

PSBUSINESSPARKSSM

**Analysis of Operating Results
and Financial Condition**

September 30, 2010

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

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

OPERATING DATA						
	For The Three Months Ended			For The Nine Months Ended		
	09/30/10	09/30/09	% Change	09/30/10	09/30/09	% Change
Total rental income	\$ 70,187	\$ 66,885	4.9%	\$ 207,197	\$ 203,392	1.9%
Total cost of operations	22,947	21,320	7.6%	67,633	65,007	4.0%
Net operating income	<u>\$ 47,240</u>	<u>\$ 45,565</u>	3.7%	<u>\$ 139,564</u>	<u>\$ 138,385</u>	0.9%
Net income allocable to common shareholders	\$ 9,608	\$ 8,327	15.4%	\$ 30,583	\$ 49,323	(38.0%)
Net income per common share - diluted:						
Continuing operations	\$ 0.39	\$ 0.36	8.3%	\$ 1.08	\$ 2.24	(51.8%)
Discontinued operations	\$ -	\$ 0.01	(100.0%)	\$ 0.16	\$ 0.07	128.6%
Net income per common share	\$ 0.39	\$ 0.37	5.4%	\$ 1.24	\$ 2.31	(46.3%)
Weighted average common shares outstanding - basic	24,610	22,549	9.1%	24,517	21,191	15.7%
Weighted average common shares outstanding - diluted	24,740	22,709	8.9%	24,663	21,311	15.7%

FUNDS FROM OPERATIONS						
	For The Three Months Ended			For The Nine Months Ended		
	09/30/10	09/30/09	% Change	09/30/10	09/30/09	% Change
FFO allocable to common and dilutive shares - before adjustment	\$ 33,695	\$ 31,476	7.0%	\$ 95,153	\$ 94,732	0.4%
Redemption amount over carrying amount related to redeemed preferred equity	-	-	-	(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>\$ 33,695</u>	<u>\$ 31,476</u>	7.0%	<u>\$ 92,717</u>	<u>\$ 130,371</u>	(28.9%)
FFO per common and dilutive share - before adjustment	\$ 1.05	\$ 1.04	1.0%	\$ 2.97	\$ 3.30	(10.0%)
FFO per common and dilutive share - as reported	\$ 1.05	\$ 1.04	1.0%	\$ 2.89	\$ 4.53	(36.2%)
Weighted average common shares outstanding - diluted	24,740	22,709	8.9%	24,663	21,311	15.7%
Weighted average common OP units outstanding	7,305	7,305	-	7,305	7,305	-
Weighted average restricted stock units outstanding	91	126	(27.8%)	99	134	(26.1%)
Total common and dilutive shares	<u>32,136</u>	<u>30,140</u>	6.6%	<u>32,067</u>	<u>28,750</u>	11.5%

PROPERTY INFORMATION						
	For The Three Months Ended			For The Nine Months Ended		
	09/30/10	09/30/09	% Change	09/30/10	09/30/09	% Change
Total Portfolio ⁽¹⁾						
Total rentable square footage at period end	21,056	19,425	8.4%	21,056	19,425	8.4%
Weighted average occupancy	90.3%	89.4%	1.0%	90.9%	90.2%	0.8%
Annualized realized rent per sq. ft. ⁽²⁾	\$ 14.84	\$ 15.41	(3.7%)	\$ 14.99	\$ 15.48	(3.2%)
REVPAF ⁽³⁾	\$ 13.40	\$ 13.77	(2.7%)	\$ 13.63	\$ 13.96	(2.4%)
Same Park Portfolio						
Total rentable square footage at period end	19,425	19,425	-	19,425	19,425	-
Weighted average occupancy	91.3%	89.4%	2.1%	91.5%	90.2%	1.4%
Annualized realized rent per sq. ft. ⁽²⁾	\$ 14.62	\$ 15.41	(5.1%)	\$ 14.86	\$ 15.48	(4.0%)
REVPAF ⁽³⁾	\$ 13.35	\$ 13.77	(3.1%)	\$ 13.60	\$ 13.96	(2.6%)

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

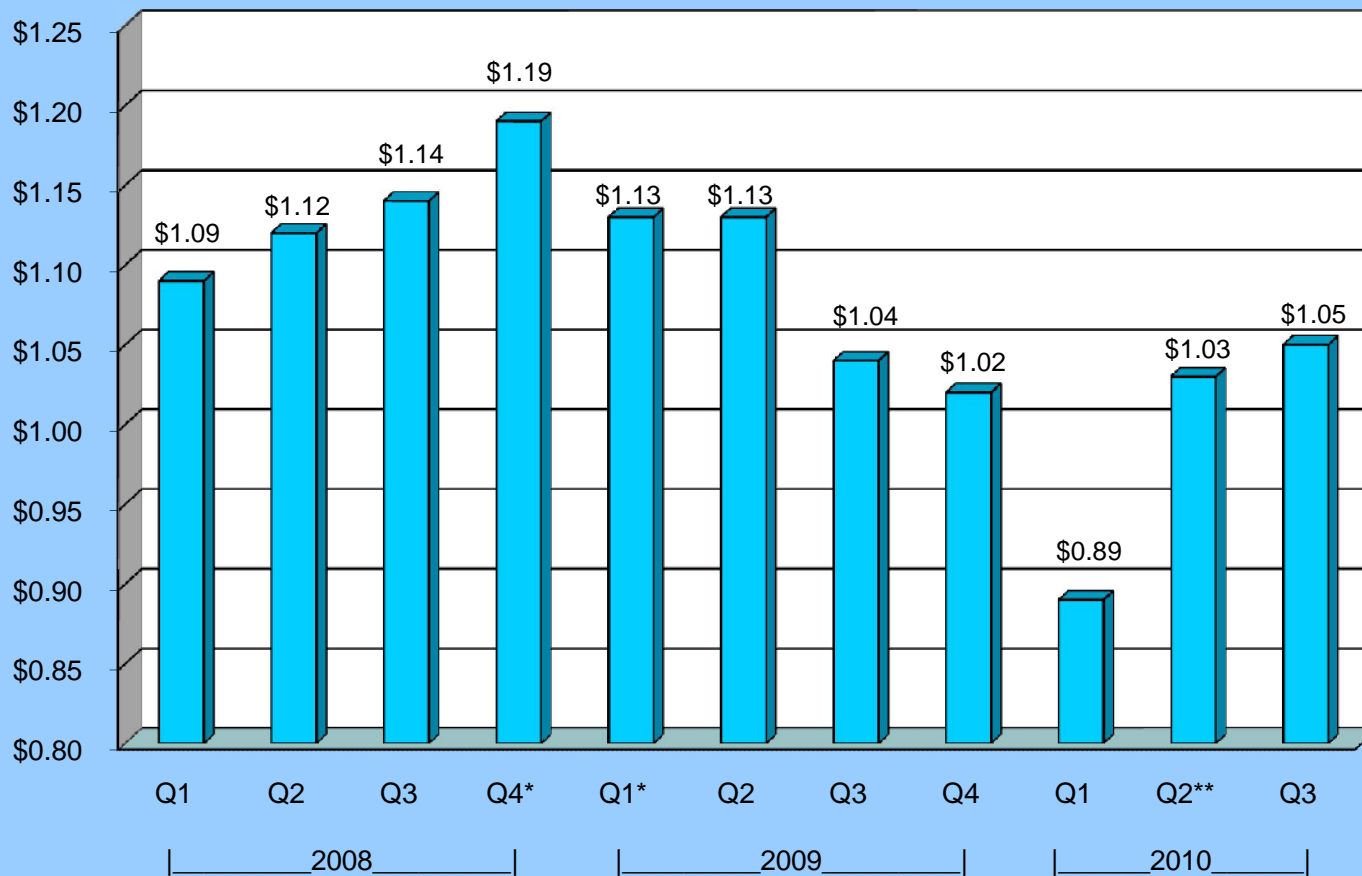
BALANCE SHEET DATA			
	09/30/10	12/31/09	% Change
Total assets	\$ 1,505,316	\$ 1,564,822	(3.8%)
Noncontrolling interests - preferred units	\$ 53,418	\$ 73,418	(27.2%)
Noncontrolling interests - common units	\$ 176,974	\$ 176,540	0.2%
Perpetual preferred stock	\$ 571,921	\$ 626,046	(8.6%)
Common shareholders' equity	\$ 596,413	\$ 589,633	1.1%
Total common shares outstanding at period end	24,619	24,400	0.9%
Book value per common share	\$ 24.23	\$ 24.17	0.2%

MARKET VALUE INFORMATION			
	09/30/10	12/31/09	% Change
Market value of common stock and common OP units	\$ 1,805,988	\$ 1,586,828	13.8%
Total debt	51,864	52,887	(1.9%)
Total preferred equity	625,339	699,464	(10.6%)
Total market capitalization	<u>\$ 2,483,191</u>	<u>\$ 2,339,179</u>	6.2%
Stock price at the end of the period	\$ 56.57	\$ 50.05	13.0%

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 Nine Months Ended		Increase (Decrease)	% Change
	09/30/10	09/30/09			09/30/10	09/30/09		
Funds from operations (FFO):								
Net income allocable to common shareholders	\$ 9,608	\$ 8,327	\$ 1,281	15.4%	\$ 30,583	\$ 49,323	\$ (18,740)	(38.0%)
Adjustments:								
Gain on sale of land and real estate facility	-	-	-	-	(5,153)	(1,488)	3,665	246.3%
Depreciation and amortization	21,200	20,404	796	3.9%	58,056	65,244	(7,188)	(11.0%)
Net income allocable to noncontrolling interests - common units	2,852	2,697	155	5.7%	9,112	17,003	(7,891)	(46.4%)
Net income allocable to restricted stock unit holders	35	48	(13)	(27.1%)	119	289	(170)	(58.8%)
FFO allocable to common and dilutive shares	<u>\$ 33,695</u>	<u>\$ 31,476</u>	<u>\$ 2,219</u>	7.0%	<u>\$ 92,717</u>	<u>\$ 130,371</u>	<u>\$ (37,654)</u>	(28.9%)
Weighted average common shares outstanding	24,610	22,549	2,061	9.1%	24,517	21,191	3,326	15.7%
Weighted average common OP units outstanding	7,305	7,305	-	-	7,305	7,305	-	-
Weighted average restricted stock units outstanding	91	126	(35)	(27.8%)	99	134	(35)	(26.1%)
Weighted average common share equivalents outstanding	130	160	(30)	(18.8%)	146	120	26	21.7%
Total common and dilutive shares	<u>32,136</u>	<u>30,140</u>	<u>1,996</u>	6.6%	<u>32,067</u>	<u>28,750</u>	<u>3,317</u>	11.5%
FFO per common and dilutive share	<u>\$ 1.05</u>	<u>\$ 1.04</u>	<u>\$ 0.01</u>	1.0%	<u>\$ 2.89</u>	<u>\$ 4.53</u>	<u>\$ (1.64)</u>	(36.2%)
Funds available for distribution (FAD):								
Funds from operations	\$ 33,695	\$ 31,476	\$ 2,219	7.0%	\$ 92,717	\$ 130,371	\$ (37,654)	(28.9%)
Adjustments:								
Recurring capital improvements	(2,599)	(2,011)	588	29.2%	(5,749)	(4,148)	1,601	38.6%
Tenant improvements	(4,167)	(4,231)	(64)	(1.5%)	(10,374)	(11,205)	(831)	(7.4%)
Lease commissions	(1,141)	(1,712)	(571)	(33.4%)	(3,204)	(3,700)	(496)	(13.4%)
Straight-line rent	(73)	(135)	(62)	(45.9%)	(718)	(319)	399	125.1%
Stock compensation expense	517	611	(94)	(15.4%)	1,652	2,324	(672)	(28.9%)
In-place lease adjustment	235	(53)	288	543.4%	333	(214)	547	255.6%
Tenant improvement reimbursements, net of lease incentives	(126)	(120)	6	5.0%	(391)	(294)	97	33.0%
Issuance costs related to the redemption of preferred equity	-	-	-	-	2,436	-	(2,436)	(100.0%)
Gain on repurchase of preferred equity, net of issuance costs	-	-	-	-	-	(35,639)	(35,639)	(100.0%)
FAD	<u>\$ 26,341</u>	<u>\$ 23,825</u>	<u>\$ 2,516</u>	10.6%	<u>\$ 76,702</u>	<u>\$ 77,176</u>	<u>\$ (474)</u>	(0.6%)
FAD per common and dilutive share	<u>\$ 0.82</u>	<u>\$ 0.79</u>	<u>\$ 0.03</u>	3.8%	<u>\$ 2.39</u>	<u>\$ 2.68</u>	<u>\$ (0.29)</u>	(10.8%)
Cash available for debt repayments and reinvestments:								
FAD	\$ 26,341	\$ 23,825	\$ 2,516	10.6%	\$ 76,702	\$ 77,176	\$ (474)	(0.6%)
Distributions to common shareholders	(10,832)	(10,730)	102	1.0%	(32,398)	(28,773)	3,625	12.6%
Distributions to common OP unit holders	(3,214)	(3,214)	-	-	(9,642)	(9,642)	-	-
Distributions to restricted stock unit holders	(35)	(48)	(13)	(27.1%)	(119)	(158)	(39)	(24.7%)
Cash available for debt repayments and reinvestments	<u>\$ 12,260</u>	<u>\$ 9,833</u>	<u>\$ 2,427</u>	24.7%	<u>\$ 34,543</u>	<u>\$ 38,603</u>	<u>\$ (4,060)</u>	(10.5%)
FAD payout ratio	<u>53.5%</u>	<u>58.7%</u>	<u>(5.2%)</u>	(8.9%)	<u>55.0%</u>	<u>50.0%</u>	<u>5.0%</u>	10.0%

FFO Per Common and Dilutive Share



* Excludes net gain on repurchase of preferred equity.

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

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

	As of September 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	\$ 13,800			\$ 14,006		
5.520% mortgage note, due May 2013	9,636			9,819		
5.680% mortgage note, due May 2013	9,655			9,836		
6.150% mortgage note, due November 2031 (includes unamortized premium of \$264,000 on \$15.8 million mortgage note with stated rate of 7.20%) (3)	16,077			16,446		
5.610% mortgage note, due January 2011 (includes unamortized premium of \$23,000 on \$2.7 million mortgage note with stated rate of 7.61%)	2,696			2,780		
Total mortgage notes payable (1)	51,864	2.1%	5.81%	52,887	2.3%	5.81%
Total debt	51,864	2.1%	5.81%	52,887	2.3%	5.81%
Preferred Equity						
7.000% Series H preferred stock (6,340,776 depositary shares outstanding as of 09/30/10) callable 1/30/09	158,520			158,520		
6.875% Series I preferred stock (2,745,050 depositary share outstanding as of 09/30/10) callable 4/21/09	68,626			68,626		
7.500% Series J preferred operating partnership units (1,710,000 units outstanding as of 09/30/10) callable 5/27/09	42,750			42,750		
7.600% Series L preferred stock (1,935,000 depositary shares outstanding as of 09/30/10) (4)	48,375			48,375		
7.200% Series M preferred stock (3,182,000 depositary shares outstanding as of 09/30/10) callable 5/2/10	79,550			79,550		
7.125% Series N preferred operating partnership units (223,300 units outstanding as of 09/30/10) callable 12/12/10	5,583			5,583		
7.375% Series O preferred stock (3,384,000 depositary shares outstanding as of 09/30/10) callable 6/16/11	84,600			84,600		
6.700% Series P preferred stock (5,290,000 depositary shares outstanding as of 09/30/10) callable 1/17/12	132,250			132,250		
6.550% Series Q preferred operating partnership units (203,400 units outstanding as of 09/30/10) 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 depositary shares redeemed 06/07/10)	-			54,125		
Total preferred equity	625,339	25.2%	7.08%	699,464	29.9%	7.17%
Total debt and preferred equity	677,203	27.3%	6.98%	752,351	32.2%	7.07%
Common stock (24,619,482 and 24,399,509 shares outstanding as of September 30, 2010 and December 31, 2009, respectively)	1,392,724			1,221,195		
Common operating partnership units (7,305,355 units outstanding as of September 30, 2010 and December 31, 2009)	413,264			365,633		
Total common equity (2)	1,805,988	72.7%		1,586,828	67.8%	
Total market capitalization	\$ 2,483,191	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	\$ 71	\$ 293	\$ 309	\$ 13,127	\$ -	\$ -	\$ 13,800
Meadows (3)	72	298	318	345	371	14,409	15,813
Boca	64	261	275	9,036	-	-	9,636
Wellington I	13	2,660	-	-	-	-	2,673
Wellington II	61	257	272	9,065	-	-	9,655
Meadows Loan Premium	55	209	-	-	-	-	264
Wellington I Loan Premium	17	6	-	-	-	-	23
Total	\$ 353	\$ 3,984	\$ 1,174	\$ 31,573	\$ 371	\$ 14,409	\$ 51,864

(2) Closing stock price was \$56.57 and \$50.05 as of September 30, 2010 and December 31, 2009, respectively.

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

(4) Series L will be redeemed on November 8, 2010.

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

	09/30/10	12/31/09	Increase (Decrease)		% Change
<u>ASSETS</u>					
Cash and cash equivalents	\$ 19,326	\$ 208,229	\$ (188,903)	(a)	(90.7%)
Real estate facilities, at cost:					
Land	517,416	493,709	23,707		4.8%
Buildings and equipment	1,681,663	1,528,044	153,619		10.1%
	2,199,079	2,021,753	177,326		8.8%
Accumulated depreciation	(758,456)	(707,209)	51,247		7.2%
	1,440,623	1,314,544	126,079	(b)	9.6%
Properties held for disposition, net	-	4,260	(4,260)	(c)	(100.0%)
Land held for development	6,829	6,829	-		-
	1,447,452	1,325,633	121,819		9.2%
Rent receivable	3,314	2,313	1,001	(d)	43.3%
Deferred rent receivable	22,083	21,596	487		2.3%
Other assets	13,141	7,051	6,090	(e)	86.4%
Total assets	\$ 1,505,316	\$ 1,564,822	\$ (59,506)		(3.8%)
<u>LIABILITIES AND EQUITY</u>					
Accrued and other liabilities	\$ 54,726	\$ 46,298	\$ 8,428	(f)	18.2%
Mortgage notes payable	51,864	52,887	(1,023)		(1.9%)
Total liabilities	106,590	99,185	7,405		7.5%
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	556,867	548,393	8,474	(g)	1.5%
Cumulative net income	763,951	699,291	64,660		9.2%
Cumulative distributions	(724,650)	(658,294)	66,356	(h)	10.1%
Total PS Business Parks, Inc.'s shareholders' equity	1,168,334	1,215,679	(47,345)		(3.9%)
Noncontrolling interests:					
Preferred units	53,418	73,418	(20,000)		(27.2%)
Common units	176,974	176,540	434		0.2%
Total noncontrolling interests:	230,392	249,958	(19,566)		(7.8%)
Total equity	1,398,726	1,465,637	(66,911)		(4.6%)
Total liabilities and equity	\$ 1,505,316	\$ 1,564,822	\$ (59,506)		(3.8%)

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			135,081
Net cash used in investing activities			(177,751)
Net cash used in financing activities			(146,233)
Ending cash balance			<u>\$ 19,326</u>
(b) Change in real estate facilities, at cost:			
Beginning balance			\$ 1,314,544
Property acquisitions			155,749
Property renovations			9,059
Recurring capital improvements			5,749
Tenant improvements			10,374
Lease commissions			3,204
Depreciation and amortization			(58,056)
Ending balance			<u>\$ 1,440,623</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:			
	09/30/10	12/31/09	Increase (Decrease)
Non-government tenants	\$ 2,318	\$ 1,642	\$ 676
U.S. Government tenants	1,396	1,071	325
Allowance for bad debt	(400)	(400)	-
	<u>\$ 3,314</u>	<u>\$ 2,313</u>	<u>\$ 1,001</u>
(e) Other assets consist of:			
	09/30/10	12/31/09	Increase (Decrease)
In-place lease adjustment, net	\$ 5,174	\$ 94	\$ 5,080
Prepaid property taxes	3,036	2,630	406
Prepaid insurance	1,443	861	582
Mortgage impounds	1,226	622	604
Lease incentives, net	479	654	(175)
Other	1,783	2,190	(407)
	<u>\$ 13,141</u>	<u>\$ 7,051</u>	<u>\$ 6,090</u>
(f) Accrued and other liabilities consist of:			
	09/30/10	12/31/09	Increase (Decrease)
Security deposits	\$ 20,370	\$ 19,126	\$ 1,244
Accrued property taxes	11,418	4,651	6,767
Prepaid rent	10,420	10,578	(158)
In-place lease adjustment and TI reimbursements, net	3,465	3,006	459
Other	9,053	8,937	116
	<u>\$ 54,726</u>	<u>\$ 46,298</u>	<u>\$ 8,428</u>
(g) Change in paid-in capital:			
Beginning paid-in capital			\$ 548,393
Exercise of stock options			6,380
Issuance costs related to the redemption of preferred equity			2,436
Stock compensation, net			622
Adjustment to reflect noncontrolling interests to underlying ownership			(964)
Ending paid in capital			<u>\$ 556,867</u>
(h) Change in cumulative distributions:			
Beginning cumulative distributions			\$ (658,294)
Distributions to preferred shareholders			(33,958)
Distributions to common shareholders			(32,398)
Ending cumulative distributions			<u>\$ (724,650)</u>

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

	For The Three Months Ended		Increase (Decrease)	% Change
	09/30/10	09/30/09		
Revenues:				
Rental income	\$ 70,187	\$ 66,885	\$ 3,302	(a) 4.9%
Facility management fees	165	172	(7)	(4.1%)
Total operating revenues	<u>70,352</u>	<u>67,057</u>	<u>3,295</u>	4.9%
Expenses:				
Cost of operations	22,947	21,320	1,627	7.6%
Depreciation and amortization	21,200	20,270	930	4.6%
General and administrative	1,831	1,413	418	(b) 29.6%
Total operating expenses	<u>45,978</u>	<u>43,003</u>	<u>2,975</u>	6.9%
Other income and expenses:				
Interest and other income	60	134	(74)	(55.2%)
Interest expense	(875)	(875)	-	(c) -
Total other income and expenses	<u>(815)</u>	<u>(741)</u>	<u>74</u>	10.0%
Income from continuing operations	<u>23,559</u>	<u>23,313</u>	<u>246</u>	1.1%
Discontinued operations:				
Income from discontinued operations	-	297	(297)	(100.0%)
Total discontinued operations	-	297	(297)	(100.0%)
Net income	<u>\$ 23,559</u>	<u>\$ 23,610</u>	<u>\$ (51)</u>	(0.2%)
Net income allocation:				
Net income allocable to noncontrolling interests:				
Noncontrolling interests - common units	\$ 2,852	\$ 2,697	\$ 155	5.7%
Noncontrolling interests - preferred units	984	1,382	(398)	(28.8%)
Total net income allocable to noncontrolling interests	<u>3,836</u>	<u>4,079</u>	<u>(243)</u>	(6.0%)
Net income allocable to PS Business Parks, Inc.:				
Common shareholders	9,608	8,327	1,281	15.4%
Preferred shareholders	10,080	11,156	(1,076)	(9.6%)
Restricted stock unit holders	35	48	(13)	(27.1%)
Total net income allocable to PS Business Parks, Inc.	<u>19,723</u>	<u>19,531</u>	<u>192</u>	1.0%
	<u>\$ 23,559</u>	<u>\$ 23,610</u>	<u>\$ (51)</u>	(0.2%)
Net income per common share - basic:				
Continuing operations	\$ 0.39	\$ 0.36	\$ 0.03	8.3%
Discontinued operations	-	\$ 0.01	\$ (0.01)	(100.0%)
Net Income	\$ 0.39	\$ 0.37	\$ 0.02	5.4%
Net income per common share - diluted:				
Continuing operations	\$ 0.39	\$ 0.36	\$ 0.03	8.3%
Discontinued operations	-	\$ 0.01	\$ (0.01)	(100.0%)
Net Income	\$ 0.39	\$ 0.37	\$ 0.02	5.4%
Weighted average common shares outstanding:				
Basic	<u>24,610</u>	<u>22,549</u>	<u>2,061</u>	9.1%
Diluted	<u>24,740</u>	<u>22,709</u>	<u>2,031</u>	8.9%

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

	<u>For The Three Months Ended</u>		Increase (Decrease)
	<u>09/30/10</u>	<u>09/30/09</u>	
(a) Rental income:			
Same Park	\$ 65,079	\$ 66,808	\$ (1,729)
Non-Same Park	5,035	-	5,035
Same Park straight-line rent	(240)	77	(317)
Non-Same Park straight-line rent	313	-	313
	<u>\$ 70,187</u>	<u>\$ 66,885</u>	<u>\$ 3,302</u>
(b) General and administrative expenses:			
Payroll and benefits	\$ 969	\$ 936	\$ 33
Professional fees	204	198	6
Acquisition transaction costs	405	-	405
Other	253	279	(26)
	<u>\$ 1,831</u>	<u>\$ 1,413</u>	<u>\$ 418</u>
(c) Interest expense:			
Mortgage notes payable	\$ (767)	\$ (787)	\$ (20)
Facilities fees & other charges	(108)	(88)	20
	<u>\$ (875)</u>	<u>\$ (875)</u>	<u>\$ -</u>

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

	For The Nine Months Ended		Increase (Decrease)	% Change
	9/30/2010	9/30/2009		
Revenues:				
Rental income	\$ 207,197	\$ 203,392	\$ 3,805	(a) 1.9%
Facility management fees	501	522	(21)	(4.0%)
Total operating revenues	<u>207,698</u>	<u>203,914</u>	<u>3,784</u>	1.9%
Expenses:				
Cost of operations	67,633	65,007	2,626	4.0%
Depreciation and amortization	58,056	64,854	(6,798)	(10.5%)
General and administrative	6,980	4,927	2,053	(b) 41.7%
Total operating expenses	<u>132,669</u>	<u>134,788</u>	<u>(2,119)</u>	(1.6%)
Other income and expenses:				
Interest and other income	260	381	(121)	(31.8%)
Interest expense	(2,586)	(2,686)	(100)	(c) (3.7%)
Total other income and expenses	<u>(2,326)</u>	<u>(2,305)</u>	<u>21</u>	0.9%
Income from continuing operations	<u>72,703</u>	<u>66,821</u>	<u>5,882</u>	8.8%
Discontinued operations:				
Income from discontinued operations	34	640	(606)	(94.7%)
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>2,128</u>	<u>3,059</u>	143.8%
Net income	<u>\$ 77,890</u>	<u>\$ 68,949</u>	<u>\$ 8,941</u>	13.0%
Net income allocation:				
Net income allocable to noncontrolling interests:				
Noncontrolling interests - common units	\$ 9,112	\$ 17,003	\$ (7,891)	(46.4%)
Noncontrolling interests - preferred units	4,118	(3,951)	8,069	204.2%
Total net income allocable to noncontrolling interests	<u>13,230</u>	<u>13,052</u>	<u>178</u>	1.4%
Net income allocable to PS Business Parks, Inc.:				
Common shareholders	30,583	49,323	(18,740)	(38.0%)
Preferred shareholders	33,958	6,285	27,673	440.3%
Restricted stock unit holders	119	289	(170)	(58.8%)
Total net income allocable to PS Business Parks, Inc.	<u>64,660</u>	<u>55,897</u>	<u>8,763</u>	15.7%
	<u>\$ 77,890</u>	<u>\$ 68,949</u>	<u>\$ 8,941</u>	13.0%
Net income per common share - basic:				
Continuing operations	\$ 1.08	\$ 2.25	\$ (1.17)	(52.0%)
Discontinued operations	\$ 0.16	\$ 0.07	\$ 0.09	128.6%
Net Income	\$ 1.25	\$ 2.33	\$ (1.08)	(46.4%)
Net income per common share - diluted:				
Continuing operations	\$ 1.08	\$ 2.24	\$ (1.16)	(51.8%)
Discontinued operations	\$ 0.16	\$ 0.07	\$ 0.09	128.6%
Net Income	\$ 1.24	\$ 2.31	\$ (1.07)	(46.3%)
Weighted average common shares outstanding:				
Basic	<u>24,517</u>	<u>21,191</u>	<u>3,326</u>	15.7%
Diluted	<u>24,663</u>	<u>21,311</u>	<u>3,352</u>	15.7%

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

	For The Nine Months Ended		Increase (Decrease)
	09/30/10	09/30/09	
(a) Rental income:			
Same Park	\$ 197,921	\$ 203,102	\$ (5,181)
Non-Same Park	8,558	-	8,558
Same Park straight-line rent	180	290	(110)
Non-Same Park straight-line rent	538	-	538
	<u>\$ 207,197</u>	<u>\$ 203,392</u>	<u>\$ 3,805</u>
(b) General and administrative expenses:			
Payroll and benefits	\$ 3,041	\$ 3,462	\$ (421)
Professional fees	699	602	97
Acquisition transaction costs	2,309	-	2,309
Other	931	863	68
	<u>\$ 6,980</u>	<u>\$ 4,927</u>	<u>\$ 2,053</u>
(c) Interest expense:			
Mortgage notes payable	\$ (2,302)	\$ (2,422)	\$ (120)
Facilities fees & other charges	(284)	(264)	20
	<u>\$ (2,586)</u>	<u>\$ (2,686)</u>	<u>\$ (100)</u>

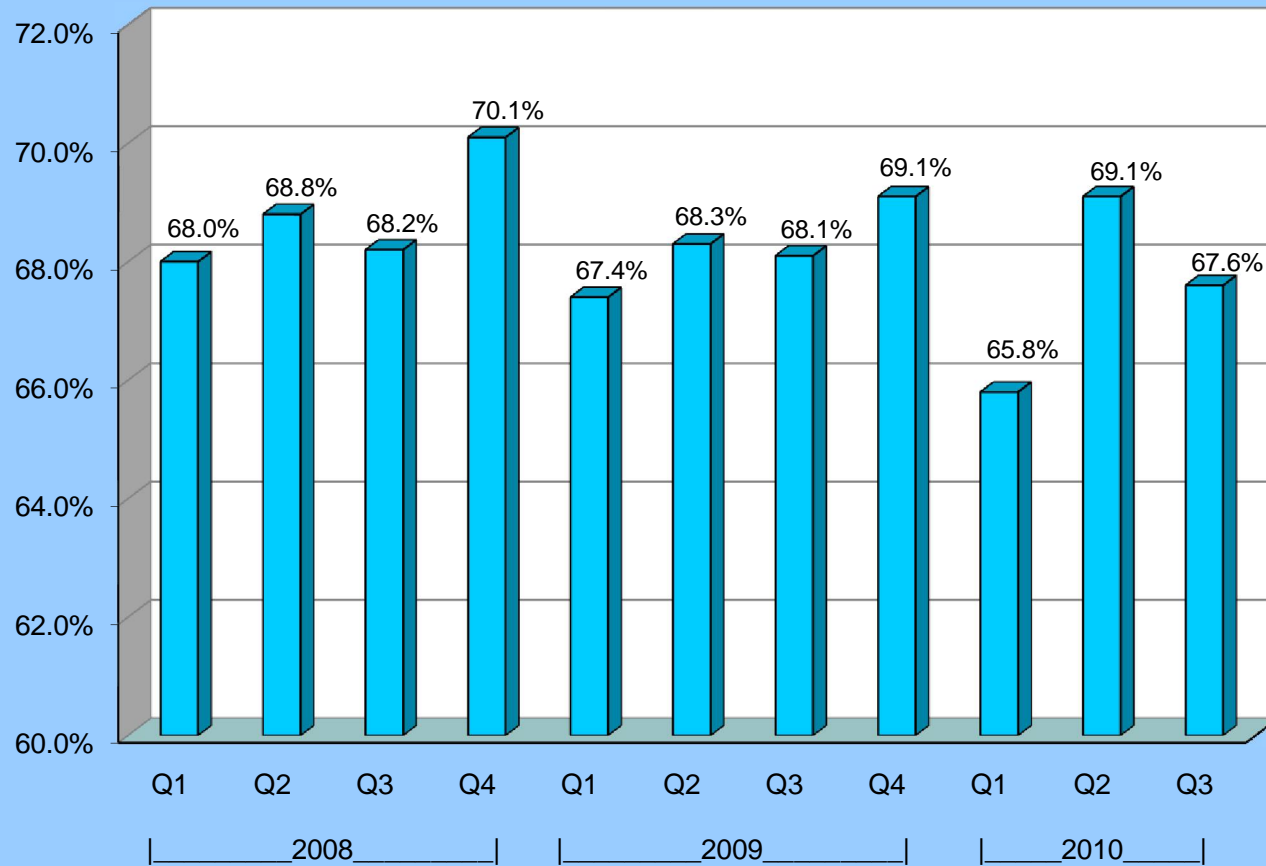
PS BUSINESS PARKS, INC.
Analysis of Capital Expenditures
(in thousands, except per square foot data)

<u>Recurring capital expenditures</u> ⁽¹⁾	<u>For The Nine Months Ended September 30, 2010</u>	<u>Cost per Weighted Average Square Foot</u>
Capital improvements ⁽²⁾	\$5,749	\$0.28
Tenant improvements	10,374	\$0.51
Lease commissions	3,204	\$0.16
Total recurring capital expenditures	<u>\$19,327</u>	\$0.95
 <u>Non-recurring capital expenditures</u>		
Property renovations and development	\$9,059	
Total non-recurring capital expenditures	<u>\$9,059</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 \$15.5 million or approximately \$0.76 per weighted average square foot for the nine months ended September 30, 2010 compared to \$14.1 million or approximately \$0.73 per weighted average square foot for the nine months ended September 30, 2009.

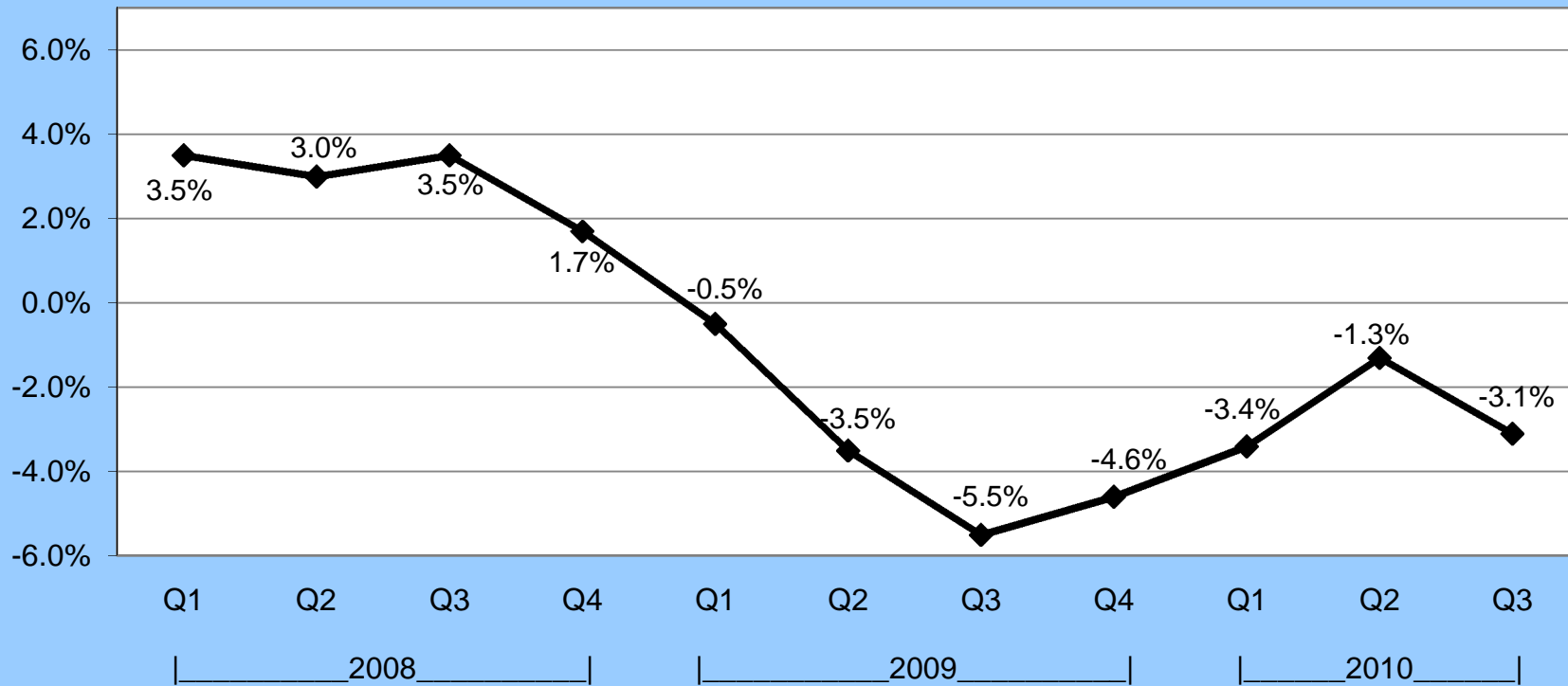
(2) Major costs include roof, HVAC and parking lot replacement as well as other major repairs that extend the life of the respective components of the building.

Same Park Gross Operating Margin Percentage *



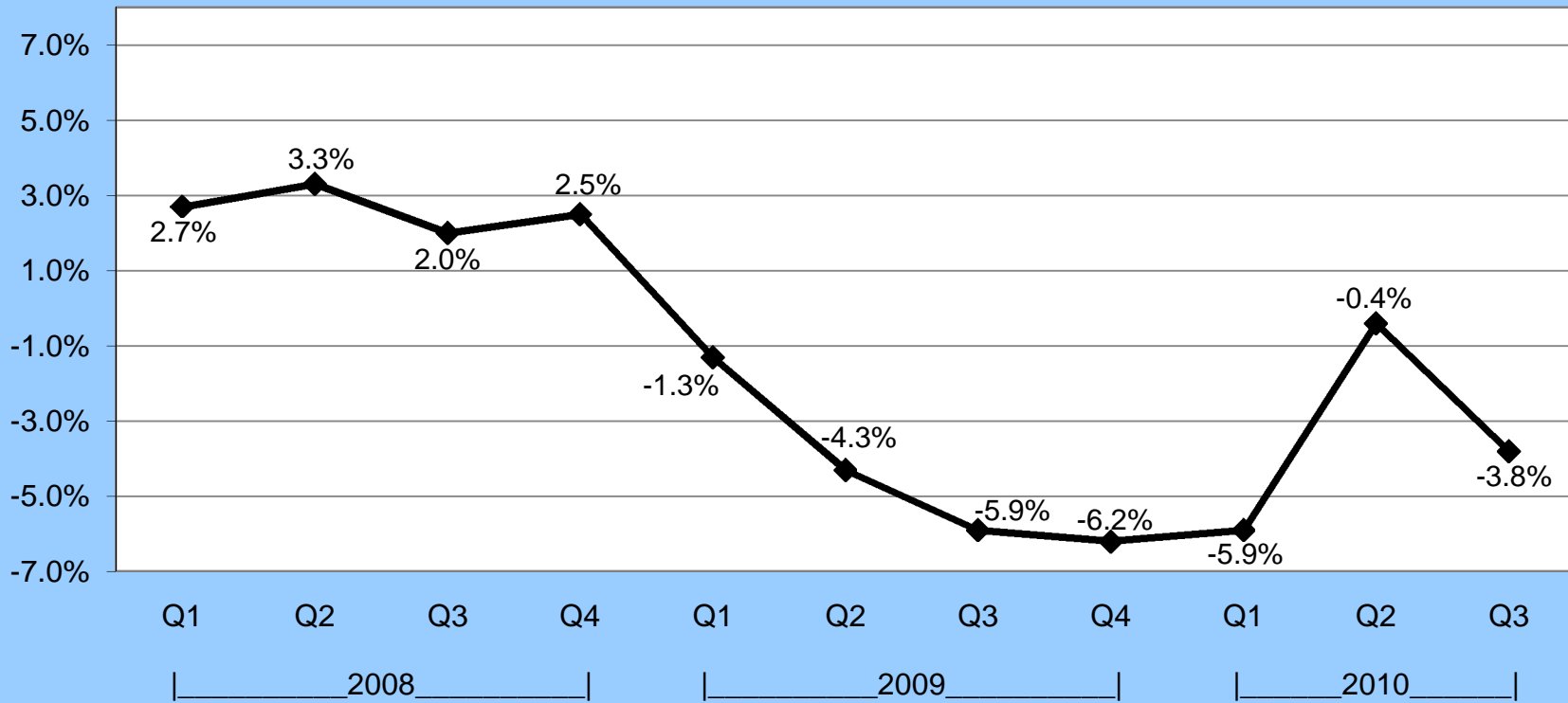
* Gross margin is computed by dividing property net operating income by rental income for Same Park properties in each period.

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 September 30, 2010

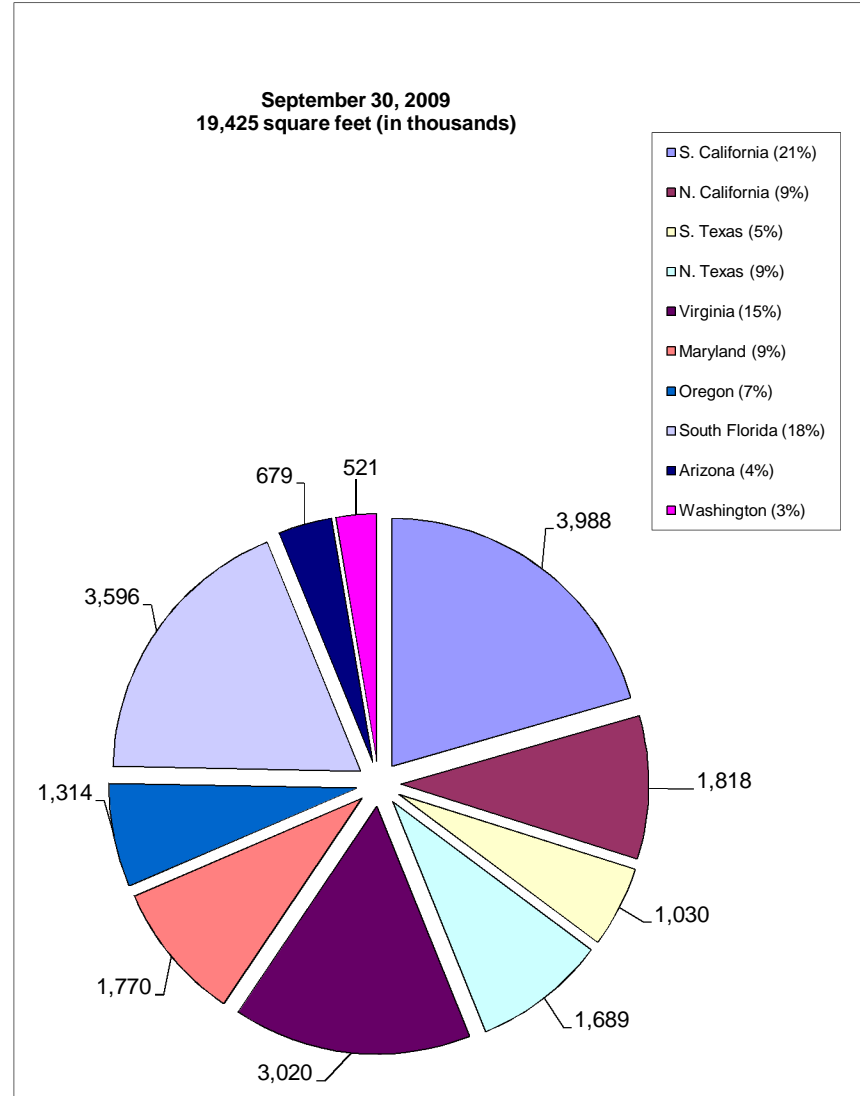
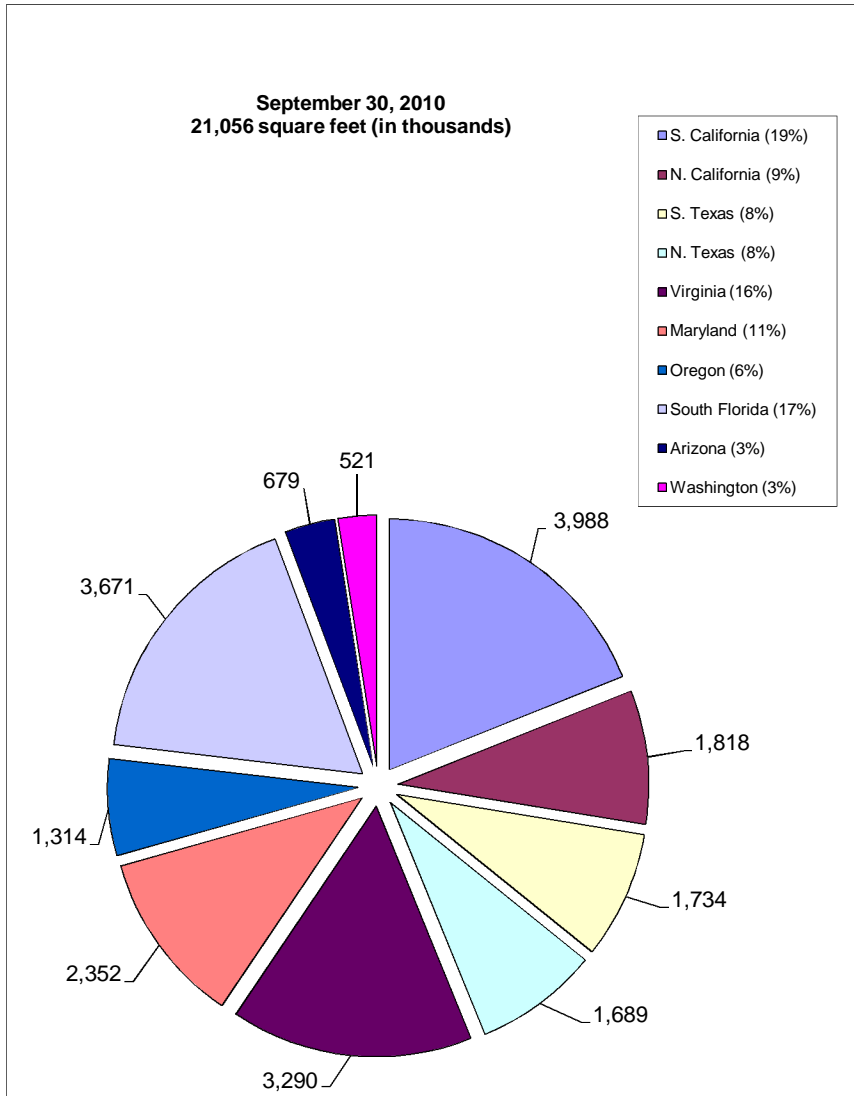
Industry	% of Total Rental Income
Business Services	14.2%
Health Services	11.3%
Computer Hardware, Software and Related Services	9.8%
Government	8.7%
Insurance and Financial Services	7.5%
Warehouse, Distribution, Transportation and Logistics	7.4%
Engineering and Construction	6.4%
Retail, Food and Automotive	6.2%
Communications	5.2%
Home Furnishings	3.7%
Electronics	3.5%
Aerospace/Defense Products and Services	3.1%
Educational Services	2.7%
Other	10.3%
Total	100.0%

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

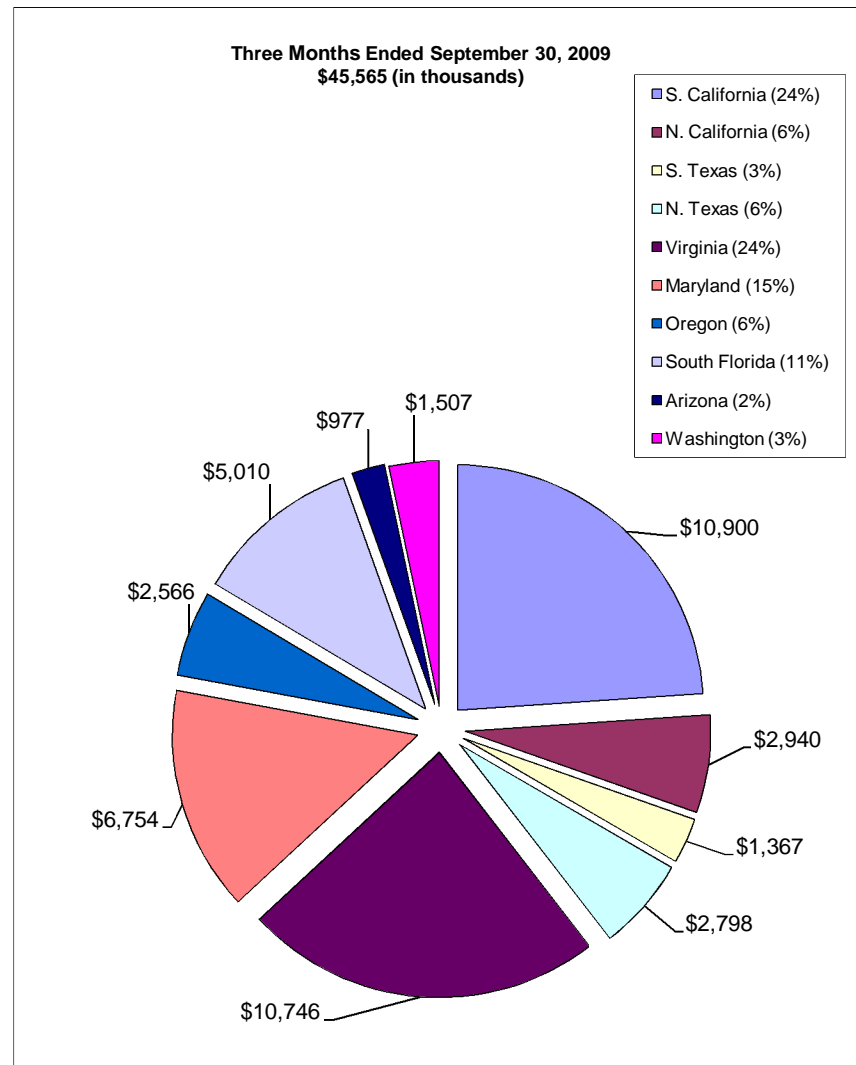
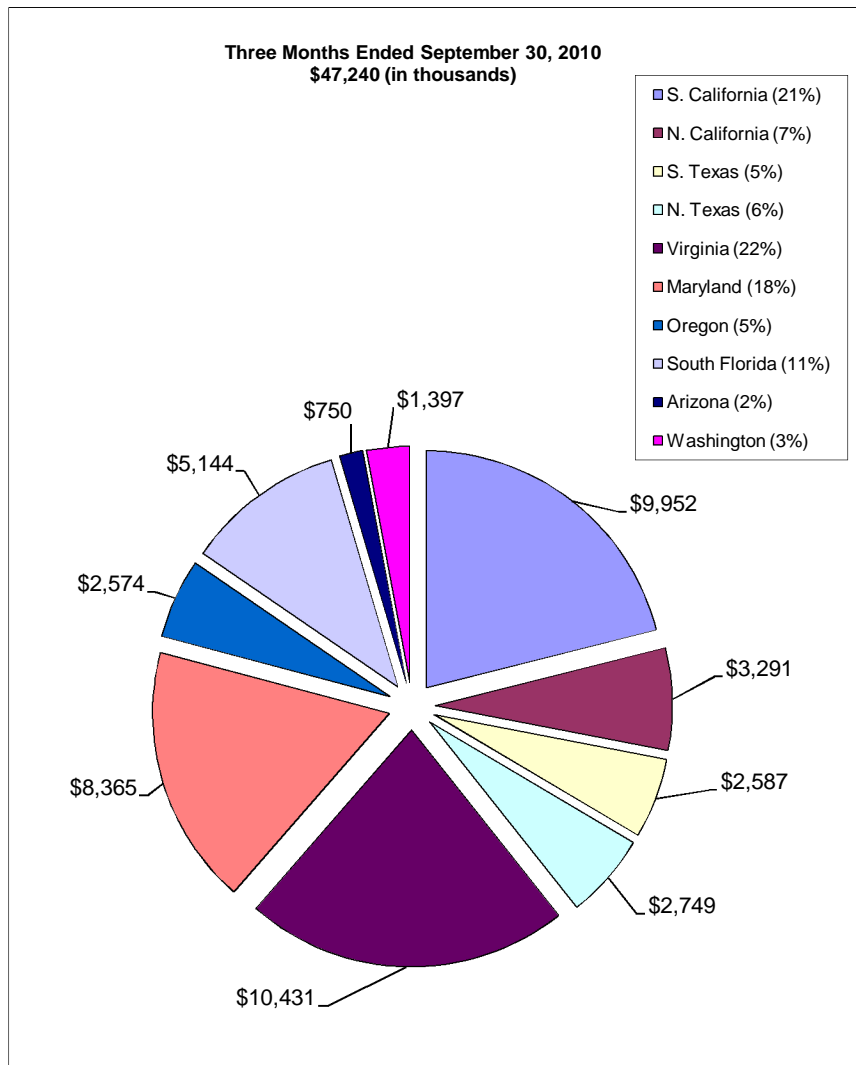
Tenant	Square Footage	Annualized Rental Income ⁽¹⁾	% of Total Annualized Rental Income
U.S. Government	569	\$ 13,583	4.8%
Lockheed Martin Corporation	157	4,213	1.5%
Kaiser Permanente	194	4,062	1.4%
Wells Fargo Bank	101	1,767	0.6%
AARP	102	1,766	0.6%
Investorplace Media, LLC	46	1,485	0.5%
Welch Allyn Protocol, Inc.	91	1,420	0.5%
Luminex Corporation	117	1,418	0.5%
Verizon	72	1,410	0.5%
Montgomery County Public School	48	1,395	0.5%
Total	1,497	\$ 32,519	11.4%

(1) - For leases expiring within one year, annualized rental income represents income to be received under existing leases from September 30, 2010 through the 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 September 30, 2010					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Miami	2,631	12	631	3,274	15.6%
Northern Virginia	-	1,343	1,947	3,290	15.6%
Maryland	-	1,382	970	2,352	11.2%
Northern California	407	431	980	1,818	8.6%
Dallas	231	-	1,458	1,689	8.0%
Orange County	-	705	911	1,616	7.7%
Los Angeles County	712	31	861	1,604	7.6%
Austin	-	-	1,491	1,491	7.1%
Portland	-	188	1,126	1,314	6.2%
San Diego County	-	-	768	768	3.6%
Phoenix	-	-	679	679	3.2%
Seattle	-	28	493	521	2.5%
Palm Beach	-	-	397	397	1.9%
Houston	-	-	243	243	1.2%
Total	3,981	4,120	12,955	21,056	100.0%
Percentage by Product Type	18.9%	19.6%	61.5%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended September 30, 2010				
Primary Markets	Industrial	Office	Flex	Total
Miami	95.7%	100.0%	89.3%	94.5%
Northern Virginia	-	84.8%	92.2%	89.3%
Maryland	-	86.0%	86.9%	86.3%
Northern California	100.0%	89.1%	87.1%	90.5%
Dallas	95.7%	-	91.4%	91.9%
Orange County	-	87.1%	93.8%	90.9%
Los Angeles County	98.0%	99.1%	92.1%	94.8%
Austin	-	-	89.5%	89.5%
Portland	-	83.5%	83.9%	83.8%
San Diego County	-	-	93.3%	93.3%
Phoenix	-	-	87.9%	87.9%
Seattle	-	98.3%	91.0%	91.4%
Palm Beach	-	-	88.3%	88.3%
Houston	-	-	74.7%	74.7%
Total	96.5%	86.3%	89.6%	90.3%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended September 30, 2010			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	94.0%	97.8%	94.5%
Northern Virginia	91.2%	86.2%	89.3%
Maryland	87.4%	83.0%	86.3%
Northern California	90.0%	90.9%	90.5%
Dallas	92.3%	90.5%	91.9%
Orange County	91.5%	90.3%	90.9%
Los Angeles County	98.0%	92.3%	94.8%
Austin	88.6%	94.1%	89.5%
Portland	83.6%	85.1%	83.8%
San Diego County	-	93.3%	93.3%
Phoenix	-	87.9%	87.9%
Seattle	-	91.4%	91.4%
Palm Beach	-	88.3%	88.3%
Houston	-	74.7%	74.7%
Total	90.8%	89.4%	90.3%

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 September 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%	

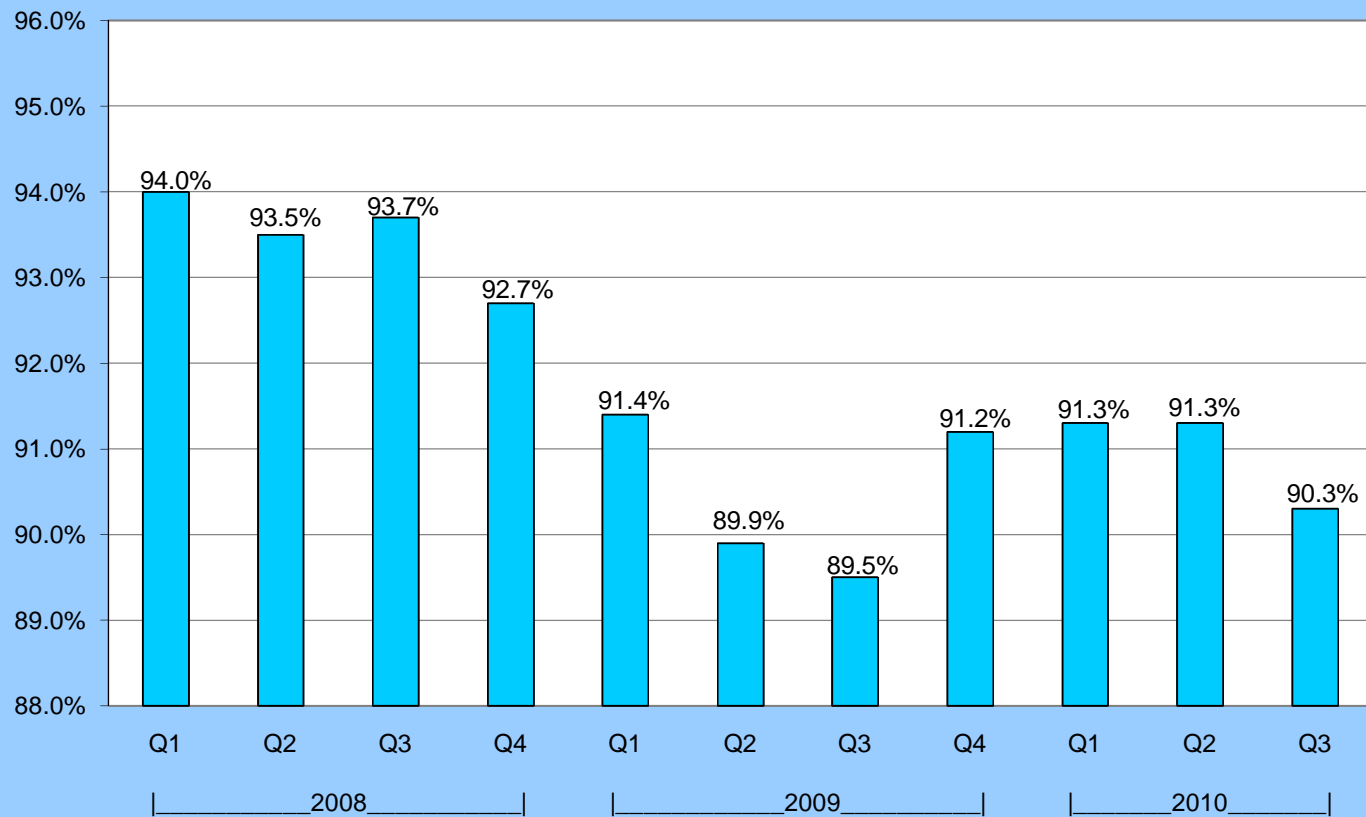
Weighted Average Occupancy Rates by Product Type for the Three Months Ended September 30, 2010				
Primary Markets	Industrial	Office	Flex	Total
Miami	97.2%	100.0%	89.4%	95.6%
Northern Virginia	-	91.2%	92.2%	91.8%
Northern California	100.0%	89.1%	87.1%	90.5%
Maryland	-	92.9%	86.8%	89.9%
Dallas	95.7%	-	91.4%	91.9%
Orange County	-	87.1%	93.8%	90.9%
Los Angeles County	98.0%	99.1%	92.1%	94.8%
Portland	-	83.5%	83.9%	83.8%
Austin	-	-	89.8%	89.8%
San Diego County	-	-	93.3%	93.3%
Phoenix	-	-	87.9%	87.9%
Seattle	-	98.3%	91.0%	91.4%
Palm Beach	-	-	88.3%	88.3%
Houston	-	-	74.7%	74.7%
Total	97.5%	90.2%	89.6%	91.3%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended September 30, 2010			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	95.4%	97.8%	95.6%
Northern Virginia	91.2%	93.0%	91.8%
Northern California	90.0%	90.9%	90.5%
Maryland	89.3%	94.3%	89.9%
Dallas	92.3%	90.5%	91.9%
Orange County	91.5%	90.3%	90.9%
Los Angeles County	98.0%	92.3%	94.8%
Portland	83.6%	85.1%	83.8%
Austin	88.9%	92.7%	89.8%
San Diego County	-	93.3%	93.3%
Phoenix	-	87.9%	87.9%
Seattle	-	91.4%	91.4%
Palm Beach	-	88.3%	88.3%
Houston	-	74.7%	74.7%
Total	91.6%	90.9%	91.3%

Note:

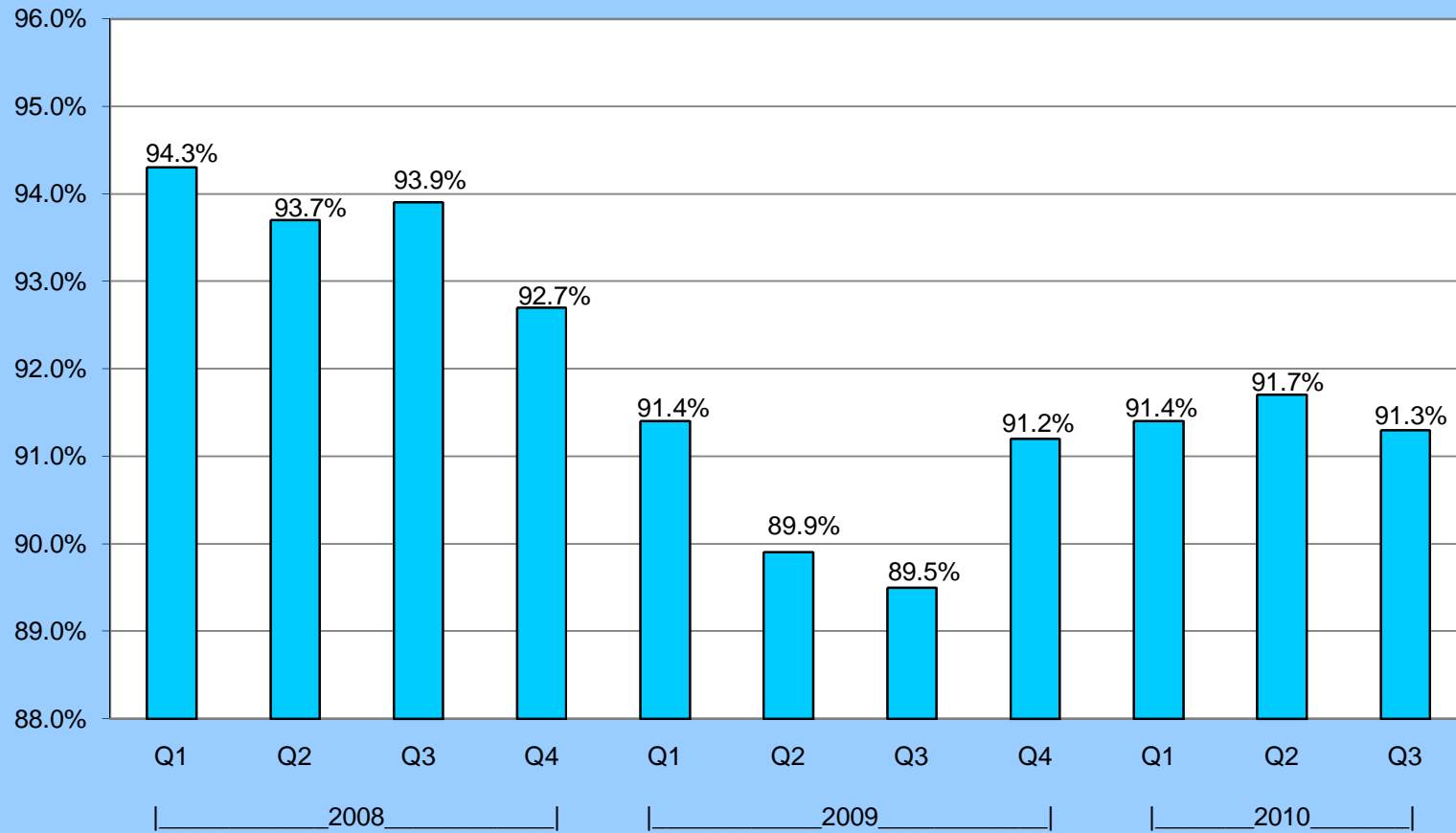
The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet while the "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

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 September 30, 2010
(in thousands)

Lease Expirations - Flex				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	732	\$ 10,012	5.7%	3.4%
2011	3,041	44,017	25.2%	14.9%
2012	2,833	42,110	24.1%	14.3%
2013	1,949	28,642	16.4%	9.7%
2014	1,295	19,800	11.4%	6.7%
Thereafter	1,675	30,019	17.2%	10.2%
Total	11,525	\$ 174,600	100.0%	59.2%

Lease Expirations - Office				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	180	\$ 4,002	4.5%	1.4%
2011	895	21,697	24.7%	7.4%
2012	787	19,181	21.8%	6.5%
2013	682	16,940	19.3%	5.7%
2014	379	9,076	10.3%	3.1%
Thereafter	596	17,027	19.4%	5.8%
Total	3,519	\$ 87,923	100.0%	29.9%

Lease Expirations - Industrial				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	94	\$ 600	1.9%	0.2%
2011	815	6,863	21.4%	2.3%
2012	827	6,940	21.7%	2.4%
2013	1,055	8,136	25.4%	2.8%
2014	571	4,307	13.5%	1.5%
Thereafter	609	5,150	16.1%	1.7%
Total	3,971	\$ 31,996	100.0%	10.9%

Lease Expirations - Total Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	1,006	\$ 14,614	5.0%	5.0%
2011	4,751	72,577	24.6%	24.6%
2012	4,447	68,231	23.2%	23.2%
2013	3,686	53,718	18.2%	18.2%
2014	2,245	33,183	11.3%	11.3%
Thereafter	2,880	52,196	17.7%	17.7%
Total	19,015	\$ 294,519	100.0%	100.0%

PS BUSINESS PARKS, INC.
Total Portfolio Lease Expirations as of September 30, 2010
(in thousands)

Southern California					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	227	\$ 4,120	6.8%	1.4%	
2011	1,258	18,974	31.2%	6.4%	
2012	897	14,886	24.4%	5.2%	
2013	592	10,013	16.4%	3.4%	
2014	350	5,800	9.5%	2.0%	
Thereafter	351	7,143	11.7%	2.4%	
Total	3,675	60,936	100.0%	20.8%	

Northern California					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	110	\$ 1,640	7.9%	0.6%	
2011	462	5,996	28.7%	2.0%	
2012	498	5,738	27.6%	1.9%	
2013	231	3,237	15.6%	1.1%	
2014	224	2,336	11.2%	0.8%	
Thereafter	139	1,866	9.0%	0.6%	
Total	1,664	\$ 20,813	100.0%	7.0%	

Southern Texas					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	36	\$ 402	2.2%	0.1%	
2011	263	2,873	16.0%	1.0%	
2012	269	3,076	17.2%	1.0%	
2013	305	3,214	17.9%	1.1%	
2014	266	3,129	17.4%	1.1%	
Thereafter	376	5,270	29.3%	1.8%	
Total	1,515	\$ 17,964	100.0%	6.1%	

Northern Texas					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	102	\$ 992	5.7%	0.3%	
2011	214	2,318	13.3%	0.8%	
2012	393	4,914	28.1%	1.7%	
2013	373	3,262	18.6%	1.1%	
2014	302	3,733	21.4%	1.3%	
Thereafter	184	2,262	12.9%	0.8%	
Total	1,568	\$ 17,481	100.0%	6.0%	

PS BUSINESS PARKS, INC.
Total Portfolio Lease Expirations as of September 30, 2010
(in thousands)

South Florida					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	145	\$ 1,037	3.3%	0.4%	
2011	803	7,667	24.5%	2.6%	
2012	846	8,148	26.0%	2.8%	
2013	847	7,454	23.8%	2.5%	
2014	374	3,343	10.6%	1.1%	
Thereafter	442	3,697	11.8%	1.3%	
Total	3,457	\$ 31,346	100.0%	10.7%	

Northern Virginia					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	191	\$ 3,052	5.0%	1.0%	
2011	461	8,934	14.5%	3.0%	
2012	751	16,278	26.4%	5.5%	
2013	583	11,326	18.4%	3.9%	
2014	310	7,433	12.1%	2.5%	
Thereafter	623	14,593	23.6%	4.9%	
Total	2,919	\$ 61,616	100.0%	20.8%	

Maryland					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	82	\$ 1,877	3.7%	0.6%	
2011	624	16,052	31.5%	5.5%	
2012	345	8,667	17.0%	2.9%	
2013	317	8,254	16.2%	2.8%	
2014	205	3,956	7.8%	1.3%	
Thereafter	445	12,142	23.8%	4.1%	
Total	2,018	\$ 50,948	100.0%	17.2%	

Oregon					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	30	\$ 442	2.3%	0.2%	
2011	339	5,452	28.5%	1.9%	
2012	168	2,867	15.0%	1.0%	
2013	226	3,846	20.2%	1.3%	
2014	141	2,454	12.8%	0.8%	
Thereafter	231	4,038	21.2%	1.4%	
Total	1,135	\$ 19,099	100.0%	6.6%	

PS BUSINESS PARKS, INC.
Total Portfolio Lease Expirations as of September 30, 2010
(in thousands)

Washington					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	35	\$ 563	6.8%	0.2%	
2011	143	2,480	30.1%	0.8%	
2012	103	1,841	22.4%	0.6%	
2013	111	2,100	25.5%	0.7%	
2014	18	435	5.3%	0.2%	
Thereafter	51	816	9.9%	0.3%	
Total	461	\$ 8,235	100.0%	2.8%	

Arizona					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	48	\$ 489	8.0%	0.2%	
2011	184	1,831	30.1%	0.6%	
2012	177	1,816	29.9%	0.6%	
2013	101	1,012	16.6%	0.3%	
2014	55	564	9.3%	0.2%	
Thereafter	38	369	6.1%	0.1%	
Total	603	\$ 6,081	100.0%	2.0%	

Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	1,006	\$ 14,614	5.0%	5.0%	
2011	4,751	72,577	24.6%	24.6%	
2012	4,447	68,231	23.2%	23.2%	
2013	3,686	53,718	18.2%	18.2%	
2014	2,245	33,183	11.3%	11.3%	
Thereafter	2,880	52,196	17.7%	17.7%	
Total	19,015	\$ 294,519	100.0%	100.0%	

PS BUSINESS PARKS, INC.

Total Portfolio Lease Expirations as of September 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	422	\$ 5,495	3.2%	1.9%
2011	2,380	36,021	20.8%	12.2%
2012	2,452	35,897	20.7%	12.2%
2013	2,593	34,423	19.8%	11.7%
2014	1,679	22,364	12.9%	7.6%
Thereafter	2,239	39,270	22.6%	13.3%
Total	11,765	173,470	100.0%	58.9%

Lease Expirations - Small Tenant Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	584	\$ 9,119	7.5%	3.1%
2011	2,371	36,556	30.2%	12.4%
2012	1,995	32,334	26.7%	11.0%
2013	1,093	19,295	16.0%	6.5%
2014	566	10,819	8.9%	3.7%
Thereafter	641	12,926	10.7%	4.4%
Total	7,250	121,049	100.0%	41.1%

Lease Expirations - Total Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	1,006	\$ 14,614	5.0%	5.0%
2011	4,751	72,577	24.6%	24.6%
2012	4,447	68,231	23.2%	23.2%
2013	3,686	53,718	18.2%	18.2%
2014	2,245	33,183	11.3%	11.3%
Thereafter	2,880	52,196	17.7%	17.7%
Total	19,015	294,519	100.0%	100.0%