



## **Analyst Book**

**For the Quarter Ended September 30, 1999**

## THIRD QUARTER RESULTS

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

<b>OPERATING DATA:</b>						
	Three Months Ended			Nine Months Ended		
	9/30/99	9/30/98	Difference	9/30/99	9/30/98	Difference
Total revenues	\$ 33,281,000	\$ 26,277,000	26.7%	\$ 93,780,000	\$ 62,976,000	48.9%
Net income	\$ 10,655,000	\$ 9,748,000	9.3%	\$ 30,352,000	\$ 21,124,000	43.7%
Net income per share:						
Basic	\$ 0.40	\$ 0.41	(2.4%)	\$ 1.19	\$ 1.18	0.8%
Diluted	\$ 0.40	\$ 0.41	(2.4%)	\$ 1.19	\$ 1.17	1.7%
Weighted average shares outstanding:						
Basic	23,641,000	23,636,000	0.0%	23,639,000	17,920,000	31.9%
Diluted	23,724,000	23,696,000	0.1%	23,713,000	17,990,000	31.8%

<b>FUNDS FROM OPERATIONS:</b>						
	Three Months Ended			Nine Months Ended		
	9/30/99	9/30/98	Difference	9/30/99	9/30/98	Difference
FFO allocable to common	\$ 14,709,000	\$ 12,796,000	14.9%	\$ 43,395,000	\$ 28,604,000	51.7%
Weighted average shares outstanding - diluted	23,724,000	23,696,000	0.1%	23,713,000	17,990,000	31.8%
FFO per common share - diluted	\$ 0.62	\$ 0.54	14.8%	\$ 1.83	\$ 1.59	15.1%

<b>PROPERTY INFORMATION:</b>						
	Three Months Ended			Nine Months Ended		
	9/30/99	9/30/98	Difference	9/30/99	9/30/98	Difference
Total number of properties	123	98	25.5%	123	98	25.5%
Net rentable square footage	11,986,000	10,338,000	15.9%	11,986,000	10,338,000	15.9%
<b>Same Park Facilities</b>						
Average occupancy	96.7%	95.3%	1.4%	96.7%	94.4%	2.3%
Annual realized rent per sq. ft. for period (1)	\$ 10.74	\$ 10.03	7.1%	\$ 10.34	\$ 9.77	5.8%

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

<b>BALANCE SHEET DATA:</b>			
	9/30/99	12/31/98	Difference
Total assets	\$ 906,387,000	\$ 709,414,000	27.8%
Total debt	\$ 45,828,000	\$ 50,541,000	(9.3%)
Minority interest - preferred	\$ 132,750,000	\$ -	N/A
Minority interest - common	\$ 156,210,000	\$ 153,015,000	2.1%
Perpetual preferred stock	\$ 55,000,000	\$ -	N/A
Common shareholders' equity	\$ 497,389,000	\$ 489,905,000	1.5%
Total common shares outstanding	23,645,000	23,636,000	0.0%
Book value per common share	\$ 21.04	\$ 20.73	1.5%

<b>MARKET VALUE INFORMATION:</b>			
	9/30/99	12/31/98	Difference
Market value of common stock/OP units	\$ 808,309,000	\$ 740,999,000	9.1%
Total debt	45,828,000	50,541,000	(9.3%)
Total preferred stock/OP units	187,750,000	-	N/A
Total capitalization	\$ 1,041,887,000	\$ 791,540,000	31.6%

**PS BUSINESS PARKS, INC.**

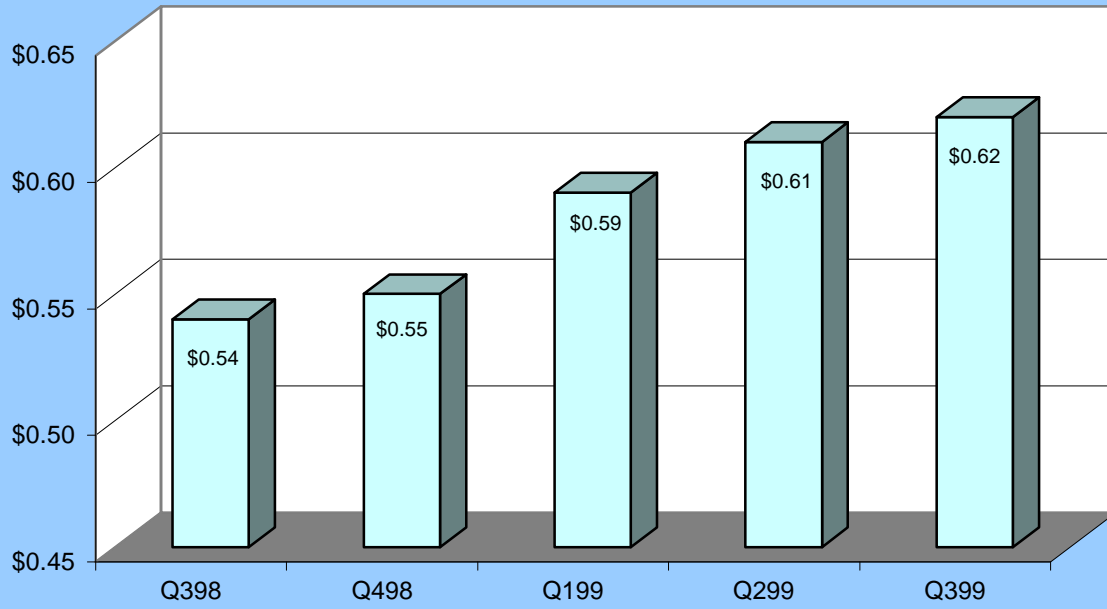
**Sources and Uses of Funds**  
**For the Nine Months Ended September 30, 1999**

	Year to Date (Actual)
<b><u>Sources of Funds:</u></b>	
Funds from operations	\$ 56,848,000
Preferred distributions	3,370,000
Funds from operations (revised)	60,218,000
Issuance of common stock	161,000
Issuance of preferred stock, net	53,086,000
Issuance of preferred OP units, net	129,695,000
Borrowings from PSI	41,400,000
Borrowings from line of credit	14,000,000
Total Sources of Funds	298,560,000
<b><u>Uses of Funds:</u></b>	
Property acquisitions:	
Hill Properties	(14,256,000)
Lafayette	(4,682,000)
Monroe II	(3,417,000)
Waterford B & C	(8,438,000)
Kohm	(11,825,000)
Sacramento	(16,853,000)
1998 acquisitions	(84,000)
Construction in progress:	
Creekside VII	(114,000)
Woodside Phase I	(4,904,000)
Woodside	(31,000)
Lafayette	(1,523,000)
Park East	(2,041,000)
Royal Tech 16	(2,954,000)
Capital expenditures	(7,990,000)
Renovations	(2,556,000)
Distributions paid to preferred shareholders	(2,134,000)
Distributions paid to preferred OP unitholders	(1,236,000)
Distributions paid to common shareholders	(17,729,000)
Distributions paid to common OP unitholders	(5,568,000)
Repayments of borrowings from PSI	(41,400,000)
Repayments of borrowings from line of credit	(26,500,000)
Principal payments on mortgage notes payable	(11,932,000)
Other sources	2,527,000
Total Uses of Funds	(185,640,000)
Net increase (decrease) in cash balance	112,920,000
Beginning cash balance	6,068,000
Ending cash balance	\$ 118,988,000

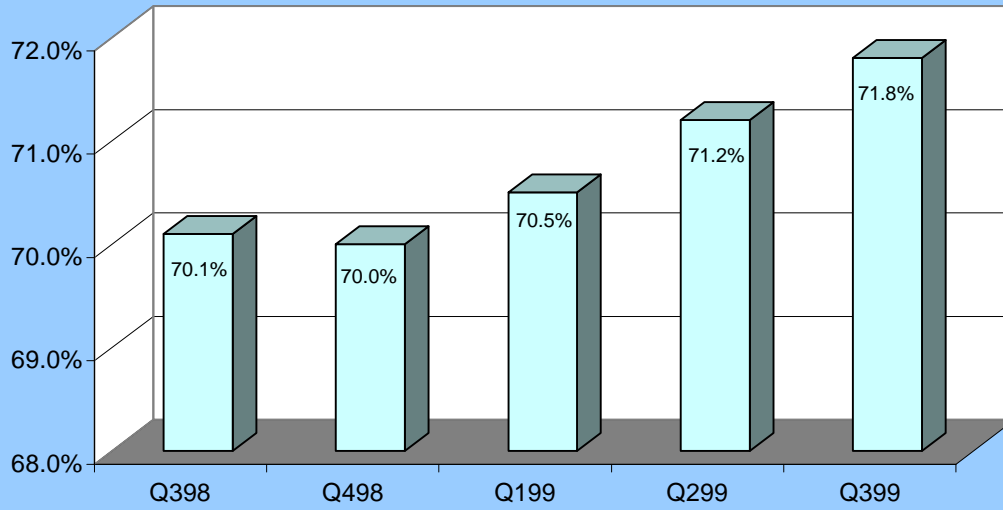
**PS BUSINESS PARKS, INC.**  
**ANALYSIS OF FUNDS FROM OPERATIONS**

	Three Months Ended		Increase (Decrease)	% Change	Nine Months Ended		Increase (Decrease)	% Change
	9/30/99	9/30/98			9/30/99	9/30/98		
<b><u>Funds from operations (FFO):</u></b>								
Net income allocable to common shareholders	\$ 9,383,000	\$ 9,748,000	\$ (365,000)	(3.7%)	\$ 28,218,000	\$ 21,124,000	\$ 7,094,000	33.6%
Depreciation and amortization	7,594,000	4,865,000	2,729,000	56.1%	21,641,000	11,421,000	10,220,000	89.5%
Minority interest in income	3,347,000	3,013,000	334,000	11.1%	9,533,000	8,696,000	837,000	9.6%
Less effects of straight line rents	(937,000)	(924,000)	(13,000)	1.4%	(2,544,000)	(924,000)	(1,620,000)	175.3%
<b>FFO allocable to common shareholders/unitholders</b>	<b>\$ 19,387,000</b>	<b>\$ 16,702,000</b>	<b>\$ 2,685,000</b>	<b>16.1%</b>	<b>\$ 56,848,000</b>	<b>\$ 40,317,000</b>	<b>\$ 16,531,000</b>	<b>41.0%</b>
Weighted average common shares outstanding	23,641,000	23,636,000	5,000	0.0%	23,639,000	17,920,000	5,719,000	31.9%
Weighted average common OP units outstanding	7,443,000	7,394,000	49,000	0.7%	7,423,000	7,376,000	47,000	0.6%
Weighted average dilutive stock options	84,000	60,000	24,000	40.0%	74,000	70,000	4,000	5.7%
<b>Total pro forma fully-converted shares</b>	<b>31,168,000</b>	<b>31,090,000</b>	<b>78,000</b>	<b>0.3%</b>	<b>31,136,000</b>	<b>25,366,000</b>	<b>5,770,000</b>	<b>22.7%</b>
<b>FFO per share/OP Unit</b>	<b>\$ 0.62</b>	<b>\$ 0.54</b>	<b>\$ 0.08</b>	<b>14.8%</b>	<b>\$ 1.83</b>	<b>\$ 1.59</b>	<b>\$ 0.24</b>	<b>15.1%</b>
<b><u>Funds available for distribution (FAD):</u></b>								
Total funds from operations	\$ 19,387,000	\$ 16,702,000	\$ 2,685,000	16.1%	\$ 56,848,000	\$ 40,317,000	\$ 16,531,000	41.0%
Less capitalized expenditures:								
Maintenance capital expenditures	(731,000)	(920,000)	189,000	(20.5%)	(2,153,000)	(2,117,000)	(36,000)	1.7%
Tenant improvements	(1,192,000)	(1,293,000)	101,000	(7.8%)	(3,857,000)	(2,588,000)	(1,269,000)	49.0%
Capitalized lease commissions	(601,000)	(642,000)	41,000	(6.4%)	(1,479,000)	(1,325,000)	(154,000)	11.6%
<b>Total capitalized expenditures</b>	<b>(2,524,000)</b>	<b>(2,855,000)</b>	<b>331,000</b>	<b>(11.6%)</b>	<b>(7,489,000)</b>	<b>(6,030,000)</b>	<b>(1,459,000)</b>	<b>24.2%</b>
<b>FAD</b>	<b>\$ 16,863,000</b>	<b>\$ 13,847,000</b>	<b>\$ 3,016,000</b>	<b>21.8%</b>	<b>\$ 49,359,000</b>	<b>\$ 34,287,000</b>	<b>\$ 15,072,000</b>	<b>44.0%</b>
<b>FAD per share/OP Unit</b>	<b>\$ 0.54</b>	<b>\$ 0.45</b>	<b>\$ 0.09</b>	<b>20.0%</b>	<b>\$ 1.59</b>	<b>\$ 1.35</b>	<b>\$ 0.24</b>	<b>17.8%</b>
<b><u>Cash available for debt repayments and reinvestments:</u></b>								
FAD	\$ 16,863,000	\$ 13,847,000	\$ 3,016,000	21.8%	\$ 49,359,000	\$ 34,287,000	\$ 15,072,000	44.0%
Distributions to common shareholders	(5,910,000)	(5,909,000)	(1,000)	0.0%	(17,729,000)	(15,897,000)	(1,832,000)	11.5%
Distributions to common OP unitholders	(1,861,000)	(1,844,000)	(17,000)	0.9%	(5,568,000)	(6,248,000)	680,000	(10.9%)
<b>Cash available for debt repayments and reinvestments</b>	<b>\$ 9,092,000</b>	<b>\$ 6,094,000</b>	<b>\$ 2,998,000</b>	<b>49.2%</b>	<b>\$ 26,062,000</b>	<b>\$ 12,142,000</b>	<b>\$ 13,920,000</b>	<b>114.6%</b>

### 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**

Principal Maturity Dates

*Debt at September 30, 1999 consists of the following:*

	Total	1999	2000	2001	2002	2003	Thereafter
7.125% mortgage note, secured by one commercial property, due May 2006	8,794,000	43,000	180,000	193,000	208,000	223,000	7,947,000
8.4% mortgage note, secured by six commercial properties, due November 1999	8,554,000	8,554,000	-	-	-	-	-
8.19% mortgage note, secured by one commercial property, due March 2007	6,710,000	44,000	184,000	199,000	216,000	235,000	5,832,000
8.125% mortgage note, secured by one commercial property, due February 2009	6,396,000	24,000	100,000	108,000	116,000	125,000	5,923,000
8.125% mortgage note, secured by one commercial property, due July 2005	5,352,000	25,000	105,000	113,000	123,000	133,000	4,853,000
7.28% mortgage note, secured by two commercial properties, due February 2003	4,332,000	28,000	118,000	127,000	137,000	3,922,000	-
8% mortgage note, secured by one commercial property, due April 2003	2,128,000	20,000	85,000	93,000	100,000	1,830,000	-
8.5% mortgage note, secured by one commercial property, due July 2007	1,910,000	12,000	49,000	53,000	58,000	63,000	1,675,000
8% mortgage note, secured by one commercial property, due April 2003	1,652,000	12,000	51,000	56,000	60,000	1,473,000	-
Total debt	45,828,000	8,762,000	872,000	942,000	1,018,000	8,004,000	26,230,000

Weighted average interest rate

7.92%

Weighted average maturity

5.4 years

\$100 million unsecured line of credit

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*Equity at September 30, 1999 consists of the following:*

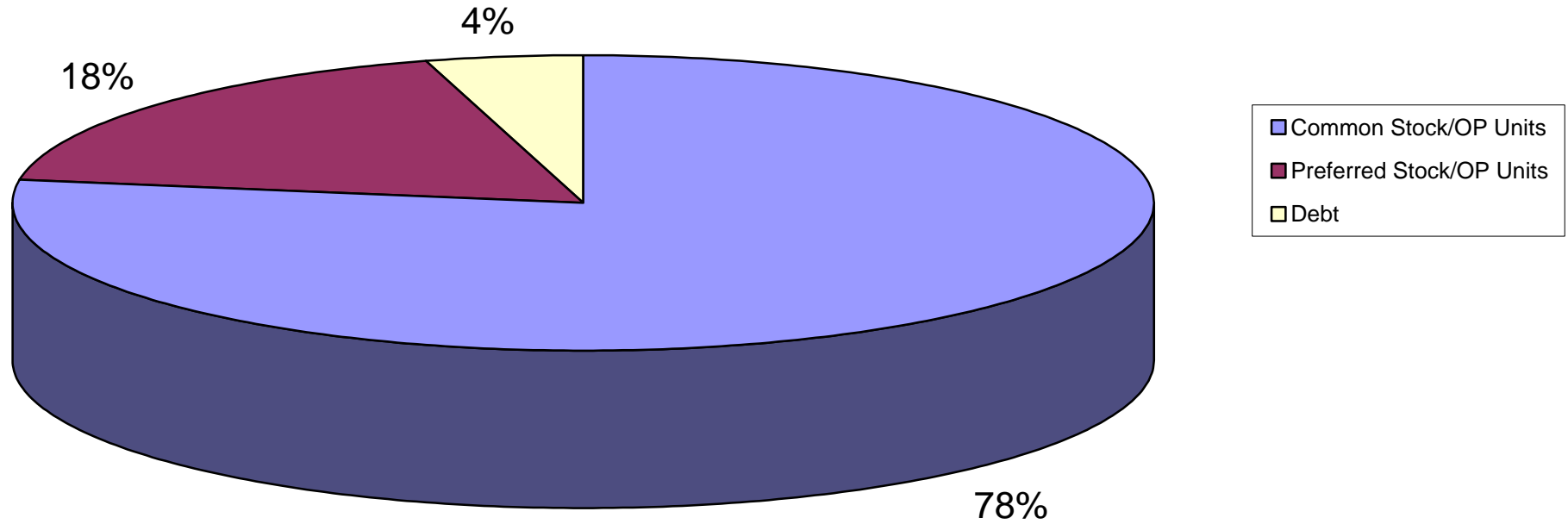
	Shares Outstanding	Conversion Ratio	Common Stock Equivalents	\$ Value Equivalent
Preferred stock	2,200,000	N/A	N/A	55,000,000
Preferred operating partnership units	510,000	N/A	N/A	12,750,000
Preferred operating partnership units	3,200,000	N/A	N/A	80,000,000
Preferred operating partnership units	1,200,000	N/A	N/A	30,000,000
Preferred operating partnership units	400,000	N/A	N/A	10,000,000
Total preferred equity				<u>187,750,000</u>
Common stock	23,645,461	N/A	N/A	614,781,986 (1)
Common operating partnership units	7,443,356	1:1	7,443,356	193,527,256 (1)
Total common equity (2)				<u>808,309,242</u>

(1) Value based on September 30, 1999 closing stock price of \$26.

(2) Does not include 83,560 shares related to stock options for the nine months ending September 30, 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 September 30, 1999: \$1 billion**



PS BUSINESS PARKS, INC.  
CONSOLIDATED BALANCE SHEETS

	9/30/99	12/31/98	Increase (Decrease)	% Change
<b>ASSETS</b>				
Cash and equivalents	\$ 118,988,000	\$ 6,068,000	\$ 112,920,000	1860.9%
Real estate facilities:				
Land	192,352,000	176,241,000	16,111,000	9.1%
Buildings and equipment	623,585,000	536,697,000	86,888,000	16.2%
	815,937,000	712,938,000	102,999,000 (a)	14.4%
Accumulated depreciation	(43,932,000)	(22,517,000)	(21,415,000)	95.1%
	772,005,000	690,421,000	81,584,000	11.8%
Construction in progress	7,137,000 (b)	7,716,000	(579,000)	-7.5%
	779,142,000	698,137,000	81,005,000	11.6%
Receivables	295,000	242,000	53,000	21.9%
Deferred rent receivables	4,630,000	2,086,000	2,544,000	122.0%
Intangible assets, net	1,357,000	1,583,000	(226,000) (c)	-14.3%
Other assets	1,975,000	1,298,000	677,000	52.2%
Total assets	\$ 906,387,000	\$ 709,414,000	\$ 196,973,000	27.8%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Accrued and other liabilities	\$ 19,210,000 (e)	\$ 15,953,000	\$ 3,257,000	20.4%
Notes payable	45,828,000	50,541,000	(4,713,000) (f)	-9.3%
Total liabilities	65,038,000	66,494,000	(1,456,000)	-2.2%
Minority interest - preferred	132,750,000	-	132,750,000 (g)	N/A
Minority interest - common	156,210,000	153,015,000	3,195,000	2.1%
Shareholders' equity:				
Preferred stock	55,000,000	-	55,000,000 (h)	N/A
Common stock	236,000	236,000	-	0.0%
Paid in capital	479,466,000	482,471,000	(3,005,000) (i)	-0.6%
Cumulative net income	62,906,000	32,554,000	30,352,000 (j)	93.2%
Cumulative distributions	(45,219,000)	(25,356,000)	(19,863,000) (k)	78.3%
Total shareholders' equity	552,389,000	489,905,000	62,484,000	12.8%
Total liabilities and shareholders' equity	\$ 906,387,000	\$ 709,414,000	\$ 196,973,000	27.8%

(a) Additional costs for prior year's acquisitions	\$ 84,000
Property acquisitions	80,724,000
Developed projects	12,146,000
Maintenance capital expenditures	2,153,000
Tenant improvements	3,857,000
Lease commissions	1,479,000
Renovation costs	2,556,000
	\$ 102,999,000
(b) The Company has four development projects in:	
Beaverton, OR (Creekside)	\$ 952,000
Beaverton, OR (Woodside)	2,621,000
Chantilly, VA (Lafayette)	1,523,000
Chantilly, VA (Park East IV)	2,041,000
	\$ 7,137,000
(c) Amortization expense	\$ (226,000)
(e) Accrued and other liabilities at 9/30/99 consists of:	
Deferred rental revenue	\$ 344,000
Accounts payable	261,000
Property taxes	4,482,000
Security deposits	6,846,000
Other	4,872,000
Reserves for acquisition costs	2,405,000
	\$ 19,210,000
(f) Notes payable decreased due to the following:	
Assumption of debt in connection with property acquisitions	\$ 19,719,000
Principal payments	(11,932,000)
Repayment of borrowings from affiliate/line of credit, net	(12,500,000)
	\$ (4,713,000)
(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	\$ 161,000
Preferred stock/OP unit issuance costs	(1,914,000)
Minority interest adjustment	(1,252,000)
	\$ (3,005,000)
(j) Represents net income for the nine months ended September 30, 1999.	
(k) Distributions to preferred shareholders	\$ (2,134,000)
Distributions to common shareholders	(17,729,000)
	\$ (19,863,000)

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

	9/30/99	9/30/98	Increase (Decrease)	% Change
<b>Revenues:</b>				
Rental income	\$ 32,568,000	\$ 25,635,000	\$ 6,933,000 (a)	27.0%
Facility management fees from affiliates	121,000	109,000	12,000	11.0%
Interest and other income	592,000	533,000	59,000 (b)	11.1%
	<u>33,281,000</u>	<u>26,277,000</u>	<u>7,004,000</u>	<u>26.7%</u>
<b>Expenses:</b>				
Cost of operations	8,920,000	7,379,000	1,541,000 (c)	20.9%
Cost of facility management	24,000	12,000	12,000	100.0%
Depreciation and amortization	7,594,000	4,865,000	2,729,000 (d)	56.1%
General and administrative	742,000 (e)	593,000	149,000	25.1%
Interest expense	977,000 (f)	667,000	310,000	46.5%
	<u>18,257,000</u>	<u>13,516,000</u>	<u>4,741,000</u>	<u>35.1%</u>
Income before minority interest	15,024,000	12,761,000	2,263,000	17.7%
Minority interest in income - preferred units	(1,022,000)	-	(1,022,000)	N/A
Minority interest in income - common units	(3,347,000)	(3,013,000)	(334,000)	11.1%
Net income	<u>\$ 10,655,000</u>	<u>\$ 9,748,000</u>	<u>\$ 907,000</u>	<u>9.3%</u>
<b>Net income allocation:</b>				
Allocable to preferred shareholders	1,272,000	-	1,272,000	N/A
Allocable to common shareholders	9,383,000	9,748,000	(365,000)	(3.7%)
	<u>\$ 10,655,000</u>	<u>\$ 9,748,000</u>	<u>\$ 907,000</u>	<u>9.3%</u>
<b>Net income per common share:</b>				
Basic	<u>\$ 0.40</u>	<u>\$ 0.41</u>	<u>\$ (0.01)</u>	<u>(2.4%)</u>
Diluted	<u>\$ 0.40</u>	<u>\$ 0.41</u>	<u>\$ (0.01)</u>	<u>(2.4%)</u>
<b>Weighted average common shares outstanding:</b>				
Basic	<u>23,641,000</u>	<u>23,636,000</u>	<u>5,000</u>	<u>0.0%</u>
Diluted	<u>23,724,000</u>	<u>23,696,000</u>	<u>28,000</u>	<u>0.1%</u>

(a) Rental income has increased due to the following:

Acquisitions during 1998 and 1999	\$ 4,535,000
Straight line rent adjustment	937,000
Consistent group of properties	1,461,000
	<u>\$ 6,933,000</u>

(b) Interest income increased as a result of higher average cash balances.

(c) Cost of operations have increased due to the following:

Acquisitions during 1998 and 1999	\$ 1,506,000
Consistent group of properties	35,000
	<u>\$ 1,541,000</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 9/30/99 consists of:

Professional fees	\$ 69,000
Salaries	210,000
General administrative costs	94,000
Internal acquisition costs	139,000
Other	230,000
	<u>\$ 742,000</u>

(f) Interest expense for the three months ended 9/30/99 consists of:

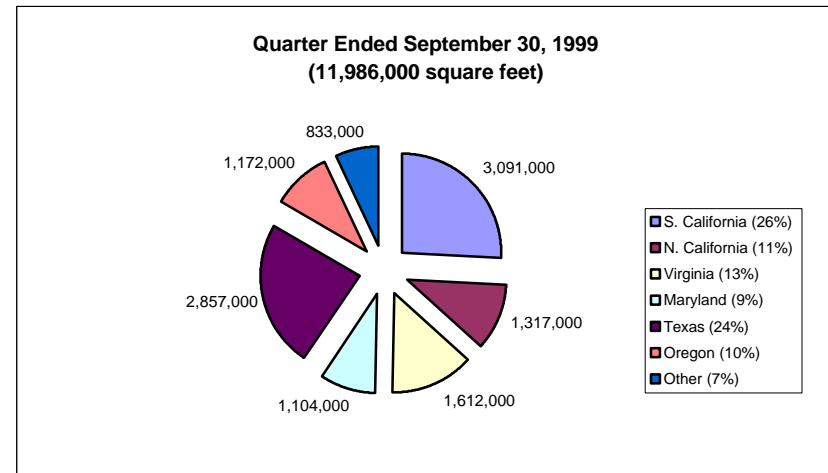
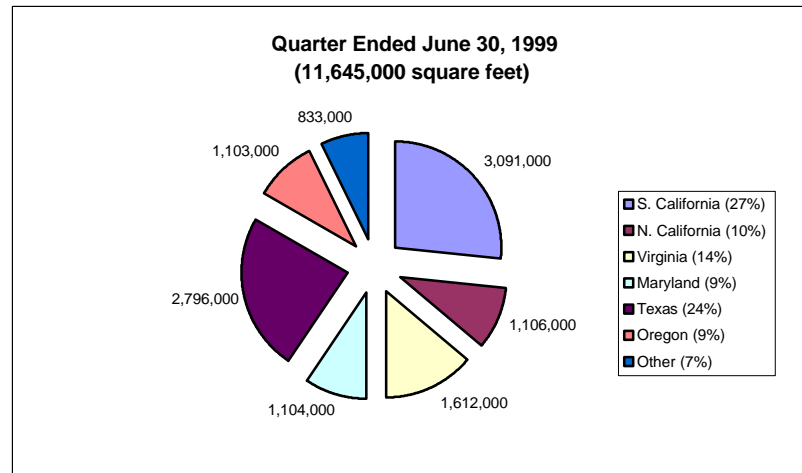
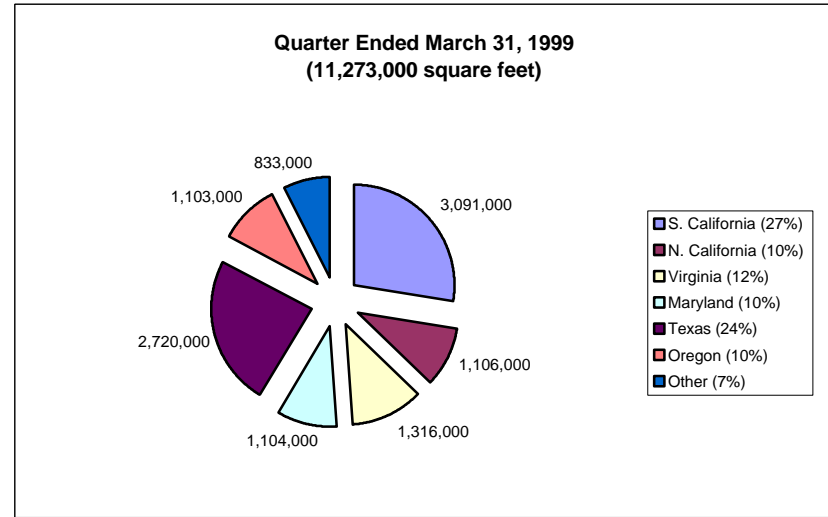
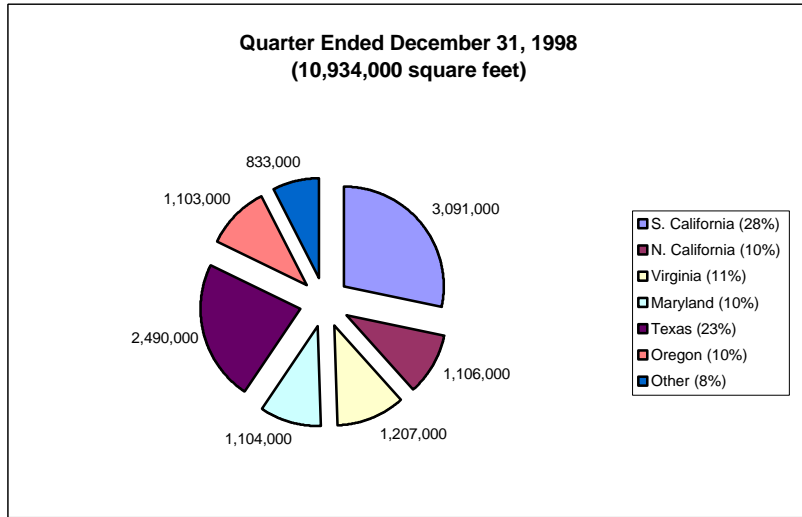
Assumed mortgages	\$ 785,000
Line of credit	366,000
Capitalized interest	(174,000)
	<u>\$ 977,000</u>

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

	9/30/99	9/30/98	Increase (Decrease)	% Change
<b>Revenues:</b>				
Rental income	\$ 92,544,000	\$ 61,459,000	\$ 31,085,000 (a)	50.6%
Facility management fees from affiliates	351,000	440,000	(89,000) (b)	(20.2%)
Interest and other income	885,000	1,077,000	(192,000) (c)	(17.8%)
	<u>93,780,000</u>	<u>62,976,000</u>	<u>30,804,000</u>	<u>48.9%</u>
<b>Expenses:</b>				
Cost of operations	25,951,000	18,361,000	7,590,000 (d)	41.3%
Cost of facility management	70,000	49,000	21,000	42.9%
Depreciation and amortization	21,641,000	11,421,000	10,220,000 (e)	89.5%
General and administrative	2,339,000 (f)	1,589,000	750,000	47.2%
Interest expense	2,658,000 (g)	1,736,000	922,000	53.1%
	<u>52,659,000</u>	<u>33,156,000</u>	<u>19,503,000</u>	<u>58.8%</u>
Income before minority interest	41,121,000	29,820,000	11,301,000	37.9%
Minority interest in income - preferred units	(1,236,000)	-	(1,236,000)	N/A
Minority interest in income - common units	(9,533,000)	(8,696,000)	(837,000)	9.6%
Net income	<u>\$ 30,352,000</u>	<u>\$ 21,124,000</u>	<u>\$ 9,228,000</u>	<u>43.7%</u>
<b>Net income allocation:</b>				
Allocable to preferred shareholders	\$ 2,134,000	\$ -	\$ 2,134,000	N/A
Allocable to common shareholders	28,218,000	21,124,000	7,094,000	33.6%
	<u>\$ 30,352,000</u>	<u>\$ 21,124,000</u>	<u>\$ 9,228,000</u>	<u>43.7%</u>
<b>Net income per common share:</b>				
Basic	<u>\$ 1.19</u>	<u>\$ 1.18</u>	<u>\$ 0.01</u>	<u>0.8%</u>
Diluted	<u>\$ 1.19</u>	<u>\$ 1.17</u>	<u>\$ 0.02</u>	<u>1.7%</u>
<b>Weighted average common shares outstanding:</b>				
Basic	<u>23,639,000</u>	<u>17,920,000</u>	<u>5,719,000 (h)</u>	<u>31.9%</u>
Diluted	<u>23,713,000</u>	<u>17,990,000</u>	<u>5,723,000 (h)</u>	<u>31.8%</u>

<b>(a)</b> Rental income has increased due to the following:		
Acquisitions during 1998 and 1999	\$ 24,874,000	
Straight line rent adjustment	2,544,000	
Consistent group of properties	3,667,000	
	<u>\$ 31,085,000</u>	
<b>(b)</b> Facility management fees have decreased due to the acquisition of properties previously managed.		
<b>(c)</b> Interest income decreased as a result of lower average cash balances.		
<b>(d)</b> Cost of operations have increased due to the following:		
Acquisitions during 1997 and 1998	\$ 7,285,000	
Consistent group of properties	305,000	
	<u>\$ 7,590,000</u>	
<b>(e)</b> Depreciation expense increased in connection with the acquisition of real estate facilities during 1998 and 1999.		
<b>(f)</b> General and administrative expenses for the nine months ended 9/30/99 consists of:		
Professional fees	\$ 397,000	
Salaries	854,000	
General administrative costs	391,000	
Internal acquisition costs	324,000	
Abandoned projects	30,000	
Other	343,000	
	<u>\$ 2,339,000</u>	
<b>(g)</b> Interest expense for the nine months ended 9/30/99 consists of:		
PSI loan	\$ 371,000	
Assumed mortgages	2,285,000	
Line of credit	586,000	
Capitalized interest	(584,000)	
	<u>\$ 2,658,000</u>	
<b>(h)</b> 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 September 30, 1999**

<u>Primary Markets</u>	<u>Office</u>	<u>Flex</u>	<u>Total</u>	<u>%</u>
Dallas	-	1,475,000	1,475,000	12.3%
Northern Virginia	233,000	1,379,000	1,612,000	13.4%
Los Angeles County	88,000	1,482,000	1,570,000	13.1%
Orange County	-	911,000	911,000	7.6%
Northern California	64,000	1,253,000	1,317,000	11.0%
Maryland	267,000	837,000	1,104,000	9.2%
Portland	121,000	1,052,000	1,173,000	9.8%
Austin	-	831,000	831,000	6.9%
San Diego County	233,000	378,000	611,000	5.1%
Phoenix	-	369,000	369,000	3.1%
Other	330,000	683,000	1,013,000	8.5%
	<u>1,336,000</u>	<u>10,650,000</u>	<u>11,986,000</u>	<u>100%</u>

**Average Occupancy Rates for the Quarter Ending September 30, 1999**

<u>Primary Markets</u>	<u>Office</u>	<u>Flex</u>	<u>Total</u>
Dallas	-	97.8%	97.8%
Northern Virginia	97.8%	97.9%	97.9%
Los Angeles County	95.3%	96.0%	96.0%
Orange County	-	98.1%	98.1%
Northern California	92.3%	97.7%	96.3%
Maryland	92.8%	99.8%	98.2%
Portland	99.4%	97.5%	97.7%
Austin	-	92.7%	92.7%
San Diego County	97.9%	99.5%	98.9%
Phoenix	-	97.9%	97.9%
Other	89.0%	94.3%	92.6%
	<u>94.2%</u>	<u>97.1%</u>	<u>96.8%</u>

**PS BUSINESS PARKS, INC.**  
**PORTFOLIO ANALYSIS AS OF SEPTEMBER 30, 1999**

<b>Lease Expirations - Flex</b>			
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
1999	743,000	6,269,000	6.2%
2000	2,461,000	23,176,000	22.9%
2001	2,074,000	20,845,000	20.6%
2002	1,991,000	17,452,000	17.3%
2003	1,180,000	13,220,000	13.1%
Thereafter	1,838,000	20,066,000	19.9%
	<u>10,287,000</u>	<u>101,028,000</u>	<u>100.0%</u>

<b>Lease Expirations - Office</b>			
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
1999	123,000	1,965,000	9.8%
2000	349,000	5,254,000	26.1%
2001	268,000	3,994,000	19.9%
2002	183,000	2,809,000	14.0%
2003	135,000	2,369,000	11.8%
Thereafter	201,000	3,711,000	18.5%
	<u>1,259,000</u>	<u>20,102,000</u>	<u>100.0%</u>

<b>Lease Expirations - Total</b>			
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
1999	866,000	8,234,000	6.8%
2000	2,810,000	28,430,000	23.5%
2001	2,342,000	24,839,000	20.5%
2002	2,174,000	20,261,000	16.7%
2003	1,315,000	15,589,000	12.9%
Thereafter	2,039,000	23,777,000	19.6%
	<u>11,546,000</u>	<u>121,130,000</u>	<u>100.0%</u>

## Cumulative Lease Expirations (annual rents in millions) as of September 30, 1999

