



**PSBUSINESSPARKS**<sup>SM</sup>

**Analysis of Operating Results  
and Financial Condition**

**December 31, 2009**

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2009**

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

OPERATING DATA						
	For The Three Months Ended			For The Years Ended		
	12/31/09	12/31/08	% Change	12/31/09	12/31/08	% Change
Total rental income	\$ 67,565	\$ 70,836	(4.6%)	\$ 270,957	\$ 281,115	(3.6%)
Total cost of operations	20,905	21,104	(0.9%)	85,912	87,182	(1.5%)
Net operating income	<u>\$ 46,660</u>	<u>\$ 49,732</u>	(6.2%)	<u>\$ 185,045</u>	<u>\$ 193,933</u>	(4.6%)
Net income allocable to common shareholders	\$ 9,855	\$ 9,533	3.4%	\$ 59,413	\$ 23,179	156.3%
Net income per common share - diluted:						
Continuing operations	\$ 0.38	\$ 0.46	(17.4%)	\$ 2.61	\$ 1.10	137.3%
Discontinued operations	\$ 0.03	\$ 0.01	200.0%	\$ 0.08	\$ 0.02	300.0%
Net income per common share	\$ 0.40	\$ 0.46	(13.0%)	\$ 2.68	\$ 1.12	139.3%
Weighted average common shares outstanding - basic	24,393	20,459	19.2%	21,998	20,443	7.6%
Weighted average common shares outstanding - diluted	24,550	20,584	19.3%	22,128	20,618	7.3%

FUNDS FROM OPERATIONS						
	For The Three Months Ended			For The Years Ended		
	12/31/09	12/31/08	% Change	12/31/09	12/31/08	% Change
FFO allocable to common and dilutive shares - before adjustment	\$ 32,703	\$ 33,342	(1.9%)	\$ 127,435	\$ 127,330	0.1%
Gain on repurchase of preferred equity, net of issuance costs	-	4,228	(100.0%)	35,639	4,228	742.9%
FFO allocable to common and dilutive shares - as reported	<u>\$ 32,703</u>	<u>\$ 37,570</u>	(13.0%)	<u>\$ 163,074</u>	<u>\$ 131,558</u>	24.0%
FFO per common and dilutive share - before adjustment	\$ 1.02	\$ 1.19	(14.3%)	\$ 4.31	\$ 4.53	(4.9%)
FFO per common and dilutive share - as reported	\$ 1.02	\$ 1.34	(23.9%)	\$ 5.52	\$ 4.69	17.7%
Weighted average common shares outstanding - diluted	24,550	20,584	19.3%	22,128	20,618	7.3%
Weighted average common OP units outstanding	7,305	7,305	-	7,305	7,305	-
Weighted average restricted stock units outstanding	120	150	(20.0%)	131	155	(15.5%)
Total common and dilutive shares	<u>31,975</u>	<u>28,039</u>	14.0%	<u>29,564</u>	<u>28,078</u>	5.3%

PROPERTY INFORMATION						
	For The Three Months Ended			For The Years Ended		
	12/31/09	12/31/08	% Change	12/31/09	12/31/08	% Change
<i>Same Park Portfolio</i> <sup>(1)</sup>						
Total rentable square footage at period end	19,425	19,425	-	19,425	19,425	-
Weighted average occupancy	91.2%	92.7%	(1.6%)	90.4%	93.4%	(3.2%)
Annualized realized rent per sq. ft. <sup>(2)</sup>	\$ 15.26	\$ 15.74	(3.0%)	\$ 15.43	\$ 15.49	(0.4%)
REVPAF <sup>(3)</sup>	\$ 13.91	\$ 14.59	(4.7%)	\$ 13.95	\$ 14.47	(3.6%)

- (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.

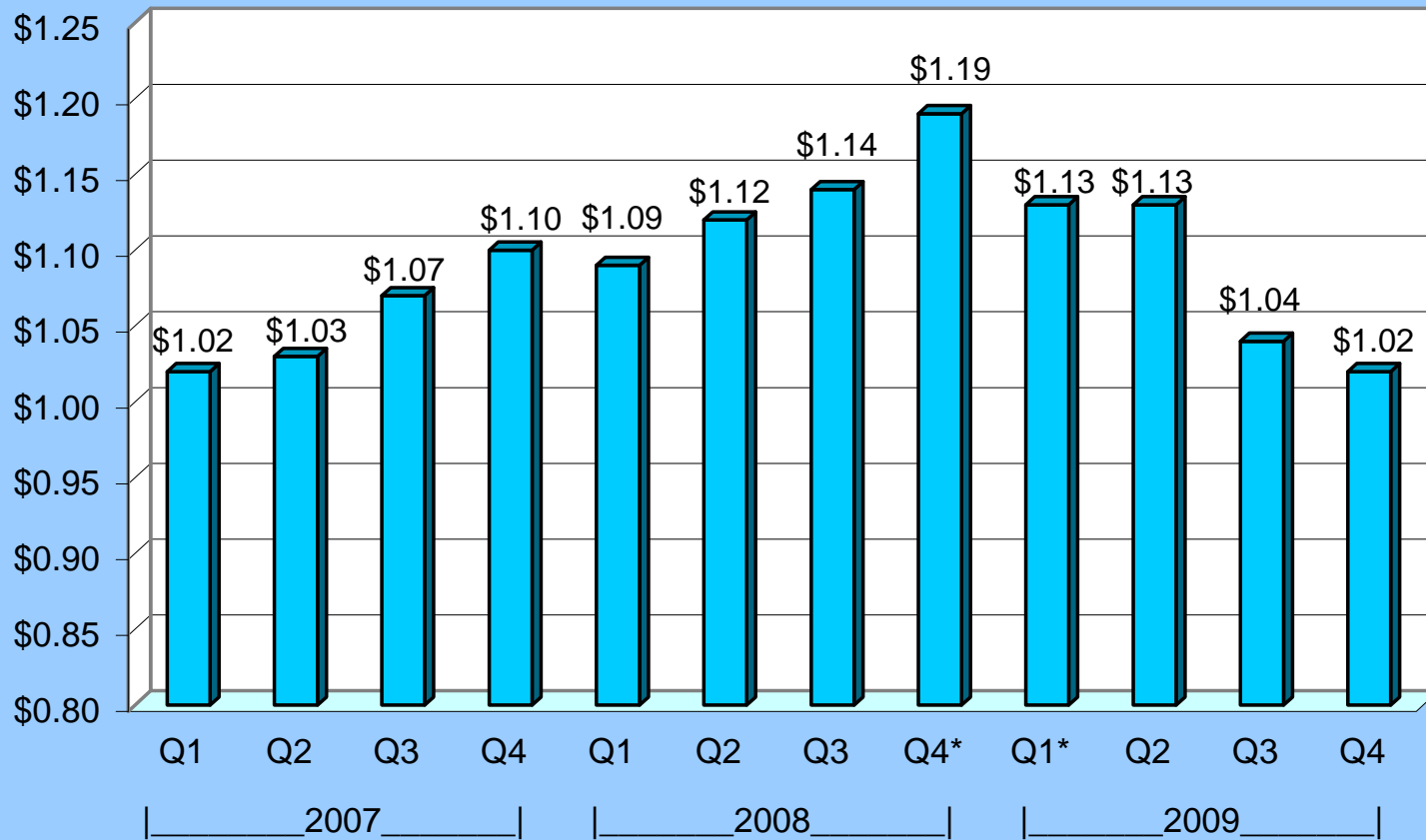
BALANCE SHEET DATA			
	12/31/09	12/31/08	% Change
Total assets	\$ 1,564,822	\$ 1,469,323	6.5%
Noncontrolling interests - preferred units	\$ 73,418	\$ 94,750	(22.5%)
Noncontrolling interests - common units	\$ 176,540	\$ 148,023	19.3%
Perpetual preferred stock	\$ 626,046	\$ 706,250	(11.4%)
Common shareholders' equity	\$ 589,633	\$ 414,564	42.2%
Total common shares outstanding at period end	24,400	20,460	19.3%
Book value per common share	\$ 24.17	\$ 20.26	19.3%

MARKET VALUE INFORMATION			
	12/31/09	12/31/08	% Change
Market value of common stock and common OP units	\$ 1,586,828	\$ 1,239,997	28.0%
Total debt	52,887	59,308	(10.8%)
Total preferred equity	699,464	801,000	(12.7%)
Total market capitalization	<u>\$ 2,339,179</u>	<u>\$ 2,100,305</u>	11.4%
Stock price at the end of the period	\$ 50.05	\$ 44.66	12.1%

**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 Years Ended		Increase (Decrease)	% Change
	12/31/09	12/31/08			12/31/09	12/31/08		
<b>Funds from operations (FFO):</b>								
Net income allocable to common shareholders	\$ 9,855	\$ 9,533	\$ 322	3.4%	\$ 59,413	\$ 23,179	\$ 36,234	156.3%
Adjustments:								
Gain on sale of land	-	-	-	-	(1,488)	-	(1,488)	(100.0%)
Depreciation and amortization	19,850	24,578	(4,728)	(19.2%)	85,094	99,848	(14,754)	(14.8%)
Net income allocable to noncontrolling interests - common units	2,951	3,399	(448)	(13.2%)	19,730	8,296	11,434	137.8%
Net income allocable to restricted stock unit holders	47	60	(13)	(21.7%)	325	235	90	38.3%
FFO allocable to common and dilutive shares	<u>\$ 32,703</u>	<u>\$ 37,570</u>	<u>\$ (4,867)</u>	<u>(13.0%)</u>	<u>\$ 163,074</u>	<u>\$ 131,558</u>	<u>\$ 31,516</u>	<u>24.0%</u>
Weighted average common shares outstanding	24,393	20,459	3,934	19.2%	21,998	20,443	1,555	7.6%
Weighted average common OP units outstanding	7,305	7,305	-	-	7,305	7,305	-	-
Weighted average restricted stock units outstanding	120	150	(30)	(20.0%)	131	155	(24)	(15.5%)
Weighted average common share equivalents outstanding	157	125	32	25.6%	130	175	(45)	(25.7%)
Total common and dilutive shares	<u>31,975</u>	<u>28,039</u>	<u>3,936</u>	<u>14.0%</u>	<u>29,564</u>	<u>28,078</u>	<u>1,486</u>	<u>5.3%</u>
FFO per common and dilutive share	<u>\$ 1.02</u>	<u>\$ 1.34</u>	<u>\$ (0.32)</u>	<u>(23.9%)</u>	<u>\$ 5.52</u>	<u>\$ 4.69</u>	<u>\$ 0.83</u>	<u>17.7%</u>
<b>Funds available for distribution (FAD):</b>								
Funds from operations	\$ 32,703	\$ 37,570	\$ (4,867)	(13.0%)	\$ 163,074	\$ 131,558	\$ 31,516	24.0%
Adjustments:								
Recurring capital improvements	(2,705)	(1,344)	1,361	101.3%	(6,853)	(8,650)	(1,797)	(20.8%)
Tenant improvements	(5,408)	(2,827)	2,581	91.3%	(16,613)	(17,698)	(1,085)	(6.1%)
Lease commissions	(1,179)	(1,817)	(638)	(35.1%)	(4,879)	(6,914)	(2,035)	(29.4%)
Straight-line rent	356	566	(210)	(37.1%)	37	294	(257)	(87.4%)
Stock compensation expense	575	1,004	(429)	(42.7%)	2,899	4,061	(1,162)	(28.6%)
In-place lease adjustment	(38)	(49)	(11)	(22.4%)	(252)	(194)	58	29.9%
Lease incentives, net of tenant improvement reimbursements	(32)	(231)	(199)	(86.1%)	(326)	(379)	(53)	(14.0%)
Gain on repurchase of preferred equity, net of issuance costs	-	(4,228)	4,228	100.0%	(35,639)	(4,228)	31,411	742.9%
FAD	<u>\$ 24,272</u>	<u>\$ 28,644</u>	<u>\$ (4,372)</u>	<u>(15.3%)</u>	<u>\$ 101,448</u>	<u>\$ 97,850</u>	<u>\$ 3,598</u>	<u>3.7%</u>
FAD per common and dilutive share	<u>\$ 0.76</u>	<u>\$ 1.02</u>	<u>\$ (0.26)</u>	<u>(25.5%)</u>	<u>\$ 3.43</u>	<u>\$ 3.48</u>	<u>\$ (0.05)</u>	<u>(1.4%)</u>
<b>Cash available for debt repayments and reinvestments:</b>								
FAD	\$ 24,272	\$ 28,644	\$ (4,372)	(15.3%)	\$ 101,448	\$ 97,850	\$ 3,598	3.7%
Distributions to common shareholders	(10,736)	(9,002)	1,734	19.3%	(39,509)	(35,978)	3,531	9.8%
Distributions to common OP unit holders	(3,214)	(3,214)	-	-	(12,856)	(12,856)	-	-
Distributions to restricted stock unit holders	(47)	(60)	(13)	(21.7%)	(205)	(235)	(30)	(12.8%)
Cash available for debt repayments and reinvestments	<u>\$ 10,275</u>	<u>\$ 16,368</u>	<u>\$ (6,093)</u>	<u>(37.2%)</u>	<u>\$ 48,878</u>	<u>\$ 48,781</u>	<u>\$ 97</u>	<u>0.2%</u>
FAD payout ratio	<u>57.7%</u>	<u>42.9%</u>	<u>14.8%</u>	<u>34.5%</u>	<u>51.8%</u>	<u>50.1%</u>	<u>1.7%</u>	<u>3.4%</u>

## Reported FFO Per Common and Dilutive Share



\* Excludes net gain on repurchase of preferred equity.

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

	As of December 31, 2009			As of December 31, 2008		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
<b>Mortgage Debt:</b>						
5.730% mortgage note, due March 2013	\$ 14,006			\$ 14,247		
5.520% mortgage note, due May 2013	9,819			10,053		
5.680% mortgage note, due May 2013	9,836			10,065		
6.150% mortgage note, due November 2031 (includes unamortized premium of \$427,000 on \$16.0 million mortgage note with stated rate of 7.20%)(3)	16,446			16,912		
5.610% mortgage note, due January 2011 (includes unamortized premium of \$73,000 on \$2.7 million mortgage note with stated rate of 7.61%)	2,780			2,887		
7.290% mortgage note, repaid February 2009	-			5,144		
<b>Total mortgage notes payable(1)</b>	<b>52,887</b>	<b>2.3%</b>	<b>5.81%</b>	<b>59,308</b>	<b>2.8%</b>	<b>5.94%</b>
<b>Total debt</b>	<b>52,887</b>	<b>2.3%</b>	<b>5.81%</b>	<b>59,308</b>	<b>2.8%</b>	<b>5.94%</b>
<b>Preferred Equity</b>						
7.950% Series G preferred operating partnership units (800,000 units outstanding as of 12/31/09) callable 10/30/07	20,000			20,000		
7.000% Series H preferred stock (6,340,776 depository shares outstanding as of 12/31/09) callable 1/30/09	158,520			205,000		
6.875% Series I preferred stock (2,745,050 depository share outstanding as of 12/31/09) callable 4/21/09	68,626			75,000		
7.500% Series J preferred operating partnership units (1,710,000 units outstanding as of 12/31/09) callable 5/27/09	42,750			42,750		
7.950% Series K preferred stock (2,165,000 depository shares outstanding as of 12/31/09) callable 6/30/09	54,125			57,500		
7.600% Series L preferred stock (1,935,000 depository shares outstanding as of 12/31/09) callable 8/31/09	48,375			57,500		
7.200% Series M preferred stock (3,182,000 depository shares outstanding as of 12/31/09) callable 5/2/10	79,550			82,500		
7.125% Series N preferred operating partnership units (223,300 units outstanding as of 12/31/09) callable 12/12/10	5,583			20,000		
7.375% Series O preferred stock (3,384,000 depository shares outstanding as of 12/31/09) callable 6/16/11	84,600			95,000		
6.700% Series P preferred stock (5,290,000 depository shares outstanding as of 12/31/09) callable 1/17/12	132,250			133,750		
6.550% Series Q preferred operating partnership units (203,400 units outstanding as of 12/31/09) callable 3/12/12	5,085			12,000		
<b>Total preferred equity</b>	<b>699,464</b>	<b>29.9%</b>	<b>7.17%</b>	<b>801,000</b>	<b>38.1%</b>	<b>7.16%</b>
<b>Total debt and preferred equity</b>	<b>752,351</b>	<b>32.2%</b>	<b>7.07%</b>	<b>860,308</b>	<b>40.9%</b>	<b>7.07%</b>
Common stock (24,399,509 and 20,459,916 shares outstanding as of December 31, 2009 and December 31, 2008, respectively)	1,221,195			913,740		
Common operating partnership units (7,305,355 units outstanding as of December 31, 2009 and December 31, 2008)	365,633			326,257		
<b>Total common equity(2)</b>	<b>1,586,828</b>	<b>67.8%</b>		<b>1,239,997</b>	<b>59.1%</b>	
<b>Total market capitalization</b>	<b>\$ 2,339,179</b>	<b>100.0%</b>		<b>\$ 2,100,305</b>	<b>100.0%</b>	

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

	Principal Maturity Dates						
	2010	2011	2012	2013	2014	Thereafter	Total
Rose Canyon	\$ 277	\$ 293	\$ 309	\$ 13,127	\$ -	\$ -	14,006
Meadows (3)	278	298	318	345	371	14,409	16,019
Boca	247	261	275	9,036	-	-	9,819
Wellington I	47	2,660	-	-	-	-	2,707
Wellington II	242	257	272	9,065	-	-	9,836
Meadows Loan Premium	218	209	-	-	-	-	427
Wellington I Loan Premium	67	6	-	-	-	-	73
	<b>\$ 1,376</b>	<b>\$ 3,984</b>	<b>\$ 1,174</b>	<b>\$ 31,573</b>	<b>\$ 371</b>	<b>\$ 14,409</b>	<b>\$ 52,887</b>

(2) Closing stock price was \$50.05 and \$44.66 as of December 31, 2009 and December 31, 2008, respectively.

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

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

	12/31/09	12/31/08	Increase (Decrease)	% Change
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 208,229	\$ 55,015	\$ 153,214	(a) 278.5%
Real estate facilities, at cost:				
Land	493,709	493,709	-	-
Buildings and equipment	1,528,044	1,510,012	18,032	1.2%
	2,021,753	2,003,721	18,032	0.9%
Accumulated depreciation	(707,209)	(633,971)	73,238	11.6%
	1,314,544	1,369,750	(55,206)	(b) (4.0%)
Properties held for disposition, net	4,260	4,635	(375)	(c) (8.1%)
Land held for development	6,829	7,869	(1,040)	(d) (13.2%)
	1,325,633	1,382,254	(56,621)	(4.1%)
Rent receivable	2,504	2,055	449	(e) 21.8%
Deferred rent receivable	21,596	21,633	(37)	(0.2%)
Other assets	6,860	8,366	(1,506)	(f) (18.0%)
Total assets	\$ 1,564,822	\$ 1,469,323	\$ 95,499	6.5%
<b><u>LIABILITIES AND EQUITY</u></b>				
Accrued and other liabilities	\$ 46,298	\$ 46,428	\$ (130)	(g) (0.3%)
Mortgage notes payable	52,887	59,308	(6,421)	(10.8%)
Total liabilities	99,185	105,736	(6,551)	(6.2%)
Equity:				
PS Business Parks, Inc.'s shareholders' equity:				
Preferred stock	626,046	706,250	(80,204)	(11.4%)
Common stock	243	204	39	19.1%
Paid-in capital	548,393	363,587	184,806	(h) 50.8%
Cumulative net income	699,291	622,113	77,178	12.4%
Cumulative distributions	(658,294)	(571,340)	86,954	(i) 15.2%
Total PS Business Parks, Inc.'s shareholders' equity	1,215,679	1,120,814	94,865	8.5%
Noncontrolling interests:				
Preferred units	73,418	94,750	(21,332)	(22.5%)
Common units	176,540	148,023	28,517	19.3%
Total noncontrolling interests:	249,958	242,773	7,185	3.0%
Total equity	1,465,637	1,363,587	102,050	7.5%
Total liabilities and equity	\$ 1,564,822	\$ 1,469,323	\$ 95,499	6.5%

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

<b>(a) Change in cash and cash equivalents:</b>			
Beginning cash balance		\$	55,015
Net cash provided by operating activities			179,625
Net cash used in investing activities			(26,956)
Net cash provided by financing activities			545
Ending cash balance		\$	<u>208,229</u>
<b>(b) Change in real estate facilities, at cost:</b>			
Beginning balance		\$	1,369,750
Property renovations			1,168
Recurring capital improvements			6,853
Tenant improvements			16,495
Lease commissions			4,782
Depreciation and amortization			(84,504)
Ending balance		\$	<u>1,314,544</u>
<b>(c) Change in properties held for disposition, net:</b>			
Beginning balance		\$	4,635
Depreciation, net of capital expenditures			(375)
Ending balance		\$	<u>4,260</u>
<b>(d) Change in land held for development:</b>			
Beginning balance		\$	7,869
Sale of land			(1,040)
Ending balance		\$	<u>6,829</u>
<b>(e) Rent receivable consists of:</b>			
	12/31/09	12/31/08	Increase (Decrease)
U.S. Government tenants	\$ 1,071	\$ 960	\$ 111
Other	1,833	1,395	438
Allowance for bad debt	(400)	(300)	(100)
	<u>\$ 2,504</u>	<u>\$ 2,055</u>	<u>\$ 449</u>
<b>(f) Other assets consist of:</b>			
	12/31/09	12/31/08	Increase (Decrease)
Prepaid insurance	\$ 861	\$ 1,032	\$ (171)
Prepaid property taxes	2,630	2,502	128
Lease incentives, net	654	1,285	(631)
Mortgage impounds	622	691	(69)
In-place lease adjustment, net	94	181	(87)
Other	1,999	2,675	(676)
	<u>\$ 6,860</u>	<u>\$ 8,366</u>	<u>\$ (1,506)</u>
<b>(g) Accrued and other liabilities consist of:</b>			
	12/31/09	12/31/08	Increase (Decrease)
Prepaid rent	\$ 10,578	\$ 9,156	\$ 1,422
Accrued property taxes	4,651	5,118	(467)
Security deposits	19,126	19,506	(380)
In-place lease adjustment and TI reimbursements, net	3,006	3,011	(5)
Other	8,937	9,637	(700)
	<u>\$ 46,298</u>	<u>\$ 46,428</u>	<u>\$ (130)</u>
<b>(h) Change in paid-in capital:</b>			
Beginning paid-in capital		\$	363,587
Issuance of common stock, net of costs			171,119
Repurchase of common stock			(230)
Gain on repurchase of preferred equity			39,002
Effect of redemption/repurchase of preferred equity			3,363
Stock compensation, net			1,015
Exercise of stock options			1,177
Adjustment to reflect noncontrolling interests to underlying ownership			(30,640)
Ending paid in capital		\$	<u>548,393</u>
<b>(i) Change in cumulative distributions:</b>			
Beginning cumulative distributions		\$	(571,340)
Distributions to preferred shareholders			(47,445)
Distributions to common shareholders			(39,509)
Ending cumulative distributions		\$	<u>(658,294)</u>



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

	For The Three Months Ended		Increase (Decrease)	% Change
	12/31/09	12/31/08		
<b>Revenues:</b>				
Rental income	\$ 67,565	\$ 70,836	\$ (3,271) (a)	(4.6%)
Facility management fees	176	178	(2)	(1.1%)
Total operating revenues	<u>67,741</u>	<u>71,014</u>	<u>(3,273)</u>	(4.6%)
<b>Expenses:</b>				
Cost of operations	20,905	21,104	(199)	(0.9%)
Depreciation and amortization	19,650	24,446	(4,796)	(19.6%)
General and administrative	1,275	2,018	(743) (b)	(36.8%)
Total operating expenses	<u>41,830</u>	<u>47,568</u>	<u>(5,738)</u>	(12.1%)
<b>Other income and expenses:</b>				
Interest and other income	155	443	(288)	(65.0%)
Interest expense	(866)	(981)	(115) (c)	(11.7%)
Total other income and expenses	<u>(711)</u>	<u>(538)</u>	<u>173</u>	32.2%
Income from continuing operations	<u>25,200</u>	<u>22,908</u>	<u>2,292</u>	10.0%
<b>Discontinued operations:</b>				
Income from discontinued operations	190	196	6	3.1%
Total discontinued operations	<u>190</u>	<u>196</u>	<u>6</u>	3.1%
Net income	<u>\$ 25,390</u>	<u>\$ 23,104</u>	<u>\$ 2,286</u>	9.9%
<b>Net income allocation:</b>				
Net income allocable to noncontrolling interests:				
Noncontrolling interests - common units	\$ 2,951	\$ 3,399	\$ (448)	(13.2%)
Noncontrolling interests - preferred units	1,382	1,751	(369)	(21.1%)
Total net income allocable to noncontrolling interests	<u>4,333</u>	<u>5,150</u>	<u>(817)</u>	(15.9%)
Net income allocable to PS Business Parks, Inc.:				
Common shareholders	9,855	9,533	322	3.4%
Preferred shareholders	11,155	8,361	2,794	33.4%
Restricted stock unit holders	47	60	(13)	(21.7%)
Total net income allocable to PS Business Parks, Inc.	<u>21,057</u>	<u>17,954</u>	<u>3,103</u>	17.3%
	<u>\$ 25,390</u>	<u>\$ 23,104</u>	<u>\$ 2,286</u>	9.9%
<b>Net income per common share - basic:</b>				
Continuing operations	\$ 0.38	\$ 0.46	\$ (0.08)	(17.4%)
Discontinued operations	\$ 0.03	\$ 0.01	\$ 0.02	200.0%
Net Income	\$ 0.40	\$ 0.47	\$ (0.07)	(14.9%)
<b>Net income per common share - diluted:</b>				
Continuing operations	\$ 0.38	\$ 0.46	\$ (0.08)	(17.4%)
Discontinued operations	\$ 0.03	\$ 0.01	\$ 0.02	200.0%
Net Income	\$ 0.40	\$ 0.46	\$ (0.06)	(13.0%)
<b>Weighted average common shares outstanding:</b>				
Basic	<u>24,393</u>	<u>20,459</u>	<u>3,934</u>	19.2%
Diluted	<u>24,550</u>	<u>20,584</u>	<u>3,966</u>	19.3%

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

	For The Three Months Ended		Increase (Decrease)
	12/31/09	12/31/08	
<b>(a) Rental income:</b>			
Same Park	\$ 67,926	\$ 71,392	\$ (3,466)
Same Park straight-line rent	(361)	(556)	195
	<u>\$ 67,565</u>	<u>\$ 70,836</u>	<u>\$ (3,271)</u>
<b>(b) General and administrative expenses:</b>			
Cash and non-cash compensation expense	\$ 820	\$ 1,522	\$ (702)
Professional fees	190	180	10
Other	265	316	(51)
	<u>\$ 1,275</u>	<u>\$ 2,018</u>	<u>\$ (743)</u>
<b>(c) Interest expense:</b>			
Mortgage notes payable	\$ (777)	\$ (892)	\$ (115)
Facilities fees & other charges	(89)	(89)	-
	<u>\$ (866)</u>	<u>\$ (981)</u>	<u>\$ (115)</u>

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

	For The Years Ended		Increase (Decrease)	% Change
	12/31/2009	12/31/2008		
<b>Revenues:</b>				
Rental income	\$ 270,957	\$ 281,115	\$ (10,158) (a)	(3.6%)
Facility management fees	698	728	(30)	(4.1%)
Total operating revenues	<u>271,655</u>	<u>281,843</u>	<u>(10,188)</u>	<u>(3.6%)</u>
<b>Expenses:</b>				
Cost of operations	85,912	87,182	(1,270)	(1.5%)
Depreciation and amortization	84,504	99,317	(14,813)	(14.9%)
General and administrative	6,202	8,099	(1,897) (b)	(23.4%)
Total operating expenses	<u>176,618</u>	<u>194,598</u>	<u>(17,980)</u>	<u>(9.2%)</u>
<b>Other income and expenses:</b>				
Interest and other income	536	1,457	(921)	(63.2%)
Interest expense	(3,552)	(3,952)	(400) (c)	(10.1%)
Total other income and expenses	<u>(3,016)</u>	<u>(2,495)</u>	<u>521</u>	<u>20.9%</u>
Income from continuing operations	<u>92,021</u>	<u>84,750</u>	<u>7,271</u>	<u>8.6%</u>
<b>Discontinued operations:</b>				
Income from discontinued operations	830	597	233	39.0%
Gain on sale of land	1,488	-	1,488	100.0%
Total discontinued operations	<u>2,318</u>	<u>597</u>	<u>1,721</u>	<u>288.3%</u>
Net income	<u>\$ 94,339</u>	<u>\$ 85,347</u>	<u>\$ 8,992</u>	<u>10.5%</u>
<b>Net income allocation:</b>				
Net income allocable to noncontrolling interests:				
Noncontrolling interests - common units	\$ 19,730	\$ 8,296	\$ 11,434	137.8%
Noncontrolling interests - preferred units	(2,569)	7,007	(9,576)	(136.7%)
Total net income allocable to noncontrolling interests	<u>17,161</u>	<u>15,303</u>	<u>1,858</u>	<u>12.1%</u>
Net income allocable to PS Business Parks, Inc.:				
Common shareholders	59,413	23,179	36,234	156.3%
Preferred shareholders	17,440	46,630	(29,190)	(62.6%)
Restricted stock unit holders	325	235	90	38.3%
Total net income allocable to PS Business Parks, Inc.	<u>77,178</u>	<u>70,044</u>	<u>7,134</u>	<u>10.2%</u>
	<u>\$ 94,339</u>	<u>\$ 85,347</u>	<u>\$ 8,992</u>	<u>10.5%</u>
<b>Net income per common share - basic:</b>				
Continuing operations	\$ 2.62	\$ 1.11	\$ 1.51	136.0%
Discontinued operations	\$ 0.08	\$ 0.02	\$ 0.06	300.0%
Net Income	\$ 2.70	\$ 1.13	\$ 1.57	138.9%
<b>Net income per common share - diluted:</b>				
Continuing operations	\$ 2.61	\$ 1.10	\$ 1.51	137.3%
Discontinued operations	\$ 0.08	\$ 0.02	\$ 0.06	300.0%
Net Income	\$ 2.68	\$ 1.12	\$ 1.56	139.3%
<b>Weighted average common shares outstanding:</b>				
Basic	<u>21,998</u>	<u>20,443</u>	<u>1,555</u>	<u>7.6%</u>
Diluted	<u>22,128</u>	<u>20,618</u>	<u>1,510</u>	<u>7.3%</u>

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

	For The Years Ended		Increase (Decrease)
	12/31/09	12/31/08	
<b>(a) Rental income:</b>			
Same Park	\$ 271,029	\$ 281,334	\$ (10,305)
Same Park straight-line rent	(72)	(219)	147
	<u>\$ 270,957</u>	<u>\$ 281,115</u>	<u>\$ (10,158)</u>
<b>(b) General and administrative expenses:</b>			
Cash and non-cash compensation expense	\$ 4,282	\$ 6,188	\$ (1,906)
Professional fees	793	727	66
Other	1,127	1,184	(57)
	<u>\$ 6,202</u>	<u>\$ 8,099</u>	<u>\$ (1,897)</u>
<b>(c) Interest expense:</b>			
Mortgage notes payable	\$ (3,199)	\$ (3,599)	\$ (400)
Facilities fees & other charges	(353)	(353)	-
	<u>\$ (3,552)</u>	<u>\$ (3,952)</u>	<u>\$ (400)</u>

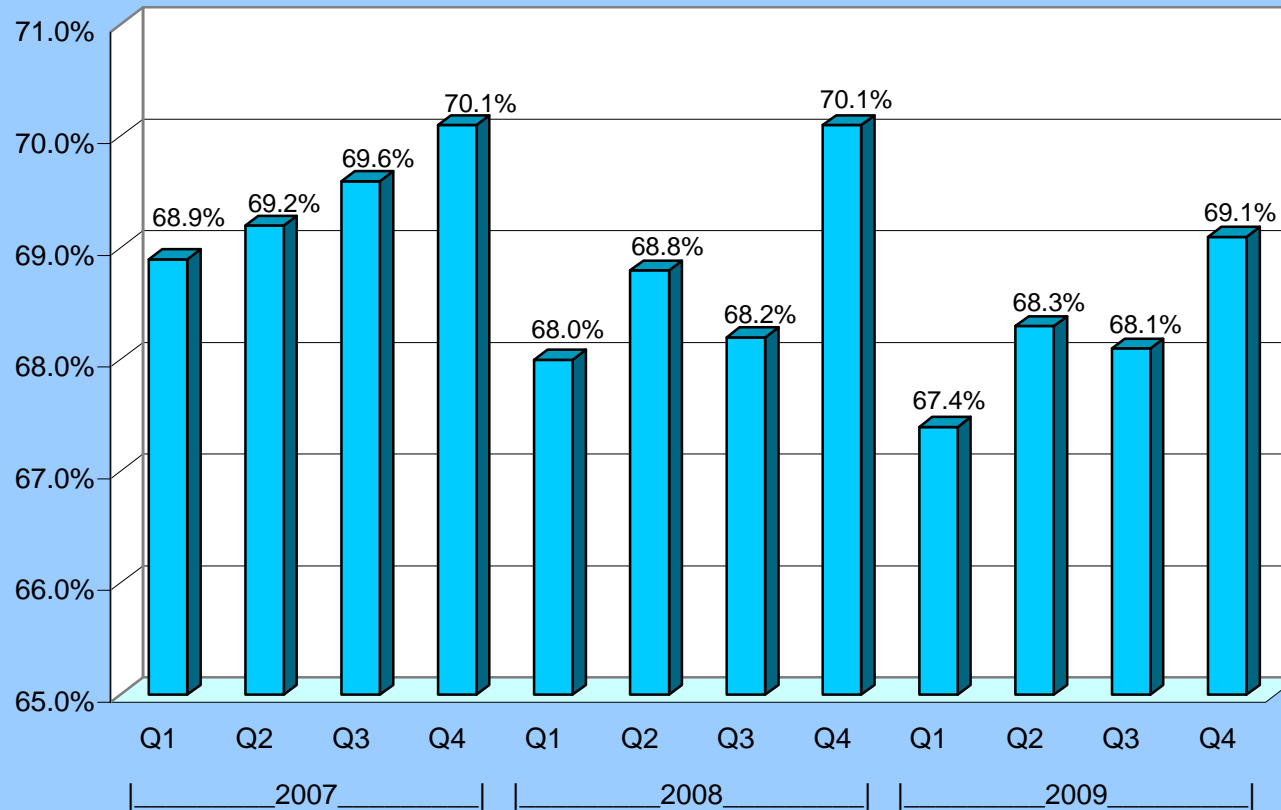
**PS BUSINESS PARKS, INC.**  
**Analysis of Capital Expenditures**  
(in thousands, except per square foot data)

<u>Recurring capital expenditures</u> <sup>(1)</sup>	<u>For The Year Ended December 31, 2009</u>	<u>Cost per Weighted Average Square Foot</u>
Capital improvements <sup>(2)</sup>	\$6,853	\$0.35
Tenant improvements	16,613	\$0.85
Lease commissions	4,879	\$0.25
Total recurring capital expenditures	<u>\$28,345</u>	\$1.45
 <u>Non-recurring capital expenditures</u>		
Property renovations and development	\$1,168	
Total non-recurring capital expenditures	<u>\$1,168</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 \$19.3 million or approximately \$0.99 per weighted average square foot for the year ended December 31, 2009 compared to \$20.2 million or approximately \$1.03 per weighted average square foot for the year ended December 31, 2008.

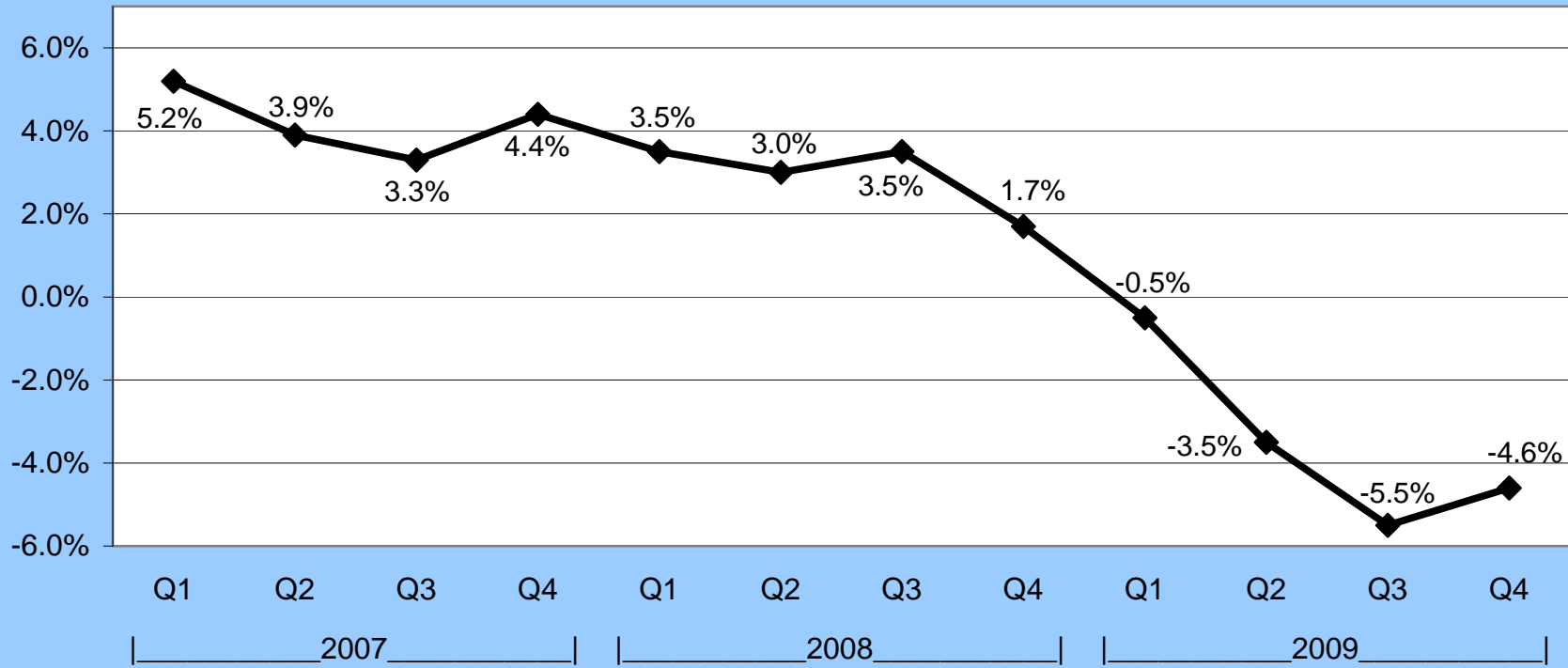
(2) Major costs include roof, HVAC and parking lot replacement as well as other major repairs that extend the life of the respective components of the building.

## Same Park Gross Operating Margin Percentage \*



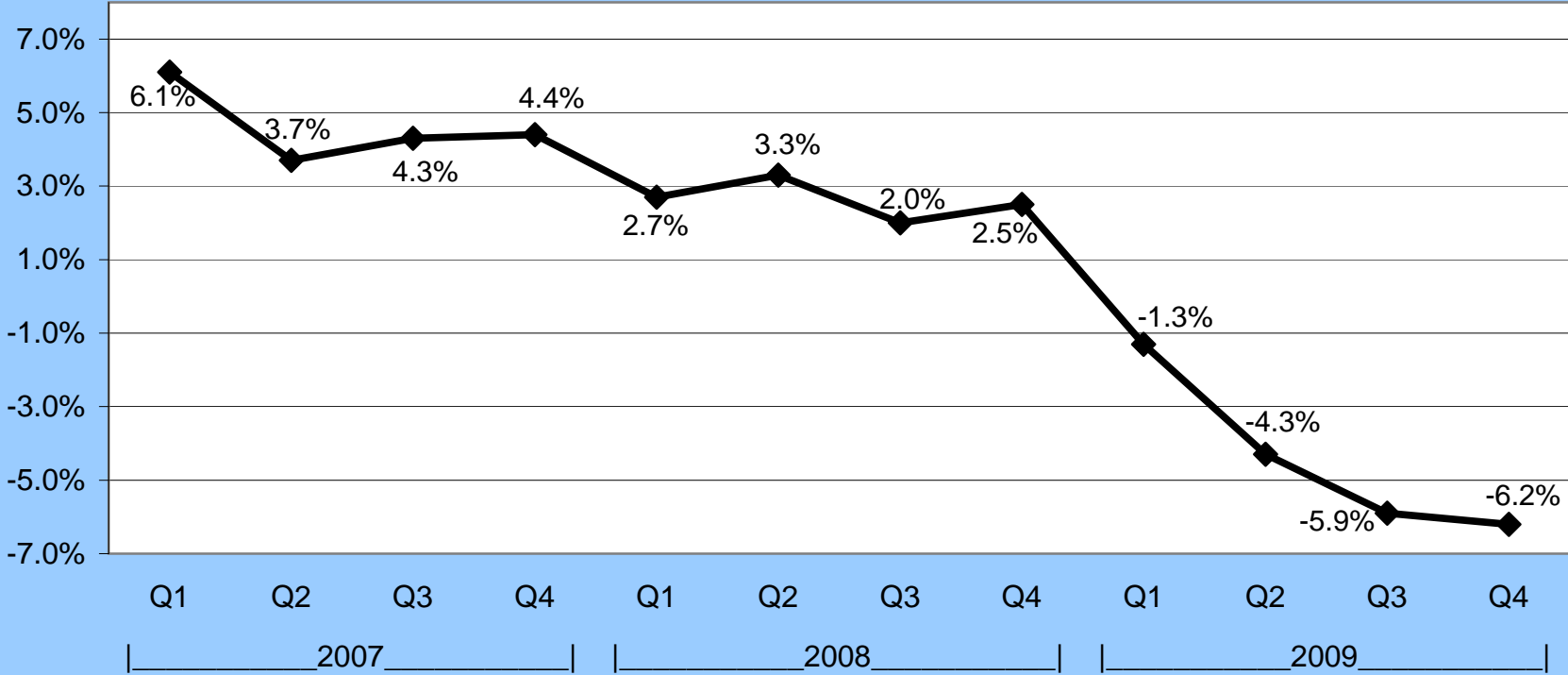
\* Gross margin is computed by dividing property net operating income by rental income for Same Park properties in each period.

## 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. Q1 '07 excludes the effect of a \$1.8 million bankruptcy settlement received in Q1 '06.

## 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. Q1 '07 excludes the effect of a \$1.8 million bankruptcy settlement received in Q1 '06.



**PS BUSINESS PARKS, INC.**

**TOTAL PORTFOLIO CONCENTRATION SUMMARY <sup>(1)</sup>**  
**(in thousands)**

Industry Concentration as of December 31, 2009

Industry	% of Total Rental Income
Business Services	14.7%
Health Services	11.4%
Computer Hardware, Software and Related Services	9.3%
Warehouse, Distribution, Transportation and Logistics	8.7%
Government	8.5%
Engineering and Construction	7.2%
Insurance and Financial Services	7.1%
Retail, Food and Automotive	6.9%
Communications	5.2%
Home Furnishings	3.9%
Electronics	3.5%
Educational Services	2.7%
Aerospace/Defense Products and Services	2.5%
Other	8.4%
<b>Total</b>	<b>100.0%</b>

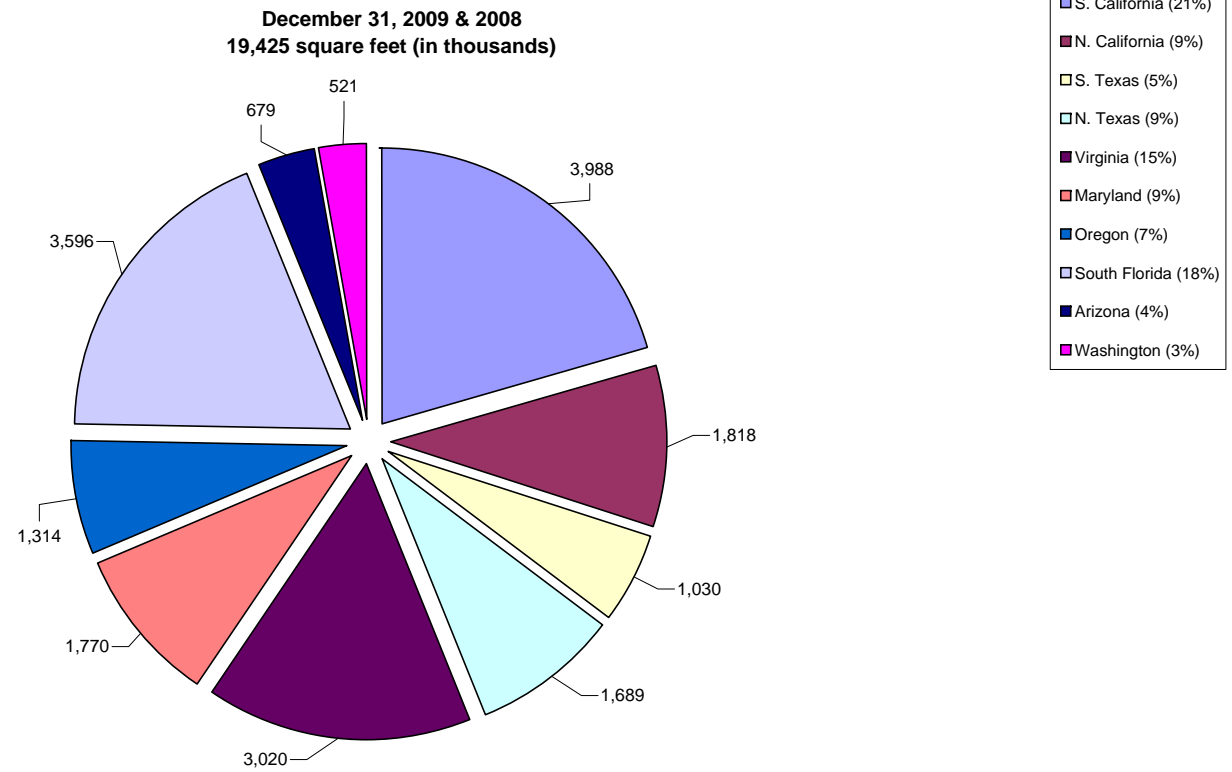
Top 10 Customers by Total Annual Rental Income as of December 31, 2009

Tenant	Square Footage	Annualized Rental Income <sup>(2)</sup>	% of Total Annualized Rental Income
U.S. Government	507	\$ 12,663	4.6%
Kaiser Permanente	186	4,615	1.7%
Wells Fargo Bank	101	1,767	0.6%
AARP	102	1,739	0.6%
American Intercontinental University	75	1,450	0.6%
Welch Allyn Protocol, Inc.	91	1,420	0.5%
Verizon	72	1,382	0.5%
Montgomery County Public School	47	1,366	0.5%
Intel Corporation	94	1,307	0.5%
Symantec Corporation	73	1,243	0.5%
<b>Total</b>	<b>1,348</b>	<b>\$ 28,952</b>	<b>10.6%</b>

(1) - Tables exclude discontinued operations.

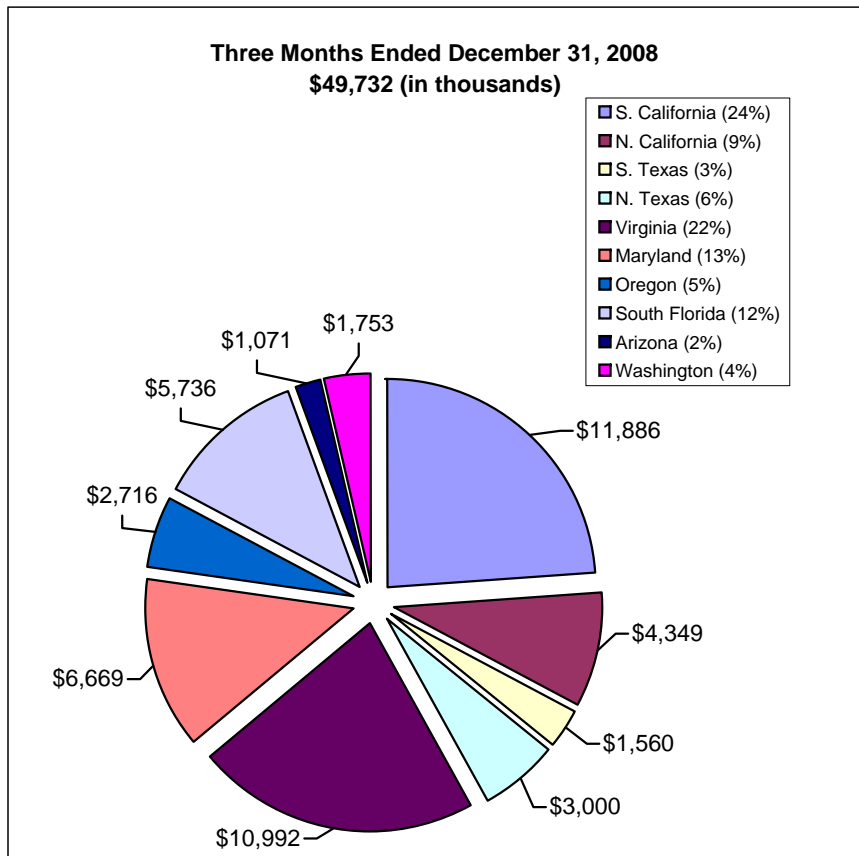
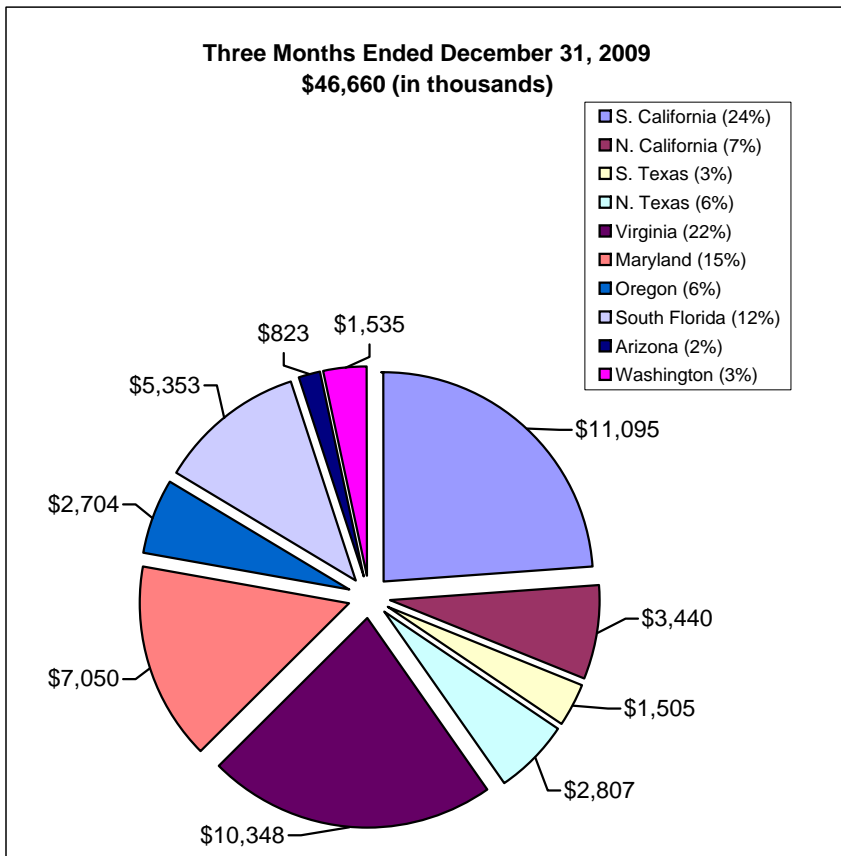
(2) - For leases expiring within one year, annualized rental income represents income to be received under existing leases from December 31, 2009 through date of expiration.

### Total Rentable Square Footage by Region \*



\* Excludes discontinued operations.

### Total Property Net Operating Income by Region \*



\* Excludes discontinued operations.

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

Rentable Square Footage of Properties as of December 31, 2009					
Primary Markets	Industrial	Office	Flex	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%
<b>Total</b>	<b>3,906</b>	<b>3,351</b>	<b>12,168</b>	<b>19,425</b>	<b>100.0%</b>
Percentage by Product Type	20.1%	17.3%	62.6%	100.0%	

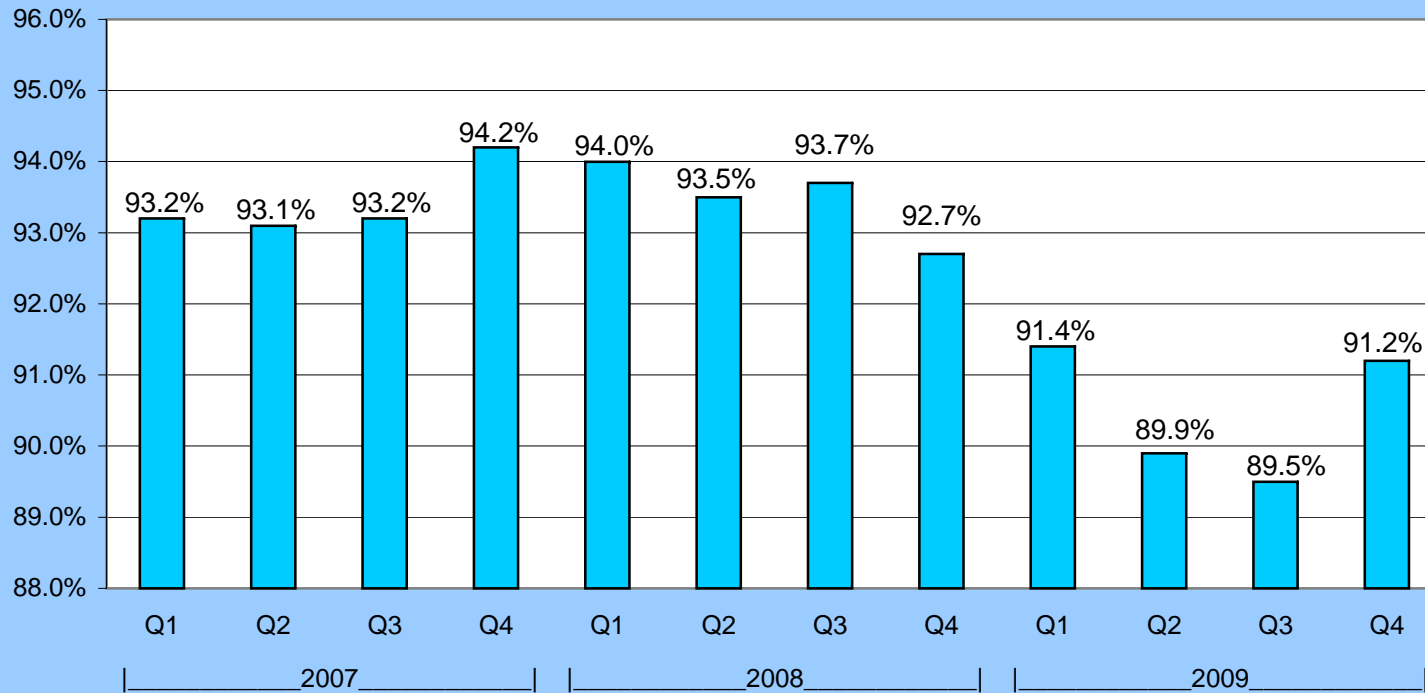
Weighted Average Occupancy Rates by Product Type for the Three Months Ended December 31, 2009				
Primary Markets	Industrial	Office	Flex	Total
Miami	97.3%	100.0%	87.9%	95.5%
Northern Virginia	-	96.3%	93.6%	94.6%
Northern California	98.8%	83.2%	81.0%	85.5%
Maryland	-	98.0%	88.3%	93.1%
Dallas	100.0%	-	89.9%	91.3%
Orange County	-	84.5%	94.8%	90.3%
Los Angeles County	99.3%	86.1%	90.2%	94.1%
Portland	-	74.6%	81.8%	80.8%
Austin	-	-	88.3%	88.3%
San Diego County	-	-	96.1%	96.1%
Phoenix	-	-	83.0%	83.0%
Seattle	-	80.8%	86.1%	85.8%
Palm Beach	-	-	89.8%	89.8%
Houston	-	-	91.0%	91.0%
<b>Total</b>	<b>98.0%</b>	<b>91.1%</b>	<b>89.0%</b>	<b>91.2%</b>

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended December 31, 2009			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	95.2%	97.4%	95.5%
Northern Virginia	93.7%	96.2%	94.6%
Northern California	85.0%	86.0%	85.5%
Maryland	93.1%	93.6%	93.1%
Dallas	91.8%	88.9%	91.3%
Orange County	89.7%	90.9%	90.3%
Los Angeles County	99.3%	90.0%	94.1%
Portland	81.3%	78.3%	80.8%
Austin	90.0%	83.1%	88.3%
San Diego County	-	96.1%	96.1%
Phoenix	-	83.0%	83.0%
Seattle	-	85.8%	85.8%
Palm Beach	-	89.8%	89.8%
Houston	-	91.0%	91.0%
<b>Total</b>	<b>91.8%</b>	<b>90.1%</b>	<b>91.2%</b>

**Note:**

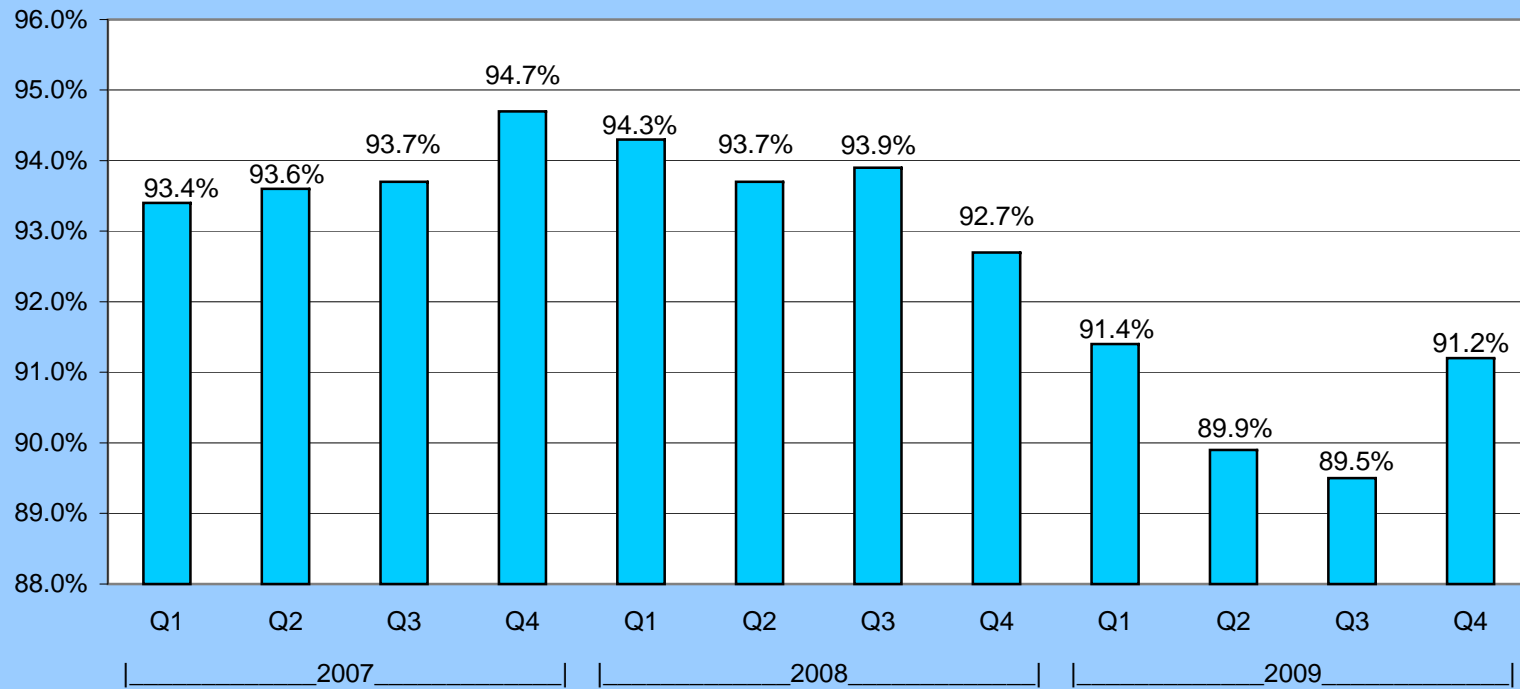
The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet while the "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

## Total Portfolio Weighted Average Occupancy \*



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

## Same Park Weighted Average Occupancy \*



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

**PS BUSINESS PARKS, INC.**

**Total Portfolio Lease Expirations as of December 31, 2009 \***

(in thousands)

Lease Expirations - Flex				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	2,660	\$ 39,108	22.8%	14.0%
2011	2,875	44,265	25.8%	15.8%
2012	2,093	32,709	19.0%	11.7%
2013	1,309	20,236	11.8%	7.2%
2014	984	15,975	9.3%	5.7%
Thereafter	931	19,340	11.3%	7.0%
<b>Total</b>	<b>10,852</b>	<b>\$ 171,633</b>	<b>100.0%</b>	<b>61.4%</b>

Lease Expirations - Office				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	653	\$ 15,226	20.0%	5.5%
2011	809	19,840	26.1%	7.1%
2012	594	14,928	19.7%	5.4%
2013	394	9,851	13.0%	3.5%
2014	293	7,172	9.4%	2.5%
Thereafter	314	8,977	11.8%	3.2%
<b>Total</b>	<b>3,057</b>	<b>\$ 75,994</b>	<b>100.0%</b>	<b>27.2%</b>

Lease Expirations - Industrial				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	802	\$ 6,494	20.4%	2.3%
2011	891	7,567	23.8%	2.7%
2012	750	6,184	19.4%	2.2%
2013	713	5,784	18.2%	2.1%
2014	498	3,825	12.0%	1.4%
Thereafter	232	1,959	6.2%	0.7%
<b>Total</b>	<b>3,886</b>	<b>\$ 31,813</b>	<b>100.0%</b>	<b>11.4%</b>

Lease Expirations - Total				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2010	4,115	\$ 60,828	21.8%	21.8%
2011	4,575	71,672	25.6%	25.6%
2012	3,437	53,821	19.3%	19.3%
2013	2,416	35,871	12.8%	12.8%
2014	1,775	26,972	9.6%	9.6%
Thereafter	1,477	30,276	10.9%	10.9%
<b>Total</b>	<b>17,795</b>	<b>\$ 279,440</b>	<b>100.0%</b>	<b>100.0%</b>

\* Amounts excludes discontinued operations

**PS BUSINESS PARKS, INC.**

**Total Portfolio Lease Expirations as of December 31, 2009 \***

**(in thousands)**

Southern California					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	1,097	\$ 18,556	28.6%	6.6%	
2011	1,078	16,876	26.0%	6.0%	
2012	588	10,928	16.8%	3.9%	
2013	408	7,216	11.1%	2.6%	
2014	312	4,991	7.7%	1.8%	
Thereafter	248	6,386	9.8%	2.3%	
<b>Total</b>	<b>3,731</b>	<b>\$ 64,953</b>	<b>100.0%</b>	<b>23.2%</b>	

Northern California					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	406	\$ 5,453	26.4%	2.0%	
2011	396	5,366	26.0%	1.9%	
2012	384	4,356	21.1%	1.6%	
2013	168	2,515	12.2%	0.9%	
2014	172	1,784	8.6%	0.6%	
Thereafter	85	1,174	5.7%	0.4%	
<b>Total</b>	<b>1,611</b>	<b>\$ 20,648</b>	<b>100.0%</b>	<b>7.4%</b>	

Southern Texas					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	236	\$ 2,543	26.0%	0.9%	
2011	183	2,156	22.0%	0.8%	
2012	165	1,771	18.1%	0.6%	
2013	106	953	9.7%	0.3%	
2014	103	1,289	13.1%	0.5%	
Thereafter	93	1,083	11.1%	0.4%	
<b>Total</b>	<b>886</b>	<b>\$ 9,795</b>	<b>100.0%</b>	<b>3.5%</b>	

Northern Texas					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	308	\$ 2,977	17.1%	1.1%	
2011	193	2,186	12.5%	0.8%	
2012	339	4,433	25.5%	1.6%	
2013	317	2,782	16.0%	1.0%	
2014	301	3,723	21.4%	1.3%	
Thereafter	88	1,313	7.5%	0.5%	
<b>Total</b>	<b>1,546</b>	<b>\$ 17,414</b>	<b>100.0%</b>	<b>6.3%</b>	



**PS BUSINESS PARKS, INC.**

**Total Portfolio Lease Expirations as of December 31, 2009 \***

**(in thousands)**

South Florida					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	839	\$ 7,538	23.5%	2.7%	
2011	878	8,382	26.1%	3.0%	
2012	710	6,756	21.1%	2.4%	
2013	507	4,904	15.3%	1.8%	
2014	304	2,870	9.0%	1.0%	
Thereafter	180	1,607	5.0%	0.6%	
Total	3,418	\$ 32,057	100.0%	11.5%	

Northern Virginia					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	610	\$ 13,166	21.6%	4.7%	
2011	473	9,275	15.2%	3.3%	
2012	615	13,131	21.6%	4.7%	
2013	462	8,909	14.6%	3.2%	
2014	272	6,494	10.7%	2.3%	
Thereafter	411	9,888	16.3%	3.5%	
Total	2,843	\$ 60,863	100.0%	21.7%	

Maryland					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	198	\$ 4,567	11.2%	1.6%	
2011	610	15,367	37.8%	5.5%	
2012	302	7,621	18.7%	2.7%	
2013	132	3,184	7.8%	1.1%	
2014	169	3,295	8.1%	1.2%	
Thereafter	244	6,650	16.4%	2.4%	
Total	1,655	\$ 40,684	100.0%	14.5%	

Oregon					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	138	\$ 2,217	11.7%	0.8%	
2011	473	8,004	42.2%	2.9%	
2012	101	1,732	9.1%	0.6%	
2013	192	3,377	17.8%	1.2%	
2014	97	1,810	9.5%	0.7%	
Thereafter	107	1,832	9.7%	0.7%	
Total	1,108	\$ 18,972	100.0%	6.9%	

**PS BUSINESS PARKS, INC.**

**Total Portfolio Lease Expirations as of December 31, 2009 \***

**(in thousands)**

Washington					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	100	\$ 1,795	22.3%	0.7%	
2011	147	2,584	32.1%	0.9%	
2012	79	1,524	18.9%	0.6%	
2013	72	1,438	17.8%	0.5%	
2014	17	418	5.2%	0.1%	
Thereafter	17	295	3.7%	0.1%	
<b>Total</b>	<b>432</b>	<b>\$ 8,054</b>	<b>100.0%</b>	<b>2.9%</b>	

Arizona					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	183	\$ 2,016	33.6%	0.7%	
2011	144	1,476	24.6%	0.5%	
2012	154	1,569	26.1%	0.6%	
2013	52	593	9.9%	0.2%	
2014	28	298	5.0%	0.1%	
Thereafter	4	48	0.8%	0.0%	
<b>Total</b>	<b>565</b>	<b>\$ 6,000</b>	<b>100.0%</b>	<b>2.1%</b>	

Total					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2010	4,115	\$ 60,828	21.8%	21.8%	
2011	4,575	71,672	25.6%	25.6%	
2012	3,437	53,821	19.3%	19.3%	
2013	2,416	35,871	12.8%	12.8%	
2014	1,775	26,972	9.6%	9.6%	
Thereafter	1,477	30,276	10.9%	10.9%	
<b>Total</b>	<b>17,795</b>	<b>\$ 279,440</b>	<b>100.0%</b>	<b>100.0%</b>	

\* Amounts excludes discontinued operations

**PS BUSINESS PARKS, INC.**

**Total Portfolio Lease Expirations as of December 31, 2009 \***

**(in thousands)**

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2010	1,888	\$	26,178	15.8%	9.4%
2011	2,637		41,048	24.7%	14.7%
2012	2,139		31,867	19.2%	11.4%
2013	1,789		23,827	14.4%	8.5%
2014	1,355		18,856	11.4%	6.7%
Thereafter	1,207		24,217	14.5%	8.8%
<b>Total</b>	<b>11,015</b>	<b>\$</b>	<b>165,993</b>	<b>100.0%</b>	<b>59.5%</b>

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2010	2,227	\$	34,650	30.5%	12.4%
2011	1,938		30,624	27.0%	10.9%
2012	1,298		21,954	19.3%	7.9%
2013	627		12,044	10.6%	4.3%
2014	420		8,116	7.2%	2.9%
Thereafter	270		6,059	5.4%	2.1%
<b>Total</b>	<b>6,780</b>	<b>\$</b>	<b>113,447</b>	<b>100.0%</b>	<b>40.5%</b>

Lease Expirations - Total					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2010	4,115	\$	60,828	21.8%	21.8%
2011	4,575		71,672	25.6%	25.6%
2012	3,437		53,821	19.3%	19.3%
2013	2,416		35,871	12.8%	12.8%
2014	1,775		26,972	9.6%	9.6%
Thereafter	1,477		30,276	10.9%	10.9%
<b>Total</b>	<b>17,795</b>	<b>\$</b>	<b>279,440</b>	<b>100.0%</b>	<b>100.0%</b>

\* Amounts excludes discontinued operations