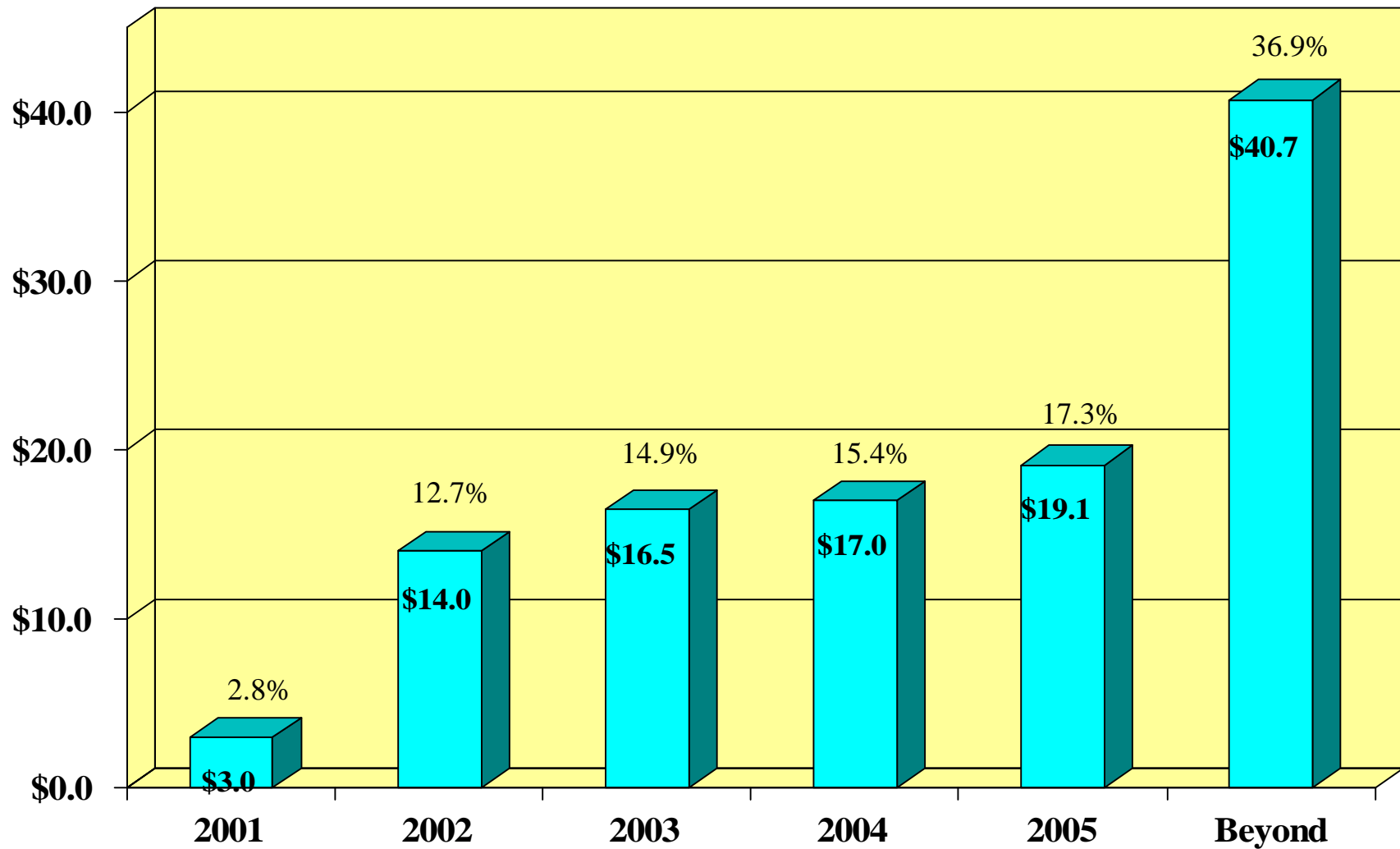
Other				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2001	73,000	\$ 842,000	12.0%	0.5%
2002	274,000	2,726,000	38.9%	1.7%
2003	170,000	1,651,000	23.6%	1.0%
2004	94,000	1,004,000	14.3%	0.6%
2005	16,000	149,000	2.1%	0.1%
Thereafter	88,000	632,000	9.1%	0.4%
	<u>715,000</u>	<u>\$ 7,004,000</u>	<u>100.0%</u>	<u>4.3%</u>

Total				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2001	598,000	\$ 6,675,000	4.1%	4.1%
2002	2,953,000	\$ 31,217,000	19.2%	19.2%
2003	2,495,000	\$ 30,979,000	19.1%	19.1%
2004	2,144,000	\$ 25,477,000	15.7%	15.7%
2005	1,672,000	\$ 22,955,000	14.1%	14.1%
Thereafter	2,898,000	\$ 45,268,000	27.8%	27.8%
	<u>12,760,000</u>	<u>\$ 162,571,000</u>	<u>100.0%</u>	<u>100.0%</u>

Lease Expirations (Entire Portfolio) as of September 30, 2001 (\$ in millions)



Lease Expirations (Large Tenant Portfolio) as of September 30, 2001 (\$ in millions)



Lease Expirations (Small Tenant Portfolio) as of September 30, 2001 (\$ in millions)

