



PSBUSINESSPARKSSM

**Analysis of Operating Results
and Financial Condition**

June 30, 2010

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010**

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PS BUSINESS PARKS, INC.
SECOND QUARTER FACT SHEET
(in thousands, except per share amounts)

OPERATING DATA							
	For The Three Months Ended			For The Six Months Ended			
	06/30/10	06/30/09	% Change	06/30/10	06/30/09	% Change	
Total rental income	\$ 69,878	\$ 67,375	3.7%	\$ 137,010	\$ 136,507	0.4%	
Total cost of operations	21,720	21,251	2.2%	44,686	43,687	2.3%	
Net operating income	<u>\$ 48,158</u>	<u>\$ 46,124</u>	4.4%	<u>\$ 92,324</u>	<u>\$ 92,820</u>	(0.5%)	
Net income allocable to common shareholders	\$ 9,229	\$ 8,152	13.2%	\$ 20,974	\$ 40,757	(48.5%)	
Net income per common share - diluted:							
Continuing operations	\$ 0.37	\$ 0.34	8.8%	\$ 0.69	\$ 1.91	(63.9%)	
Discontinued operations	\$ -	\$ 0.06	(100.0%)	\$ 0.16	\$ 0.07	128.6%	
Net income per common share	\$ 0.37	\$ 0.39	(5.1%)	\$ 0.85	\$ 1.98	(57.1%)	
Weighted average common shares outstanding - basic	24,524	20,531	19.4%	24,469	20,501	19.4%	
Weighted average common shares outstanding - diluted	24,669	20,652	19.5%	24,611	20,605	19.4%	

FUNDS FROM OPERATIONS							
	For The Three Months Ended			For The Six Months Ended			
	06/30/10	06/30/09	% Change	06/30/10	06/30/09	% Change	
FFO allocable to common and dilutive shares - before adjustment	\$ 33,117	\$ 31,713	4.4%	\$ 61,458	\$ 63,256	(2.8%)	
Redemption amount over carrying amount related to redeemed preferred equity	(2,436)	-	(100.0%)	(2,436)	-	(100.0%)	
Gain on repurchase of preferred equity, net of issuance costs	-	-	-	-	35,639	(100.0%)	
FFO allocable to common and dilutive shares - as reported	<u>\$ 30,681</u>	<u>\$ 31,713</u>	(3.3%)	<u>\$ 59,022</u>	<u>\$ 98,895</u>	(40.3%)	
FFO per common and dilutive share - before adjustment	\$ 1.03	\$ 1.13	(8.8%)	\$ 1.92	\$ 2.26	(15.0%)	
FFO per common and dilutive share - as reported	\$ 0.96	\$ 1.13	(15.0%)	\$ 1.84	\$ 3.53	(47.9%)	
Weighted average common shares outstanding - diluted	24,669	20,652	19.5%	24,611	20,605	19.4%	
Weighted average common OP units outstanding	7,305	7,305	-	7,305	7,305	-	
Weighted average restricted stock units outstanding	94	133	(29.3%)	102	138	(26.1%)	
Total common and dilutive shares	<u>32,068</u>	<u>28,090</u>	14.2%	<u>32,018</u>	<u>28,048</u>	14.2%	

PROPERTY INFORMATION							
	For The Three Months Ended			For The Six Months Ended			
	06/30/10	06/30/09	% Change	06/30/10	06/30/09	% Change	
<u>Total Portfolio</u> ⁽¹⁾							
Total rentable square footage at period end	20,711	19,425	6.6%	20,711	19,425	6.6%	
Weighted average occupancy	91.3%	89.8%	1.7%	91.3%	90.6%	0.8%	
Annualized realized rent per sq. ft. ⁽²⁾	\$ 15.04	\$ 15.45	(2.7%)	\$ 15.07	\$ 15.51	(2.8%)	
REVPAF ⁽³⁾	\$ 13.73	\$ 13.87	(1.0%)	\$ 13.75	\$ 14.05	(2.1%)	
<u>Same Park Portfolio</u>							
Total rentable square footage at period end	19,425	19,425	-	19,425	19,425	-	
Weighted average occupancy	91.7%	89.8%	2.1%	91.5%	90.6%	1.0%	
Annualized realized rent per sq. ft. ⁽²⁾	\$ 14.93	\$ 15.45	(3.4%)	\$ 15.00	\$ 15.51	(3.3%)	
REVPAF ⁽³⁾	\$ 13.69	\$ 13.87	(1.3%)	\$ 13.72	\$ 14.05	(2.3%)	

- (1) Amounts exclude discontinued operations.
(2) Represents the annualized revenues earned per occupied square foot.
(3) Represents the annualized revenues earned per total square foot.

BALANCE SHEET DATA			
	06/30/10	12/31/09	% Change
Total assets	\$ 1,501,734	\$ 1,564,822	(4.0%)
Noncontrolling interests - preferred units	\$ 53,418	\$ 73,418	(27.2%)
Noncontrolling interests - common units	\$ 177,277	\$ 176,540	0.4%
Perpetual preferred stock	\$ 571,921	\$ 626,046	(8.6%)
Common shareholders' equity	\$ 596,974	\$ 589,633	1.2%
Total common shares outstanding at period end	24,601	24,400	0.8%
Book value per common share	\$ 24.27	\$ 24.17	0.4%

MARKET VALUE INFORMATION			
	06/30/10	12/31/09	% Change
Market value of common stock and common OP units	\$ 1,779,712	\$ 1,586,828	12.2%
Total debt	52,207	52,887	(1.3%)
Total preferred equity	625,339	699,464	(10.6%)
Total market capitalization	<u>\$ 2,457,258</u>	<u>\$ 2,339,179</u>	5.0%
Stock price at the end of the period	\$ 55.78	\$ 50.05	11.4%

PS BUSINESS PARKS, INC.
ANALYSIS OF FUNDS FROM OPERATIONS
(in thousands, except per share amounts)

	For The Three Months Ended		Increase (Decrease)	% Change	For The Six Months Ended		Increase (Decrease)	% Change
	06/30/10	06/30/09			06/30/10	06/30/09		
Funds from operations (FFO):								
Net income allocable to common shareholders	\$ 9,229	\$ 8,152	\$ 1,077	13.2%	\$ 20,974	\$ 40,757	\$ (19,783)	(48.5%)
Adjustments:								
Gain on sale of land and real estate facility	-	(1,488)	1,488	100.0%	(5,153)	(1,488)	(3,665)	246.3%
Depreciation and amortization	18,666	22,097	(3,431)	(15.5%)	36,856	44,840	(7,984)	(17.8%)
Net income allocable to noncontrolling interests - common units	2,749	2,900	(151)	(5.2%)	6,261	14,523	(8,262)	(56.9%)
Net income allocable to restricted stock unit holders	37	52	(15)	(28.8%)	84	263	(179)	(68.1%)
FFO allocable to common and dilutive shares	<u>\$ 30,681</u>	<u>\$ 31,713</u>	<u>\$ (1,032)</u>	<u>(3.3%)</u>	<u>\$ 59,022</u>	<u>\$ 98,895</u>	<u>\$ (39,873)</u>	<u>(40.3%)</u>
Weighted average common shares outstanding	24,524	20,531	3,993	19.4%	24,469	20,501	3,968	19.4%
Weighted average common OP units outstanding	7,305	7,305	-	-	7,305	7,305	-	-
Weighted average restricted stock units outstanding	94	133	(39)	(29.3%)	102	138	(36)	(26.1%)
Weighted average common share equivalents outstanding	145	121	24	19.8%	142	104	38	36.5%
Total common and dilutive shares	<u>32,068</u>	<u>28,090</u>	<u>3,978</u>	<u>14.2%</u>	<u>32,018</u>	<u>28,048</u>	<u>3,970</u>	<u>14.2%</u>
FFO per common and dilutive share	<u>\$ 0.96</u>	<u>\$ 1.13</u>	<u>\$ (0.17)</u>	<u>(15.0%)</u>	<u>\$ 1.84</u>	<u>\$ 3.53</u>	<u>\$ (1.69)</u>	<u>(47.9%)</u>
Funds available for distribution (FAD):								
Funds from operations	\$ 30,681	\$ 31,713	\$ (1,032)	(3.3%)	\$ 59,022	\$ 98,895	\$ (39,873)	(40.3%)
Adjustments:								
Recurring capital improvements	(1,565)	(1,352)	213	15.8%	(3,150)	(2,137)	1,013	47.4%
Tenant improvements	(3,649)	(3,692)	(43)	(1.2%)	(6,207)	(6,974)	(767)	(11.0%)
Lease commissions	(1,229)	(1,117)	112	10.0%	(2,063)	(1,988)	75	3.8%
Straight-line rent	(391)	161	552	342.9%	(645)	(184)	461	250.5%
Stock compensation expense	520	625	(105)	(16.8%)	1,135	1,713	(578)	(33.7%)
In-place lease adjustment	136	(75)	(211)	(281.3%)	98	(161)	(259)	(160.9%)
Lease incentives, net of tenant improvement reimbursements	(101)	(93)	8	8.6%	(264)	(174)	90	51.7%
Issuance costs related to the redemption of preferred equity	2,436	-	(2,436)	(100.0%)	2,436	-	(2,436)	(100.0%)
Gain on repurchase of preferred equity, net of issuance costs	-	-	-	-	-	(35,639)	(35,639)	(100.0%)
FAD	<u>\$ 26,838</u>	<u>\$ 26,170</u>	<u>\$ 668</u>	<u>2.6%</u>	<u>\$ 50,362</u>	<u>\$ 53,351</u>	<u>\$ (2,989)</u>	<u>(5.6%)</u>
FAD per common and dilutive share	<u>\$ 0.84</u>	<u>\$ 0.93</u>	<u>\$ (0.09)</u>	<u>(9.7%)</u>	<u>\$ 1.57</u>	<u>\$ 1.90</u>	<u>\$ (0.33)</u>	<u>(17.4%)</u>
Cash available for debt repayments and reinvestments:								
FAD	\$ 26,838	\$ 26,170	\$ 668	2.6%	\$ 50,362	\$ 53,351	\$ (2,989)	(5.6%)
Distributions to common shareholders	(10,819)	(9,041)	1,778	19.7%	(21,566)	(18,044)	3,522	19.5%
Distributions to common OP unit holders	(3,214)	(3,214)	-	-	(6,428)	(6,428)	-	-
Distributions to restricted stock unit holders	(37)	(52)	(15)	(28.8%)	(84)	(110)	(26)	(23.6%)
Cash available for debt repayments and reinvestment	<u>\$ 12,768</u>	<u>\$ 13,863</u>	<u>\$ (1,095)</u>	<u>(7.9%)</u>	<u>\$ 22,284</u>	<u>\$ 28,769</u>	<u>\$ (6,485)</u>	<u>(22.5%)</u>
FAD payout ratio	<u>52.4%</u>	<u>47.0%</u>	<u>5.4%</u>	<u>11.5%</u>	<u>55.8%</u>	<u>46.1%</u>	<u>9.7%</u>	<u>21.0%</u>

FFO Per Common and Dilutive Share



* Excludes net gain on repurchase of preferred equity.

**Excludes issuance costs related to the redemption of preferred equity.

PS BUSINESS PARKS, INC.
CAPITAL STRUCTURE
(in thousands)

	As of June 30, 2010			As of December 31, 2009		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
Mortgage Debt:						
5.730% mortgage note, due March 2013	\$ 13,868			\$ 14,006		
5.520% mortgage note, due May 2013	9,697			9,819		
5.680% mortgage note, due May 2013	9,717			9,836		
6.150% mortgage note, due November 2031 (includes unamortized premium of \$320,000 on \$15.9 million mortgage note with stated rate of 7.20%)(3)	16,201			16,446		
5.610% mortgage note, due January 2011 (includes unamortized premium of \$40,000 on \$2.7 million mortgage note with stated rate of 7.61%)	2,724			2,780		
Total mortgage notes payable(1)	52,207	2.1%	5.81%	52,887	2.3%	5.81%
Total debt	52,207	2.1%	5.81%	52,887	2.3%	5.81%
Preferred Equity						
7.000% Series H preferred stock (6,340,776 depository shares outstanding as of 06/30/10) callable 1/30/09	158,520			158,520		
6.875% Series I preferred stock (2,745,050 depository share outstanding as of 06/30/10) callable 4/21/09	68,626			68,626		
7.500% Series J preferred operating partnership units (1,710,000 units outstanding as of 06/30/10) callable 5/27/09	42,750			42,750		
7.600% Series L preferred stock (1,935,000 depository shares outstanding as of 06/30/10) callable 8/31/09	48,375			48,375		
7.200% Series M preferred stock (3,182,000 depository shares outstanding as of 06/30/10) callable 5/2/10	79,550			79,550		
7.125% Series N preferred operating partnership units (223,300 units outstanding as of 06/30/10) callable 12/12/10	5,583			5,583		
7.375% Series O preferred stock (3,384,000 depository shares outstanding as of 06/30/10) callable 6/16/11	84,600			84,600		
6.700% Series P preferred stock (5,290,000 depository shares outstanding as of 06/30/10) callable 1/17/12	132,250			132,250		
6.550% Series Q preferred operating partnership units (203,400 units outstanding as of 06/30/10) callable 3/12/12	5,085			5,085		
7.950% Series G preferred operating partnership units (800,000 units redeemed 05/12/2010)	-			20,000		
7.950% Series K preferred stock (2,165,000 depository shares redeemed 06/07/10)	-			54,125		
Total preferred equity	625,339	25.5%	7.08%	699,464	29.9%	7.17%
Total debt and preferred equity	677,546	27.6%	6.98%	752,351	32.2%	7.07%
Common stock (24,600,560 and 24,399,509 shares outstanding as of June 30, 2010 and December 31, 2009, respectively)	1,372,219			1,221,195		
Common operating partnership units (7,305,355 units outstanding as of June 30, 2010 and December 31, 2009)	407,493			365,633		
Total common equity(2)	1,779,712	72.4%		1,586,828	67.8%	
Total market capitalization	\$ 2,457,258	100.0%		\$ 2,339,179	100.0%	

(1) Principal maturity dates are represented by the following chart:

Principal Maturity Dates							
	2010	2011	2012	2013	2014	Thereafter	Total
Rose Canyon	\$ 139	\$ 293	\$ 309	\$ 13,127	\$ -	\$ -	\$ 13,868
Meadows (3)	140	298	318	345	371	14,409	15,881
Boca	125	261	275	9,036	-	-	9,697
Wellington I	24	2,660	-	-	-	-	2,684
Wellington II	123	257	272	9,065	-	-	9,717
Meadows Loan Premium	111	209	-	-	-	-	320
Wellington I Loan Premium	34	6	-	-	-	-	40
	\$ 696	\$ 3,984	\$ 1,174	\$ 31,573	\$ 371	\$ 14,409	\$ 52,207

(2) Closing stock price was \$55.78 and \$50.05 as of June 30, 2010 and December 31, 2009, respectively.

(3) This mortgage is repayable without penalty beginning November, 2011.

PS BUSINESS PARKS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	06/30/10	12/31/09	Increase (Decrease)	% Change
<u>ASSETS</u>				
Cash and cash equivalents	\$ 43,696	\$ 208,229	\$ (164,533) (a)	(79.0%)
Real estate facilities, at cost:				
Land	507,531	493,709	13,822	2.8%
Buildings and equipment	1,649,153	1,528,044	121,109	7.9%
	2,156,684	2,021,753	134,931	6.7%
Accumulated depreciation	(740,725)	(707,209)	33,516	4.7%
	1,415,959	1,314,544	101,415 (b)	7.7%
Properties held for disposition, net	-	4,260	(4,260) (c)	(100.0%)
Land held for development	6,829	6,829	-	-
	1,422,788	1,325,633	97,155	7.3%
Rent receivable	2,458	2,313	145 (d)	6.3%
Deferred rent receivable	22,010	21,596	414	1.9%
Other assets	10,782	7,051	3,731 (e)	52.9%
Total assets	\$ 1,501,734	\$ 1,564,822	\$ (63,088)	(4.0%)
<u>LIABILITIES AND EQUITY</u>				
Accrued and other liabilities	\$ 49,937	\$ 46,298	\$ 3,639 (f)	7.9%
Mortgage notes payable	52,207	52,887	(680)	(1.3%)
Total liabilities	102,144	99,185	2,959	3.0%
Equity:				
PS Business Parks, Inc.'s shareholders' equity:				
Preferred stock	571,921	626,046	(54,125)	(8.6%)
Common stock	245	243	2	0.8%
Paid-in capital	556,240	548,393	7,847 (g)	1.4%
Cumulative net income	744,227	699,291	44,936	6.4%
Cumulative distributions	(703,738)	(658,294)	45,444 (h)	6.9%
Total PS Business Parks, Inc.'s shareholders' equity	1,168,895	1,215,679	(46,784)	(3.8%)
Noncontrolling interests:				
Preferred units	53,418	73,418	(20,000)	(27.2%)
Common units	177,277	176,540	737	0.4%
Total noncontrolling interests:	230,695	249,958	(19,263)	(7.7%)
Total equity	1,399,590	1,465,637	(66,047)	(4.5%)
Total liabilities and equity	\$ 1,501,734	\$ 1,564,822	\$ (63,088)	(4.0%)

PS BUSINESS PARKS, INC.
CONSOLIDATED BALANCE SHEETS
VARIANCE DETAIL
(in thousands)

(a) Change in cash and cash equivalents:			
Beginning cash balance			\$ 208,229
Net cash provided by operating activities			88,916
Net cash used in investing activities			(132,110)
Net cash used in financing activities			(121,339)
Ending cash balance			<u>\$ 43,696</u>
(b) Change in real estate facilities, at cost:			
Beginning balance			\$ 1,314,544
Property acquisitions			120,562
Property renovations and developments			6,289
Recurring capital improvements			3,150
Tenant improvements			6,207
Lease commissions			2,063
Depreciation and amortization			(36,856)
Ending balance			<u>\$ 1,415,959</u>
(c) Change in properties held for disposition, net:			
Beginning balance			\$ 4,260
Disposition of real estate			(4,260)
Ending balance			<u>\$ -</u>
(d) Rent receivable consists of:			
	<u>06/30/10</u>	<u>12/31/09</u>	Increase (Decrease)
U.S. Government tenants	\$ 1,177	\$ 1,071	\$ 106
Non-government tenants	1,681	1,642	39
Allowance for bad debt	(400)	(400)	-
	<u>\$ 2,458</u>	<u>\$ 2,313</u>	<u>\$ 145</u>
(e) Other assets consist of:			
	<u>06/30/10</u>	<u>12/31/09</u>	Increase (Decrease)
In-place lease adjustment, net	\$ 5,307	\$ 94	\$ 5,213
Lease incentives, net	566	654	(88)
Mortgage impounds	1,106	622	484
Prepaid insurance	2,172	861	1,311
Prepaid property taxes	65	2,630	(2,565)
Other	1,566	2,190	(624)
	<u>\$ 10,782</u>	<u>\$ 7,051</u>	<u>\$ 3,731</u>
(f) Accrued and other liabilities consist of:			
	<u>06/30/10</u>	<u>12/31/09</u>	Increase (Decrease)
Accrued property taxes	\$ 7,353	\$ 4,651	\$ 2,702
In-place lease adjustment and TI reimbursements, net	3,750	3,006	744
Prepaid rent	10,145	10,578	(433)
Security deposits	19,861	19,126	735
Other	8,828	8,937	(109)
	<u>\$ 49,937</u>	<u>\$ 46,298</u>	<u>\$ 3,639</u>
(g) Change in paid-in capital:			
Beginning paid-in capital			\$ 548,393
Issuance costs related to the redemption of preferred equity			2,436
Stock compensation, net			421
Exercise of stock options			5,894
Adjustment to reflect noncontrolling interests to underlying ownership			(904)
Ending paid in capital			<u>\$ 556,240</u>
(h) Change in cumulative distributions:			
Beginning cumulative distributions			\$ (658,294)
Distributions to preferred shareholders			(23,878)
Distributions to common shareholders			(21,566)
Ending cumulative distributions			<u>\$ (703,738)</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	For The Three Months Ended		Increase (Decrease)	% Change
	06/30/10	06/30/09		
Revenues:				
Rental income	\$ 69,878	\$ 67,375	\$ 2,503	(a) 3.7%
Facility management fees	163	173	(10)	(5.8%)
Total operating revenues	<u>70,041</u>	<u>67,548</u>	<u>2,493</u>	3.7%
Expenses:				
Cost of operations	21,720	21,251	469	2.2%
Depreciation and amortization	18,666	21,970	(3,304)	(15.0%)
General and administrative	2,400	1,538	862	(b) 56.0%
Total operating expenses	<u>42,786</u>	<u>44,759</u>	<u>(1,973)</u>	(4.4%)
Other income and expenses:				
Interest and other income	91	68	23	33.8%
Interest expense	(856)	(881)	(25)	(c) (2.8%)
Total other income and expenses	<u>(765)</u>	<u>(813)</u>	<u>(48)</u>	(5.9%)
Income from continuing operations	<u>26,490</u>	<u>21,976</u>	<u>4,514</u>	20.5%
Discontinued operations:				
Income from discontinued operations	-	176	(176)	(100.0%)
Gain on sale of land and real estate facility	-	1,488	(1,488)	(100.0%)
Total discontinued operations	<u>-</u>	<u>1,664</u>	<u>(1,664)</u>	(100.0%)
Net income	<u>\$ 26,490</u>	<u>\$ 23,640</u>	<u>\$ 2,850</u>	12.1%
Net income allocation:				
Net income allocable to noncontrolling interests:				
Noncontrolling interests - common units	\$ 2,749	\$ 2,900	\$ (151)	(5.2%)
Noncontrolling interests - preferred units	1,752	1,381	371	26.9%
Total net income allocable to noncontrolling interests	<u>4,501</u>	<u>4,281</u>	<u>220</u>	5.1%
Net income allocable to PS Business Parks, Inc.:				
Common shareholders	9,229	8,152	1,077	13.2%
Preferred shareholders	12,723	11,155	1,568	14.1%
Restricted stock unit holders	37	52	(15)	(28.8%)
Total net income allocable to PS Business Parks, Inc.	<u>21,989</u>	<u>19,359</u>	<u>2,630</u>	13.6%
	<u>\$ 26,490</u>	<u>\$ 23,640</u>	<u>\$ 2,850</u>	12.1%
Net income per common share - basic:				
Continuing operations	\$ 0.38	\$ 0.34	\$ 0.04	11.8%
Discontinued operations	-	\$ 0.06	\$ (0.06)	(100.0%)
Net Income	\$ 0.38	\$ 0.40	\$ (0.02)	(5.0%)
Net income per common share - diluted:				
Continuing operations	\$ 0.37	\$ 0.34	\$ 0.03	8.8%
Discontinued operations	-	\$ 0.06	\$ (0.06)	(100.0%)
Net Income	\$ 0.37	\$ 0.39	\$ (0.02)	(5.1%)
Weighted average common shares outstanding:				
Basic	<u>24,524</u>	<u>20,531</u>	<u>3,993</u>	19.4%
Diluted	<u>24,669</u>	<u>20,652</u>	<u>4,017</u>	19.5%

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENT OF INCOME
VARIANCE DETAIL
(in thousands)

	For The Three Months Ended		Increase (Decrease)
	06/30/10	06/30/09	
(a) Rental income:			
Same Park	\$ 66,286	\$ 67,526	\$ (1,240)
Non-Same Park	3,201	-	3,201
Same Park straight-line rent	188	(151)	339
Non-Same Park straight-line rent	203	-	203
	<u>\$ 69,878</u>	<u>\$ 67,375</u>	<u>\$ 2,503</u>
(b) General and administrative expenses:			
Cash and non-cash compensation expense	\$ 1,033	\$ 1,006	\$ 27
Professional fees	209	198	11
Acquisition Transaction Costs	787	-	787
Other	371	334	37
	<u>\$ 2,400</u>	<u>\$ 1,538</u>	<u>\$ 862</u>
(c) Interest expense:			
Mortgage notes payable	\$ (768)	\$ (793)	\$ (25)
Facilities fees & other charges	(88)	(88)	-
	<u>\$ (856)</u>	<u>\$ (881)</u>	<u>\$ (25)</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	For The Six Months Ended		Increase (Decrease)	% Change
	6/30/2010	6/30/2009		
Revenues:				
Rental income	\$ 137,010	\$ 136,507	\$ 503	(a) 0.4%
Facility management fees	336	350	(14)	(4.0%)
Total operating revenues	<u>137,346</u>	<u>136,857</u>	<u>489</u>	0.4%
Expenses:				
Cost of operations	44,686	43,687	999	2.3%
Depreciation and amortization	36,856	44,584	(7,728)	(17.3%)
General and administrative	5,149	3,514	1,635	(b) 46.5%
Total operating expenses	<u>86,691</u>	<u>91,785</u>	<u>(5,094)</u>	(5.5%)
Other income and expenses:				
Interest and other income	200	247	(47)	(19.0%)
Interest expense	(1,711)	(1,811)	(100)	(c) (5.5%)
Total other income and expenses	<u>(1,511)</u>	<u>(1,564)</u>	<u>(53)</u>	(3.4%)
Income from continuing operations	<u>49,144</u>	<u>43,508</u>	<u>5,636</u>	13.0%
Discontinued operations:				
Income from discontinued operations	34	343	(309)	(90.1%)
Gain on sale of land and real estate facility	5,153	1,488	3,665	246.3%
Total discontinued operations	<u>5,187</u>	<u>1,831</u>	<u>3,356</u>	183.3%
Net income	<u>\$ 54,331</u>	<u>\$ 45,339</u>	<u>\$ 8,992</u>	19.8%
Net income allocation:				
Net income allocable to noncontrolling interests:				
Noncontrolling interests - common units	\$ 6,261	\$ 14,523	\$ (8,262)	(56.9%)
Noncontrolling interests - preferred units	3,134	(5,333)	8,467	158.8%
Total net income allocable to noncontrolling interests	<u>9,395</u>	<u>9,190</u>	<u>205</u>	2.2%
Net income allocable to PS Business Parks, Inc.:				
Common shareholders	20,974	40,757	(19,783)	(48.5%)
Preferred shareholders	23,878	(4,871)	28,749	590.2%
Restricted stock unit holders	84	263	(179)	(68.1%)
Total net income allocable to PS Business Parks, Inc.	<u>44,936</u>	<u>36,149</u>	<u>8,787</u>	24.3%
	<u>\$ 54,331</u>	<u>\$ 45,339</u>	<u>\$ 8,992</u>	19.8%
Net income per common share - basic:				
Continuing operations	\$ 0.69	\$ 1.92	\$ (1.23)	(64.1%)
Discontinued operations	\$ 0.16	\$ 0.07	\$ 0.09	128.6%
Net Income	\$ 0.86	\$ 1.99	\$ (1.13)	(56.8%)
Net income per common share - diluted:				
Continuing operations	\$ 0.69	\$ 1.91	\$ (1.22)	(63.9%)
Discontinued operations	\$ 0.16	\$ 0.07	\$ 0.09	128.6%
Net Income	\$ 0.85	\$ 1.98	\$ (1.13)	(57.1%)
Weighted average common shares outstanding:				
Basic	<u>24,469</u>	<u>20,501</u>	<u>3,968</u>	19.4%
Diluted	<u>24,611</u>	<u>20,605</u>	<u>4,006</u>	19.4%

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENT OF INCOME
VARIANCE DETAIL
(in thousands)

	For The Six Months Ended		Increase (Decrease)
	06/30/10	06/30/09	
(a) Rental income:			
Same Park	\$ 132,842	\$ 136,294	\$ (3,452)
Non-Same Park	3,523	-	3,523
Same Park straight-line rent	420	213	207
Non-Same Park straight-line rent	225	-	225
	<u>\$ 137,010</u>	<u>\$ 136,507</u>	<u>\$ 503</u>
(b) General and administrative expenses:			
Cash and non-cash compensation expense	\$ 2,071	\$ 2,526	\$ (455)
Professional fees	495	404	91
Acquisition Transaction Costs	1,904	-	1,904
Other	679	584	95
	<u>\$ 5,149</u>	<u>\$ 3,514</u>	<u>\$ 1,635</u>
(c) Interest expense:			
Mortgage notes payable	\$ (1,535)	\$ (1,635)	\$ (100)
Facilities fees & other charges	(176)	(176)	-
	<u>\$ (1,711)</u>	<u>\$ (1,811)</u>	<u>\$ (100)</u>

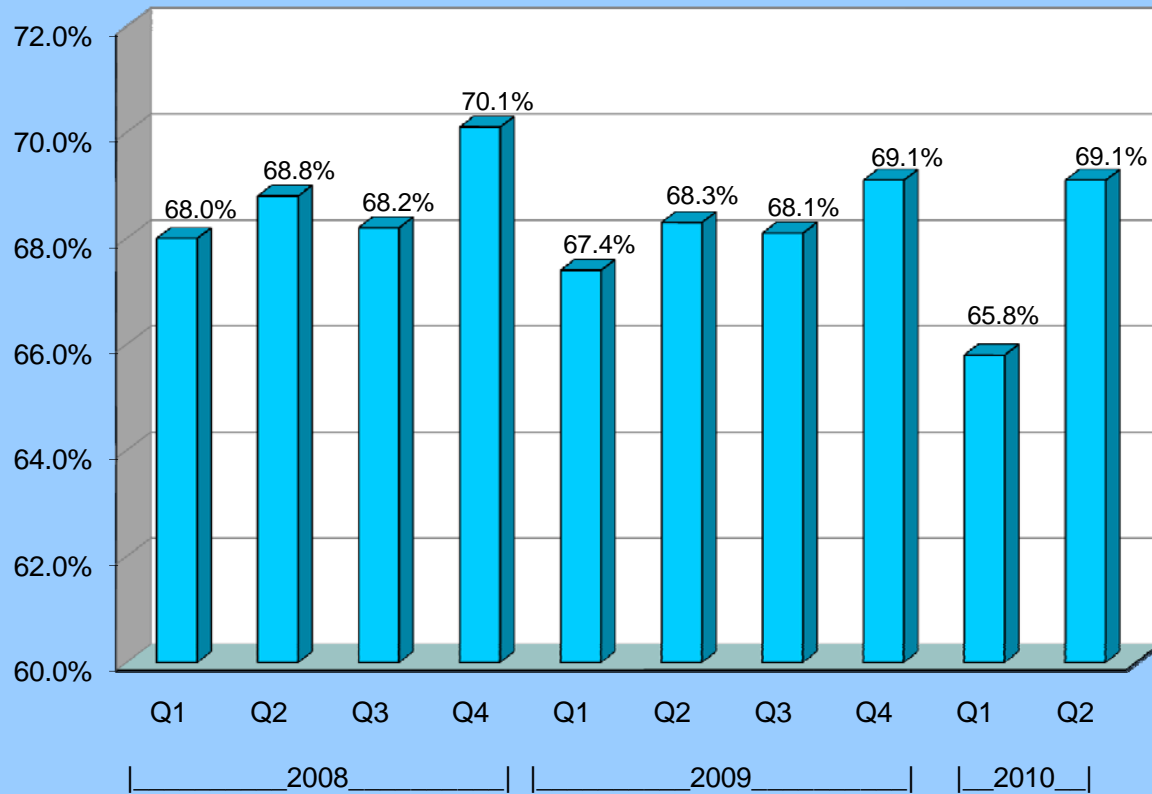
PS BUSINESS PARKS, INC.
Analysis of Capital Expenditures
(in thousands, except per square foot data)

<u>Recurring capital expenditures</u> ⁽¹⁾	<u>For The Six Months Ended</u> <u>June 30, 2010</u>	<u>Cost per Weighted</u> <u>Average Square Foot</u>
Capital improvements ⁽²⁾	\$3,150	\$0.16
Tenant improvements	6,207	\$0.31
Lease commissions	2,063	\$0.10
Total recurring capital expenditures	<u>\$11,420</u>	\$0.57
 <u>Non-recurring capital expenditures</u>		
Property renovations and development	\$6,289	
Total non-recurring capital expenditures	<u>\$6,289</u>	

(1) The Company defines "recurring capital expenditures" as those capitalized costs necessary to continue to operate the property at its current economic value. Capital improvements in excess of \$2,000 with a useful life greater than 24 months are capitalized. Lease transaction costs in excess of \$1,000 for leases with terms greater than 12 months are capitalized. It excludes deferred maintenance and leasing costs committed to by previous owners for acquired properties, renovations that substantially enhance the value of a property and first generation leasing costs on development properties. Lease-up costs on acquired properties are included in recurring capital expenditures. Repairs and maintenance expense was \$10.5 million or approximately \$0.52 per weighted average square foot for the six months ended June 30, 2010 compared to \$9.7 million or approximately \$0.50 per weighted average square foot for the six months ended June 30, 2009.

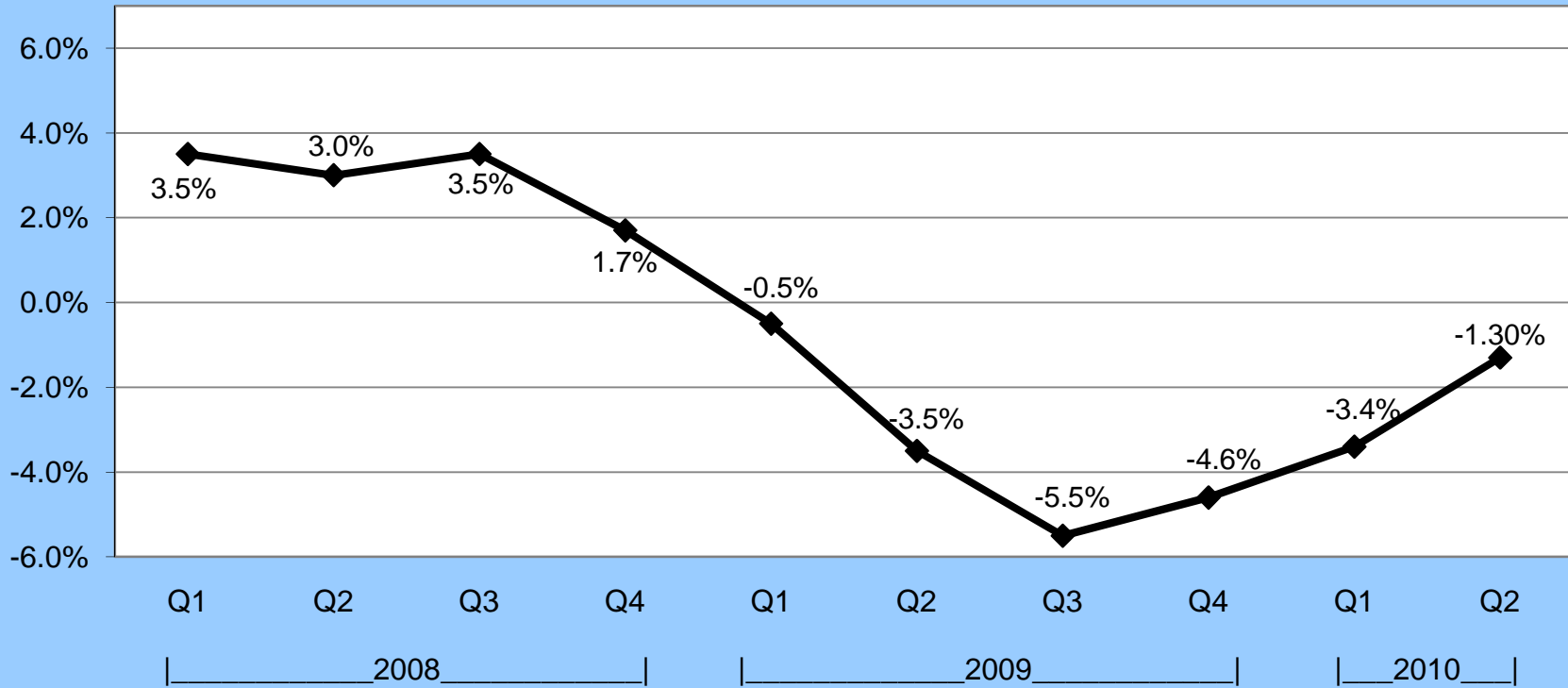
(2) Major costs include roof, HVAC and parking lot replacement as well as other major repairs that extend the life of the respective components of the building.

Same Park Gross Operating Margin Percentage *



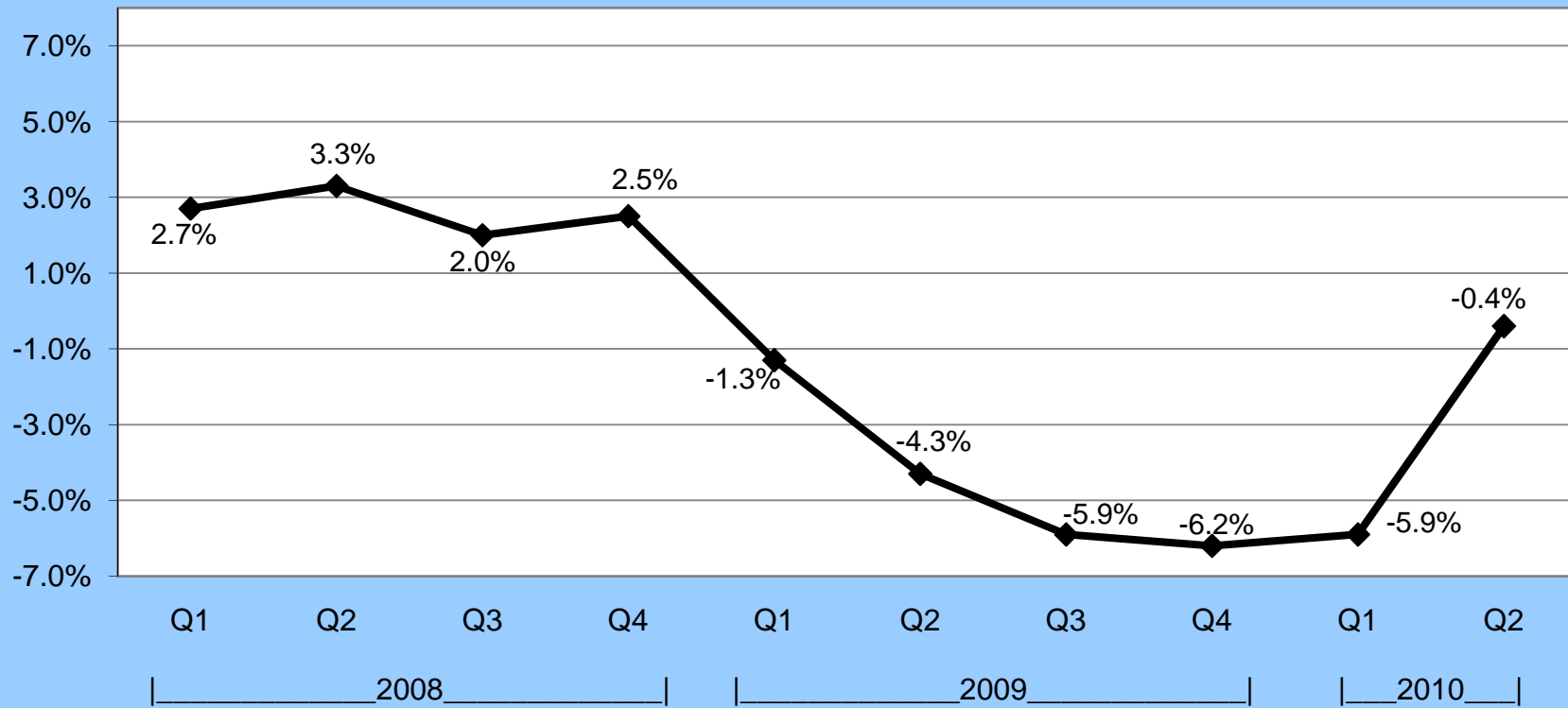
* Gross margin is computed by dividing property net operating income by rental income for Same Park properties in each period.

Change in Same Park Revenue *



* Percentage represents the change over the comparable period in the previous year based on Same Park operating assets as reported in each period.

Change in Same Park NOI *



* Percentage represents the change over the comparable period in the previous year based on Same Park operating assets as reported in each period.

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO CONCENTRATION SUMMARY
(in thousands)

Industry Concentration as of June 30, 2010

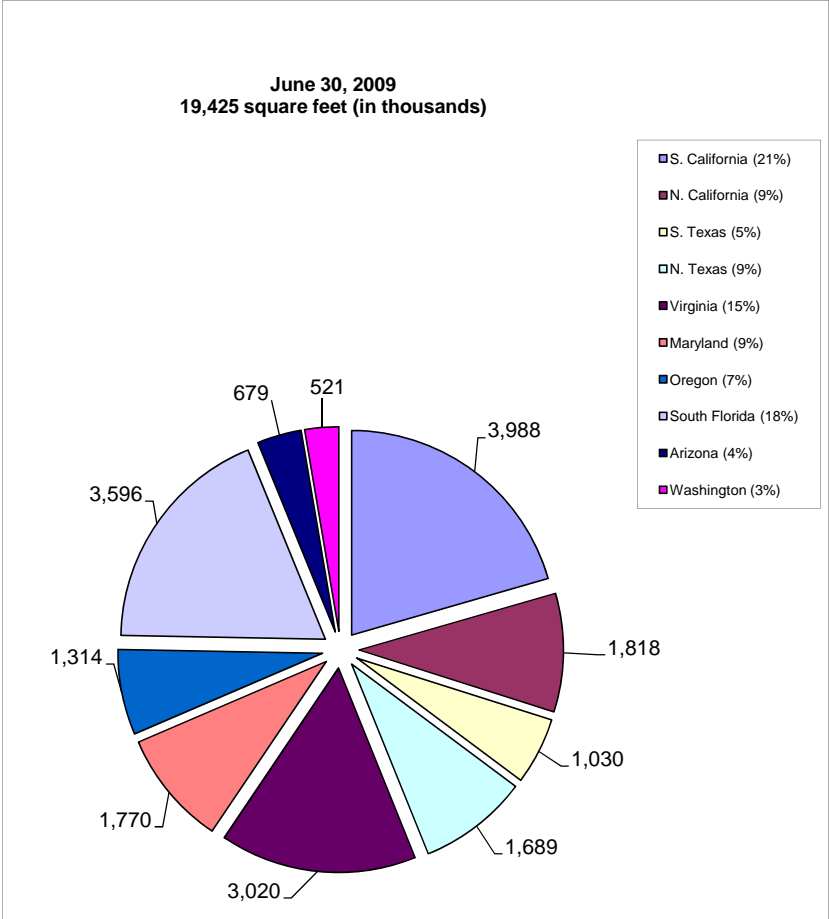
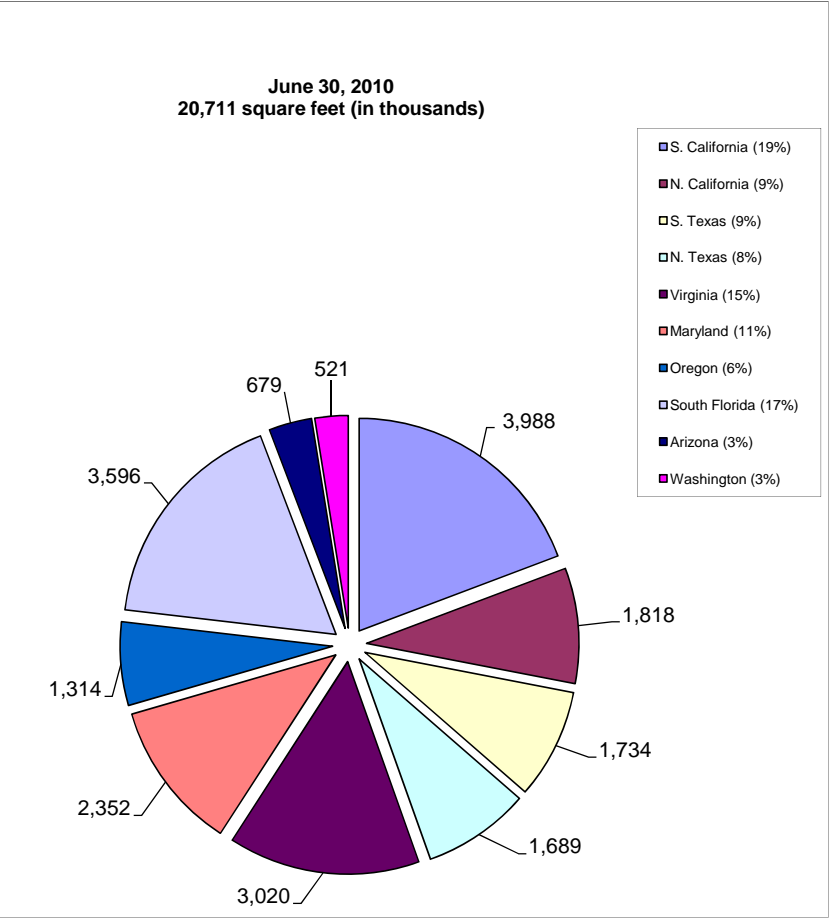
Industry	% of Total Rental Income
Business Services	14.3%
Health Services	11.2%
Computer Hardware, Software and Related Services	9.7%
Government	8.8%
Warehouse, Distribution, Transportation and Logistics	7.9%
Insurance and Financial Services	7.5%
Engineering and Construction	6.6%
Retail, Food and Automotive	6.3%
Communications	5.2%
Aerospace/Defense Products and Services	3.8%
Home Furnishings	3.8%
Electronics	3.5%
Educational Services	2.7%
Other	8.7%
Total	100.0%

Top 10 Customers by Total Annual Rental Income as of June 30, 2010

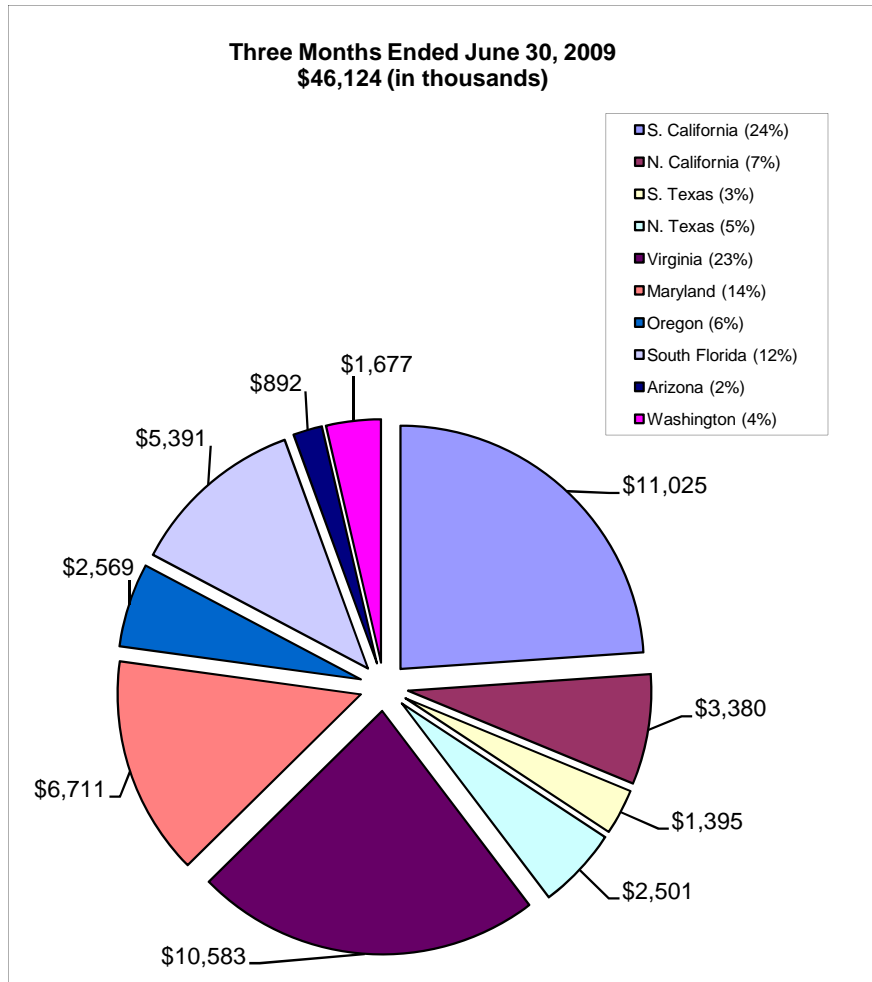
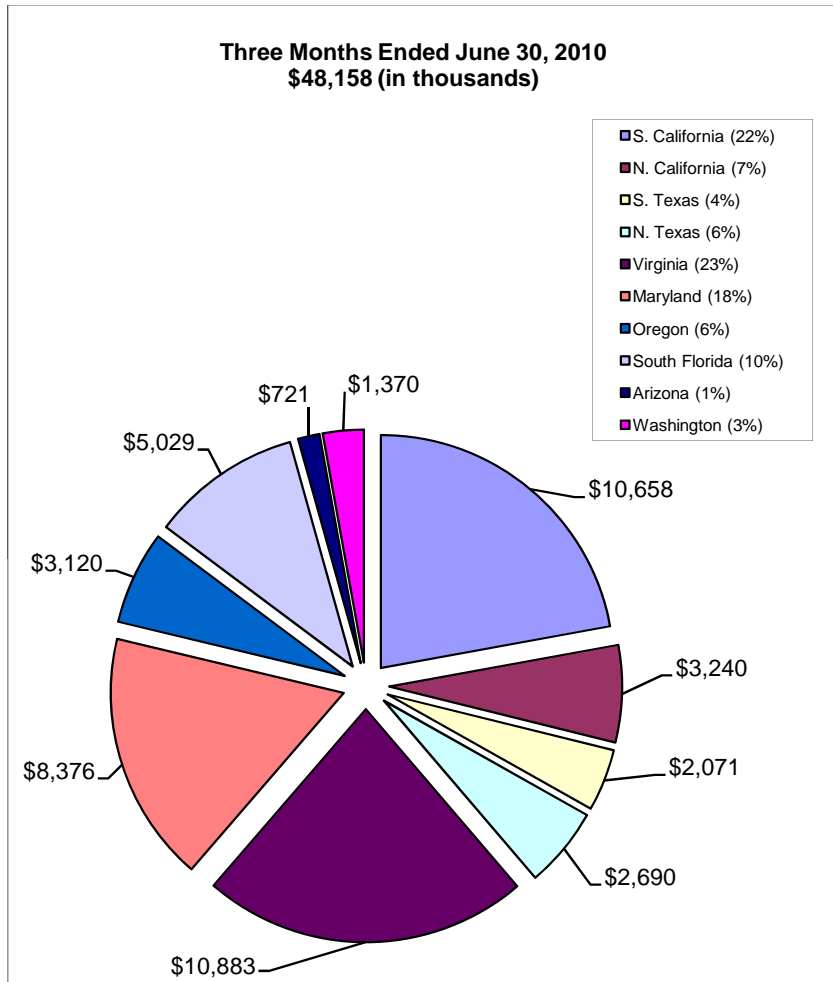
Tenant	Square Footage	Annualized Rental Income ⁽¹⁾	% of Total Annualized Rental Income
U.S. Government	569	\$ 12,841	4.6%
Kaiser Permanente	194	4,376	1.6%
Lockheed Martin Corporation	157	4,182	1.5%
Wells Fargo Bank	101	1,767	0.6%
AARP	102	1,757	0.6%
American Intercontinental University	75	1,488	0.5%
Investorplace Media, LLC	46	1,475	0.5%
Welch Allyn Protocol, Inc.	91	1,420	0.5%
Verizon	72	1,412	0.5%
Montgomery County Public School	48	1,386	0.5%
Total	1,455	\$ 32,104	11.4%

(1) - For leases expiring within one year, annualized rental income represents income to be received under existing leases from June 30, 2010 through date of expiration.

Total Owned Rentable Square Footage by Region



Total Property Net Operating Income by Region



PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO OVERVIEW
(in thousands)

Rentable Square Footage of Properties as of June 30, 2010					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Miami	2,556	12	631	3,199	15.4%
Northern Virginia	-	1,073	1,947	3,020	14.6%
Maryland	-	1,382	970	2,352	11.4%
Northern California	407	431	980	1,818	8.8%
Dallas	231	-	1,458	1,689	8.2%
Orange County	-	705	911	1,616	7.8%
Los Angeles County	712	31	861	1,604	7.7%
Austin	-	-	1,491	1,491	7.2%
Portland	-	188	1,126	1,314	6.3%
San Diego County	-	-	768	768	3.7%
Phoenix	-	-	679	679	3.3%
Seattle	-	28	493	521	2.5%
Palm Beach	-	-	397	397	1.9%
Houston	-	-	243	243	1.2%
Total	3,906	3,850	12,955	20,711	100.0%
Percentage by Product Type	18.9%	18.6%	62.5%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended June 30, 2010				
Primary Markets	Industrial	Office	Flex	Total
Miami	98.1%	100.0%	89.4%	96.4%
Northern Virginia	-	96.0%	92.4%	93.7%
Maryland	-	89.6%	88.8%	89.3%
Northern California	99.2%	87.2%	86.0%	89.2%
Dallas	100.0%	-	90.9%	92.1%
Orange County	-	88.0%	93.5%	91.1%
Los Angeles County	96.3%	88.7%	92.6%	94.2%
Austin	-	-	87.2%	87.2%
Portland	-	83.3%	83.8%	83.7%
San Diego County	-	-	95.0%	95.0%
Phoenix	-	-	85.6%	85.6%
Seattle	-	85.4%	89.0%	88.8%
Palm Beach	-	-	88.0%	88.0%
Houston	-	-	83.8%	83.8%
Total	98.0%	90.6%	89.5%	91.3%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended June 30, 2010			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	96.1%	98.6%	96.4%
Northern Virginia	93.0%	95.0%	93.7%
Maryland	89.8%	86.7%	89.3%
Northern California	90.2%	88.2%	89.2%
Dallas	92.8%	89.2%	92.1%
Orange County	92.2%	90.1%	91.1%
Los Angeles County	96.3%	92.5%	94.2%
Austin	86.0%	92.9%	87.2%
Portland	83.6%	84.2%	83.7%
San Diego County	-	95.0%	95.0%
Phoenix	-	85.6%	85.6%
Seattle	-	88.8%	88.8%
Palm Beach	-	88.0%	88.0%
Houston	-	83.8%	83.8%
Total	91.7%	90.6%	91.3%

Note:

The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet while the "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

PS BUSINESS PARKS, INC.
SAME PARK PORTFOLIO OVERVIEW
(in thousands)

Rentable Square Footage of Properties as of June 30, 2010					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Miami	2,556	12	631	3,199	16.5%
Northern Virginia	-	1,073	1,947	3,020	15.5%
Northern California	407	431	980	1,818	9.4%
Maryland	-	883	887	1,770	9.1%
Dallas	231	-	1,458	1,689	8.7%
Orange County	-	705	911	1,616	8.3%
Los Angeles County	712	31	861	1,604	8.2%
Portland	-	188	1,126	1,314	6.8%
Austin	-	-	787	787	4.0%
San Diego County	-	-	768	768	4.0%
Phoenix	-	-	679	679	3.5%
Seattle	-	28	493	521	2.7%
Palm Beach	-	-	397	397	2.0%
Houston	-	-	243	243	1.3%
Total	3,906	3,351	12,168	19,425	100.0%
Percentage by Product Type	20.1%	17.3%	62.6%	100.0%	

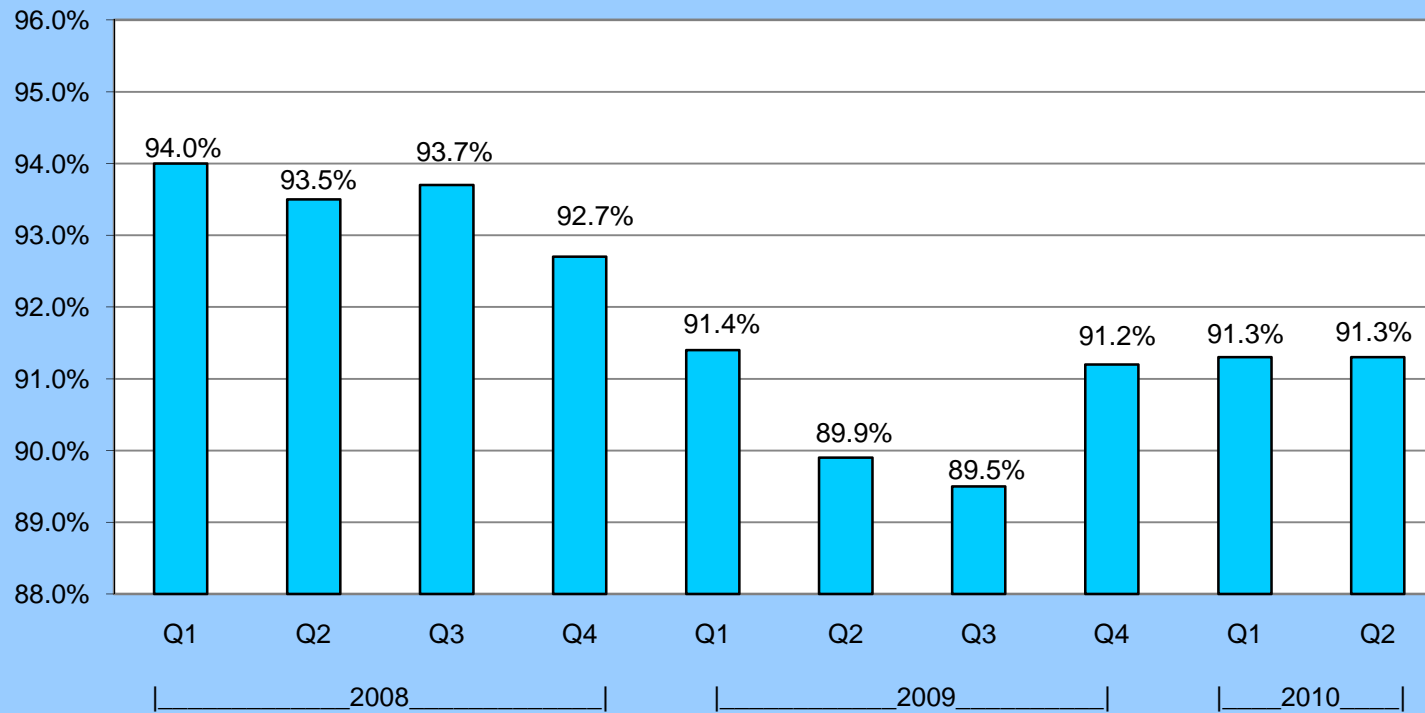
Weighted Average Occupancy Rates by Product Type for the Three Months Ended June 30, 2010				
Primary Markets	Industrial	Office	Flex	Total
Miami	98.1%	100.0%	89.4%	96.4%
Northern Virginia	-	96.0%	92.4%	93.7%
Northern California	99.2%	87.2%	86.0%	89.2%
Maryland	-	96.0%	88.7%	92.3%
Dallas	100.0%	-	90.9%	92.1%
Orange County	-	88.0%	93.5%	91.1%
Los Angeles County	96.3%	88.7%	92.6%	94.2%
Portland	-	83.3%	83.8%	83.7%
Austin	-	-	85.3%	85.3%
San Diego County	-	-	95.0%	95.0%
Phoenix	-	-	85.6%	85.6%
Seattle	-	85.4%	89.0%	88.8%
Palm Beach	-	-	88.0%	88.0%
Houston	-	-	83.8%	83.8%
Total	98.0%	92.4%	89.5%	91.7%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended June 30, 2010			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	96.1%	98.6%	96.4%
Northern Virginia	93.0%	95.0%	93.7%
Northern California	90.2%	88.2%	89.2%
Maryland	92.1%	94.2%	92.3%
Dallas	92.8%	89.2%	92.1%
Orange County	92.2%	90.1%	91.1%
Los Angeles County	96.3%	92.5%	94.2%
Portland	83.6%	84.2%	83.7%
Austin	82.8%	92.9%	85.3%
San Diego County	-	95.0%	95.0%
Phoenix	-	85.6%	85.6%
Seattle	-	88.8%	88.8%
Palm Beach	-	88.0%	88.0%
Houston	-	83.8%	83.8%
Total	92.2%	90.9%	91.7%

Note:

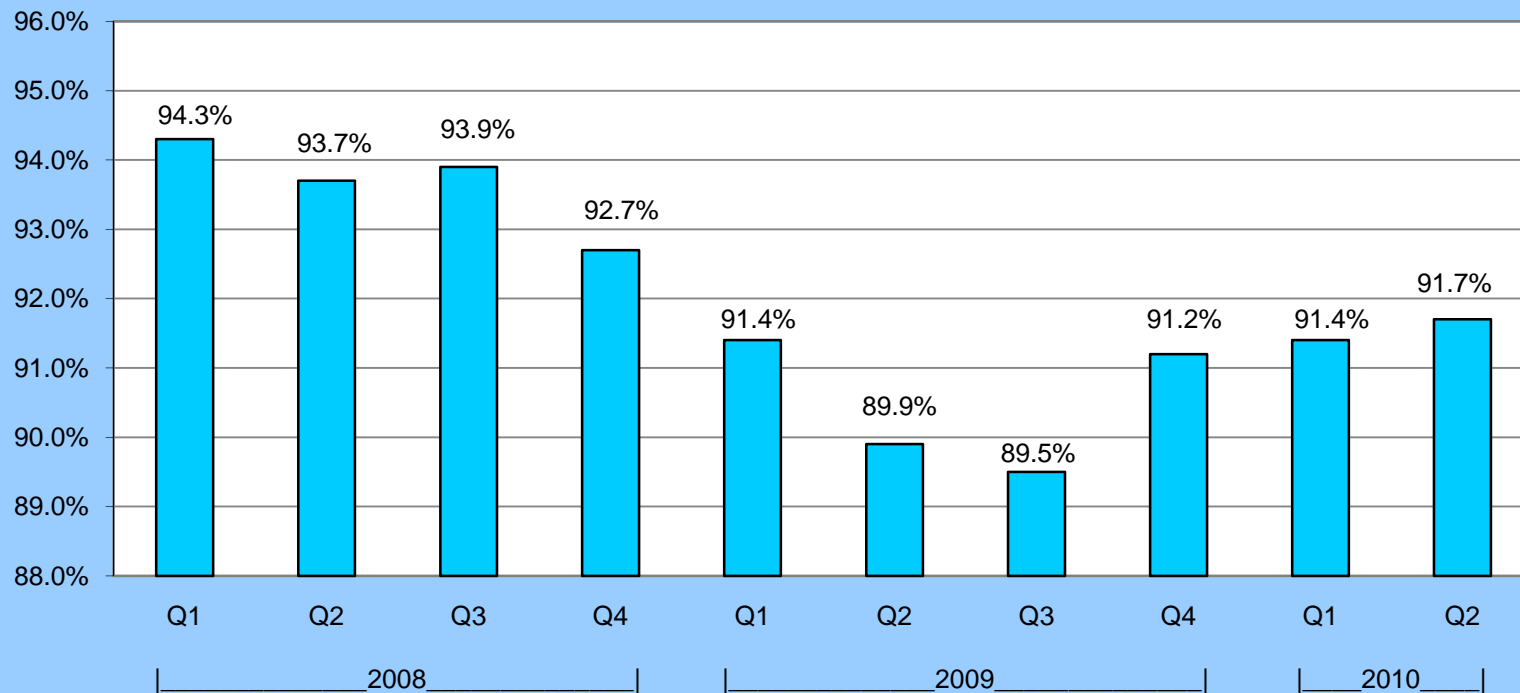
The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet while the "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

Total Owned Portfolio Weighted Average Occupancy *



* Represents the weighted average occupancy for total owned portfolio held in continuing operations as reported in each period.

Same Park Weighted Average Occupancy *



* Represents the weighted average occupancy for total owned portfolio held in continuing operations as reported in each period.

PS BUSINESS PARKS, INC.

Total Portfolio Lease Expirations as of June 30, 2010

(in thousands)

Lease Expirations - Flex				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	1,321	\$ 18,948	10.8%	6.4%
2011	3,138	46,337	26.3%	15.7%
2012	2,501	37,823	21.5%	12.8%
2013	1,798	26,773	15.2%	9.1%
2014	1,240	19,081	10.8%	6.5%
Thereafter	1,507	27,181	15.4%	9.2%
Total	11,505	\$ 176,143	100.0%	59.7%

Lease Expirations - Office				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	403	\$ 9,589	11.1%	3.3%
2011	899	21,960	25.5%	7.5%
2012	679	16,502	19.1%	5.6%
2013	642	16,123	18.7%	5.5%
2014	343	8,283	9.6%	2.8%
Thereafter	477	13,780	16.0%	4.7%
Total	3,443	\$ 86,237	100.0%	29.4%

Lease Expirations - Industrial				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	210	\$ 1,739	5.4%	0.6%
2011	941	7,919	24.6%	2.7%
2012	827	6,930	21.5%	2.3%
2013	982	7,737	24.0%	2.6%
2014	498	3,827	11.9%	1.3%
Thereafter	477	4,067	12.6%	1.4%
Total	3,935	\$ 32,219	100.0%	10.9%

Lease Expirations - Total Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	1,934	\$ 30,276	10.3%	10.3%
2011	4,978	76,216	25.9%	25.9%
2012	4,007	61,255	20.7%	20.7%
2013	3,422	50,633	17.2%	17.2%
2014	2,081	31,191	10.6%	10.6%
Thereafter	2,461	45,028	15.3%	15.3%
Total	18,883	\$ 294,599	100.0%	100.0%

PS BUSINESS PARKS, INC.

Total Portfolio Lease Expirations as of June 30, 2010

(in thousands)

Southern California					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2010	532	\$	9,436	15.0%	3.2%
2011	1,266		19,238	30.5%	6.5%
2012	785		13,600	21.6%	4.6%
2013	537		9,432	14.9%	3.2%
2014	319		5,136	8.1%	1.7%
Thereafter	293		6,263	9.9%	2.1%
Total	3,732		63,105	100.0%	21.3%

Northern California					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2010	234	\$	3,180	15.0%	1.1%
2011	433		5,686	26.8%	1.9%
2012	463		5,288	25.0%	1.8%
2013	213		3,016	14.2%	1.0%
2014	210		2,237	10.6%	0.8%
Thereafter	131		1,782	8.4%	0.6%
Total	1,684	\$	21,189	100.0%	7.2%

Southern Texas					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2010	95	\$	1,077	6.0%	0.4%
2011	277		3,127	17.5%	1.1%
2012	269		3,042	17.0%	1.0%
2013	259		2,658	14.9%	0.9%
2014	266		3,152	17.7%	1.1%
Thereafter	341		4,799	26.9%	1.6%
Total	1,507	\$	17,855	100.0%	6.1%

Northern Texas					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2010	158	\$	1,509	8.7%	0.5%
2011	200		2,212	12.7%	0.8%
2012	347		4,543	26.1%	1.5%
2013	362		3,163	18.1%	1.1%
2014	302		3,733	21.4%	1.3%
Thereafter	184		2,262	13.0%	0.8%
Total	1,553	\$	17,422	100.0%	6.0%

PS BUSINESS PARKS, INC.

Total Portfolio Lease Expirations as of June 30, 2010

(in thousands)

South Florida					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	226	\$ 2,118	6.8%	0.7%	
2011	906	8,512	27.2%	2.9%	
2012	814	7,801	24.9%	2.6%	
2013	779	7,020	22.4%	2.4%	
2014	304	2,872	9.2%	1.0%	
Thereafter	352	2,969	9.5%	1.0%	
Total	3,381	\$ 31,292	100.0%	10.6%	

Northern Virginia					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	323	\$ 6,256	10.6%	2.1%	
2011	499	9,605	16.3%	3.3%	
2012	630	13,201	22.4%	4.5%	
2013	547	10,622	18.0%	3.6%	
2014	298	7,067	12.0%	2.4%	
Thereafter	515	12,196	20.7%	4.2%	
Total	2,812	\$ 58,947	100.0%	20.1%	

Maryland					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	157	\$ 3,741	7.3%	1.3%	
2011	656	16,665	32.5%	5.6%	
2012	339	8,546	16.7%	2.9%	
2013	311	8,122	15.9%	2.8%	
2014	196	3,949	7.7%	1.3%	
Thereafter	369	10,171	19.9%	3.5%	
Total	2,028	\$ 51,194	100.0%	17.4%	

Oregon					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	79	\$ 1,250	6.5%	0.4%	
2011	411	6,753	35.0%	2.3%	
2012	110	1,835	9.5%	0.6%	
2013	225	3,829	19.9%	1.3%	
2014	111	2,031	10.5%	0.7%	
Thereafter	205	3,593	18.6%	1.2%	
Total	1,141	\$ 19,291	100.0%	6.5%	

PS BUSINESS PARKS, INC.

Total Portfolio Lease Expirations as of June 30, 2010

(in thousands)

Washington					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2010	49	\$	864	10.7%	0.3%
2011	147		2,558	31.6%	0.9%
2012	94		1,736	21.5%	0.6%
2013	95		1,831	22.6%	0.6%
2014	18		435	5.4%	0.1%
Thereafter	40		665	8.2%	0.2%
Total	443	\$	8,089	100.0%	2.7%

Arizona					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2010	81	\$	845	13.6%	0.3%
2011	183		1,860	29.9%	0.6%
2012	156		1,663	26.8%	0.6%
2013	94		940	15.1%	0.3%
2014	57		579	9.3%	0.2%
Thereafter	31		328	5.3%	0.1%
Total	602	\$	6,215	100.0%	2.1%

Total Portfolio					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2010	1,934	\$	30,276	10.3%	10.3%
2011	4,978		76,216	25.9%	25.9%
2012	4,007		61,255	20.7%	20.7%
2013	3,422		50,633	17.2%	17.2%
2014	2,081		31,191	10.6%	10.6%
Thereafter	2,461		45,028	15.3%	15.3%
Total	18,883	\$	294,599	100.0%	100.0%

PS BUSINESS PARKS, INC.

Total Portfolio Lease Expirations as of June 30, 2010

(in thousands)

Lease Expirations - Large Tenant Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	764	\$ 11,376	6.5%	3.9%
2011	2,655	39,937	22.8%	13.6%
2012	2,332	34,001	19.4%	11.5%
2013	2,471	33,498	19.1%	11.4%
2014	1,577	21,568	12.3%	7.3%
Thereafter	1,945	35,004	19.9%	11.9%
Total	11,744	175,384	100.0%	59.6%

Lease Expirations - Small Tenant Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	1,170	\$ 18,900	15.8%	6.4%
2011	2,323	36,279	30.4%	12.3%
2012	1,675	27,254	22.9%	9.2%
2013	951	17,135	14.4%	5.8%
2014	504	9,623	8.1%	3.3%
Thereafter	516	10,024	8.4%	3.4%
Total	7,139	119,215	100.0%	40.4%

Lease Expirations - Total Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	1,934	\$ 30,276	10.3%	10.3%
2011	4,978	76,216	25.9%	25.9%
2012	4,007	61,255	20.7%	20.7%
2013	3,422	50,633	17.2%	17.2%
2014	2,081	31,191	10.6%	10.6%
Thereafter	2,461	45,028	15.3%	15.3%
Total	18,883	294,599	100.0%	100.0%