



**PS BUSINESS PARKS, INC.  
Letter to Shareholders**

701 Western Avenue  
Glendale, California 91201-2349  
(818) 244-8080  
www.psbusinessparks.com

Enclosed is your copy of the Form 1099-DIV for the tax year ended December 31, 2000.

For the tax year ended December 31, 2000, distributions for the common stock and 9 1/4% Cumulative Preferred Stock, Series A were all ordinary income for the first quarter. For the second, third and fourth quarters of 2000, distributions were a combination of ordinary income, long-term capital gain and Unrecaptured Section 1250 Gain.

Your Company has elected to be taxed as a real estate investment trust; therefore, the dividends do not qualify for the dividends received deduction that generally applies to corporate shareholders. The percentage of ordinary income and long-term capital gain reported on Form 1099-DIV was as follows:

|                        | 2000        |             |             |             |
|------------------------|-------------|-------------|-------------|-------------|
|                        | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
| Ordinary Income        | 100.00%     | 96.03%      | 95.79%      | 78.48%      |
| Long-Term Capital Gain | 0.00%       | 3.97%       | 4.21%       | 21.52%      |
| Total                  | 100.00%     | 100.00%     | 100.00%     | 100.00%     |

A percentage of the long-term capital gain was designated as unrecaptured section 1250 gain for the second, third and fourth quarters of 2000, reported on Form 1099-DIV as follows:

|                                | Percentage of Total Long-Term Capital Gain Distribution<br>2000 |             |             |             |
|--------------------------------|---|-------------|-------------|-------------|
|                                | 1st Quarter   | 2nd Quarter | 3rd Quarter | 4th Quarter |
| Unrecaptured Section 1250 Gain | 0.00%   | 17.18%      | 17.18%      | 3.37%       |

Alternative minimum tax

Alternative minimum tax adjustments are to be apportioned between a real estate investment trust ("REIT") and its shareholders under Internal Revenue Code Section 59(d). Although regulations have not yet been issued under that provision, based on regulations issued pursuant to a similar provision of prior law and the legislative history of the current provision, it appears that such alternative minimum tax adjustments are to be apportioned to a REIT's shareholders to the extent that the REIT distributes its regular taxable income. It is the Company's policy to distribute all of its regular taxable income and accordingly, all of the Company's alternative minimum tax adjustments are being apportioned to the Company's shareholders.

The Company has determined that 8.19% of each distribution to its shareholders for the tax year ended December 31, 2000 consists of alternative minimum tax adjustments (*i.e.*, for each \$1 of ordinary dividend reportable by a shareholder, 8.19¢ represents an alternative minimum tax adjustment). To determine your share of the Company's alternative minimum tax adjustments, multiply the aggregate dollar amount of your reportable 2000 ordinary dividends from the Company (the sum of the amounts shown in Box 1 of the Company's 1099-DIV) times 8.19%.

If you are an individual, please refer to Internal Revenue Service Form 6251, Alternative Minimum Tax-Individuals. Your share of alternative minimum tax adjustments should be input as a positive amount in Part I, Line 8 (post-1986 depreciation; difference between regular tax and AMT depreciation). If you are a corporation, please refer to Internal Revenue Service Form 4626, Alternative Minimum Tax-Corporations. Your share of alternative minimum tax adjustments should be input as a positive amount in Line 2, letter "a" (depreciation of post-1986 property).

If you have questions, please consult your tax advisor for further guidance.

Ronald L. Havner, Jr.  
Chairman of the Board  
January 31, 2001

IMPORTANT TAX RETURN DOCUMENT ENCLOSED