



PSBUSINESSPARKSSM

**Analysis of Operating Results
and Financial Condition**

December 31, 2017

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION FOR
THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2017**

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PS BUSINESS PARKS, INC.
FOURTH QUARTER FACT SHEET ⁽¹⁾
(in thousands, except per share amounts)

NET OPERATING INCOME

	For The Three Months Ended			For The Years Ended		
	12/31/17	12/31/16	% Change	12/31/17	12/31/16	% Change
Rental income:						
Same Park ⁽²⁾	\$ 97,634	\$ 92,962	5.0%	\$ 386,133	\$ 369,000	4.6%
Non-Same Park ⁽³⁾	519	287	80.8%	1,495	296	405.1%
Total rental income	98,153	93,249	5.3%	387,628	369,296	5.0%
Cost of operations:						
Same Park ⁽²⁾	29,810	27,879	6.9%	115,574	112,929	2.3%
Non-Same Park ⁽³⁾	455	286	59.1%	1,373	289	375.1%
Total cost of operations	30,265	28,165	7.5%	116,947	113,218	3.3%
Net operating income:						
Same Park ⁽²⁾	67,824	65,083	4.2%	270,559	256,071	5.7%
Non-Same Park ⁽³⁾	64	1	6,300.0%	122	7	1,642.9%
Total net operating income	\$ 67,888	\$ 65,084	4.3%	\$ 270,681	\$ 256,078	5.7%

FUNDS FROM OPERATIONS

	For The Three Months Ended			For The Years Ended		
	12/31/17	12/31/16	% Change	12/31/17	12/31/16	% Change
FFO allocable to common and dilutive shares - as reported	\$ 48,896	\$ 41,097	19.0%	\$ 203,341	\$ 179,882	13.0%
Preferred redemption charge	4,078	7,312	(44.2%)	10,978	7,312	50.1%
Net impact due to changes in senior management ⁽⁴⁾	-	-	-	(414)	2,018	(120.5%)
Acquisition transaction costs	-	-	-	-	328	(100.0%)
Lease buyout payment	-	-	-	-	(528)	(100.0%)
Core FFO allocable to common and dilutive shares	\$ 52,974	\$ 48,409	9.4%	\$ 213,905	\$ 189,012	13.2%
FFO per common and dilutive share - as reported	\$ 1.40	\$ 1.18	18.6%	\$ 5.83	\$ 5.17	12.8%
Core FFO per common and dilutive share	\$ 1.52	\$ 1.39	9.4%	\$ 6.13	\$ 5.44	12.7%
Weighted average common shares outstanding - diluted	27,442	27,213	0.8%	27,412	27,179	0.9%
Weighted average common operating partnership units outstanding	7,305	7,305	-	7,305	7,305	-
Weighted average restricted stock units outstanding	175	322	(45.7%)	187	290	(35.5%)
Total common and dilutive shares	34,922	34,840	0.2%	34,904	34,774	0.4%

PROPERTY INFORMATION

	For The Three Months Ended			For The Years Ended		
	12/31/17	12/31/16	% Change	12/31/17	12/31/16	% Change
Total Portfolio ⁽⁵⁾						
Total rentable square footage at period end	27,323	27,323	-	27,323	27,323	-
Weighted average occupancy	94.6%	94.2%	0.4%	93.8%	94.1%	(0.3%)
Period end occupancy	95.2%	94.5%	0.7%	95.2%	94.5%	0.7%
Annualized realized rent per sq. ft. ⁽⁶⁾	\$ 15.18	\$ 14.49	4.8%	\$ 15.12	\$ 14.46	4.6%
REVPAF ⁽⁷⁾	\$ 14.37	\$ 13.65	5.3%	\$ 14.19	\$ 13.52	5.0%
Same Park Portfolio ⁽²⁾⁽⁵⁾						
Total rentable square footage at period end	27,097	27,097	-	27,097	27,097	-
Weighted average occupancy	95.1%	94.8%	0.3%	94.4%	94.2%	0.2%
Period end occupancy	95.7%	95.1%	0.6%	95.7%	95.1%	0.6%
Annualized realized rent per sq. ft. ⁽⁶⁾	\$ 15.16	\$ 14.47	4.8%	\$ 15.10	\$ 14.45	4.5%
REVPAF ⁽⁷⁾	\$ 14.41	\$ 13.72	5.0%	\$ 14.25	\$ 13.62	4.6%
Non-Same Park Portfolio ⁽³⁾						
Total rentable square footage at period end	226	226	-	226	226	-
Weighted average occupancy	38.6%	18.5%	108.6%	25.9%	18.5%	40.0%
Period end occupancy	43.1%	18.5%	133.0%	43.1%	18.5%	133.0%

MARKET VALUE INFORMATION

	12/31/17		12/31/16	
		% of Total		% of Total
Market value of common stock and common operating partnership units	\$ 4,323,106	79.9%	\$ 4,013,356	78.3%
Total preferred equity	1,089,750	20.1%	1,109,750	21.7%
Total market capitalization	\$ 5,412,856	100.0%	\$ 5,123,106	100.0%
Stock price at the end of the period	\$ 125.09		\$ 116.52	

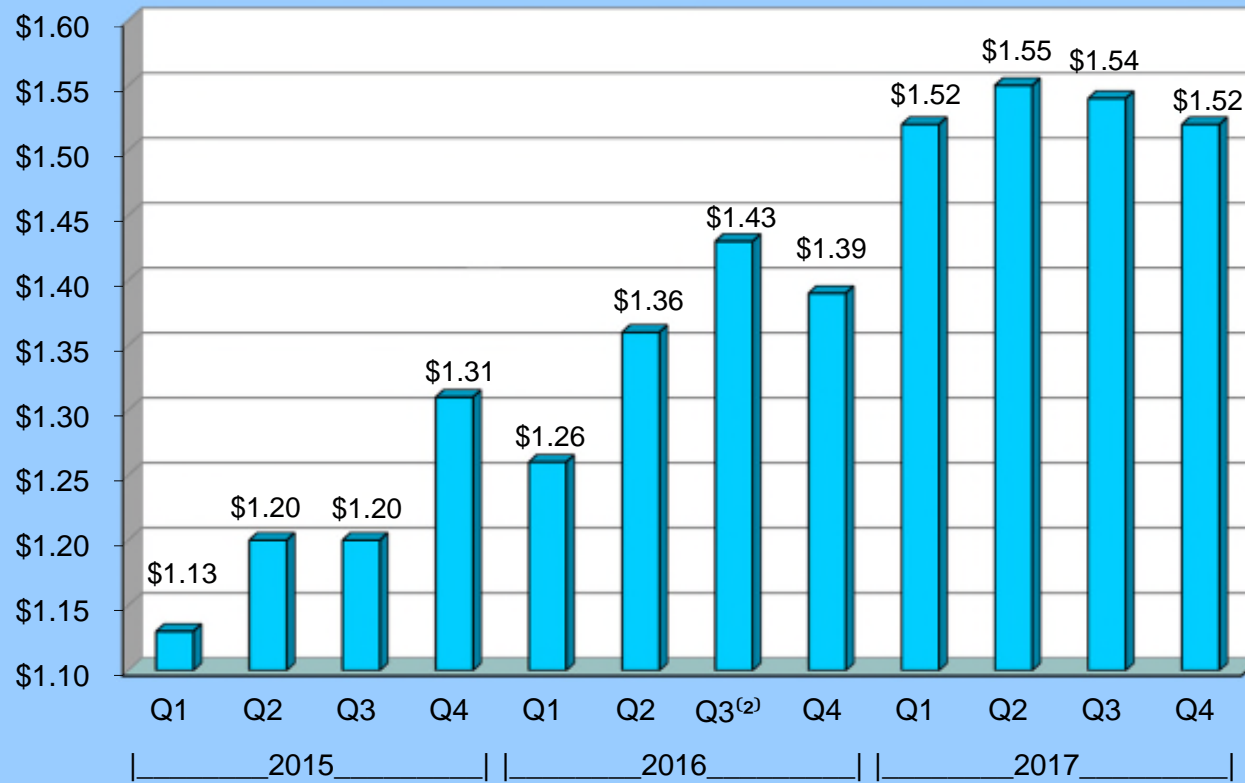
NOTES

- (1) Operating data relating to the multi-family development is excluded from the fact sheet. Refer to page 29 for such information.
- (2) All owned assets acquired prior to January 1, 2015.
- (3) All owned assets acquired on or subsequent to January 1, 2015.
- (4) In order to provide comparable data points, the net impact of compensation related to the changes in senior management has been excluded. As such, the 2017 amount represents a reversal of non-cash stock compensation of \$1.9 million partially offset by a separation settlement of \$1.5 million while the 2016 amount represents a LTEIP modification of \$2.0 million.
- (5) Amounts exclude 123,000 square feet transferred to land and building held for development and 705,000 square feet of assets held for sale.
- (6) Represents the annualized rental income earned per occupied square foot.
- (7) Represents the annualized rental income earned per total weighted average square foot.

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

	For The Three Months Ended				For The Years Ended			
	12/31/17	12/31/16	Change	% Change	12/31/17	12/31/16	Change	% Change
<u>Funds from operations (FFO) - As Reported</u>								
Net income allocable to common shareholders	\$ 21,150	\$ 12,854	\$ 8,296	64.5%	\$ 90,425	\$ 62,872	\$ 27,553	43.8%
Adjustments:								
Gain on sale of real estate facility	-	-	-	-	(1,209)	-	(1,209)	(100.0%)
Gain on sale of development rights	(2,500)	-	(2,500)	(100.0%)	(6,365)	-	(6,365)	(100.0%)
Depreciation and amortization	23,805	24,600	(795)	(3.2%)	94,270	99,486	(5,216)	(5.2%)
Depreciation from unconsolidated joint venture	593	-	593	100.0%	1,180	-	1,180	100.0%
Net income allocable to noncontrolling interests	5,669	3,461	2,208	63.8%	24,279	16,955	7,324	43.2%
Net income allocable to restricted stock unit holders	179	182	(3)	(1.6%)	761	569	192	33.7%
FFO allocable to common and dilutive shares	<u>\$ 48,896</u>	<u>\$ 41,097</u>	<u>\$ 7,799</u>	19.0%	<u>\$ 203,341</u>	<u>\$ 179,882</u>	<u>\$ 23,459</u>	13.0%
Weighted average common shares outstanding	27,255	27,128	127	0.5%	27,207	27,089	118	0.4%
Weighted average common operating partnership units outstanding	7,305	7,305	-	-	7,305	7,305	-	-
Weighted average restricted stock units outstanding	175	322	(147)	(45.7%)	187	290	(103)	(35.5%)
Weighted average common share equivalents outstanding	187	85	102	120.0%	205	90	115	127.8%
Total common and dilutive shares	<u>34,922</u>	<u>34,840</u>	<u>82</u>	0.2%	<u>34,904</u>	<u>34,774</u>	<u>130</u>	0.4%
FFO per common and dilutive share	<u>\$ 1.40</u>	<u>\$ 1.18</u>	<u>\$ 0.22</u>	18.6%	<u>\$ 5.83</u>	<u>\$ 5.17</u>	<u>\$ 0.66</u>	12.8%
<u>Funds available for distribution (FAD):</u>								
Funds from operations	\$ 48,896	\$ 41,097	\$ 7,799	19.0%	\$ 203,341	\$ 179,882	\$ 23,459	13.0%
Adjustments:								
Recurring capital improvements	(3,343)	(2,965)	(378)	12.7%	(9,780)	(7,718)	(2,062)	26.7%
Tenant improvements	(4,600)	(2,815)	(1,785)	63.4%	(27,398)	(15,003)	(12,395)	82.6%
Lease commissions	(2,230)	(1,451)	(779)	53.7%	(7,009)	(6,276)	(733)	11.7%
Total recurring capital expenditures (assets sold or held for sale)	(374)	(258)	(116)	45.0%	(1,653)	(1,955)	302	(15.4%)
Straight-line rent	(392)	(82)	(310)	378.0%	(2,311)	(1,746)	(565)	32.4%
Stock compensation expense	1,529	1,979	(450)	(22.7%)	4,777	10,912	(6,135)	(56.2%)
Cash paid for taxes in lieu of shares upon vesting of restricted stock units	-	-	-	-	(3,865)	(1,940)	(1,925)	99.2%
In-place lease adjustment	8	(83)	91	(109.6%)	(18)	(520)	502	(96.5%)
Tenant improvement reimbursements, net of lease incentives	(528)	(414)	(114)	27.5%	(2,182)	(1,667)	(515)	30.9%
Preferred redemption charge	4,078	7,312	(3,234)	(44.2%)	10,978	7,312	3,666	50.1%
Capitalized interest expense	-	(31)	31	(100.0%)	(506)	(885)	379	(42.8%)
FAD	<u>\$ 43,044</u>	<u>\$ 42,289</u>	<u>\$ 755</u>	1.8%	<u>\$ 164,374</u>	<u>\$ 160,396</u>	<u>\$ 3,978</u>	2.5%
FAD per common and dilutive share	<u>\$ 1.23</u>	<u>\$ 1.21</u>	<u>\$ 0.02</u>	1.7%	<u>\$ 4.71</u>	<u>\$ 4.61</u>	<u>\$ 0.10</u>	2.2%
<u>Free cash available for debt repayment and investments:</u>								
FAD	\$ 43,044	\$ 42,289	755	1.8%	\$ 164,374	\$ 160,396	3,978	2.5%
Distributions to common shareholders	(23,167)	(20,353)	(2,814)	13.8%	(92,531)	(81,285)	(11,246)	13.8%
Distributions to common operating partnership unit holders	(6,209)	(5,479)	(730)	13.3%	(24,838)	(21,916)	(2,922)	13.3%
Distributions to restricted stock unit holders	(179)	(182)	3	(1.6%)	(761)	(569)	(192)	33.7%
Non-recurring property renovations	(963)	(158)	(805)	509.5%	(4,379)	(925)	(3,454)	373.4%
Free cash available for debt repayment and investments	<u>\$ 12,526</u>	<u>\$ 16,117</u>	<u>\$ (3,591)</u>	(22.3%)	<u>\$ 41,865</u>	<u>\$ 55,701</u>	<u>\$ (13,836)</u>	(24.8%)
Investment in and advances to unconsolidated joint venture	(4,352)	(11,623)	7,271	(62.6%)	(34,007)	(39,569)	5,562	(14.1%)
Investment in multi-family development	(413)	(48)	(365)	760.4%	(2,637)	(48)	(2,589)	5,393.8%
Retained cash	<u>\$ 7,761</u>	<u>\$ 4,446</u>	<u>\$ 3,315</u>	74.6%	<u>\$ 5,221</u>	<u>\$ 16,084</u>	<u>\$ (10,863)</u>	(67.5%)
FAD distributions payout ratio	<u>68.7%</u>	<u>61.5%</u>			<u>71.9%</u>	<u>64.7%</u>		

Core FFO Per Share⁽¹⁾



⁽¹⁾ Where applicable, amounts exclude net impact of changes in senior management, preferred redemption charge and acquisition transaction costs.

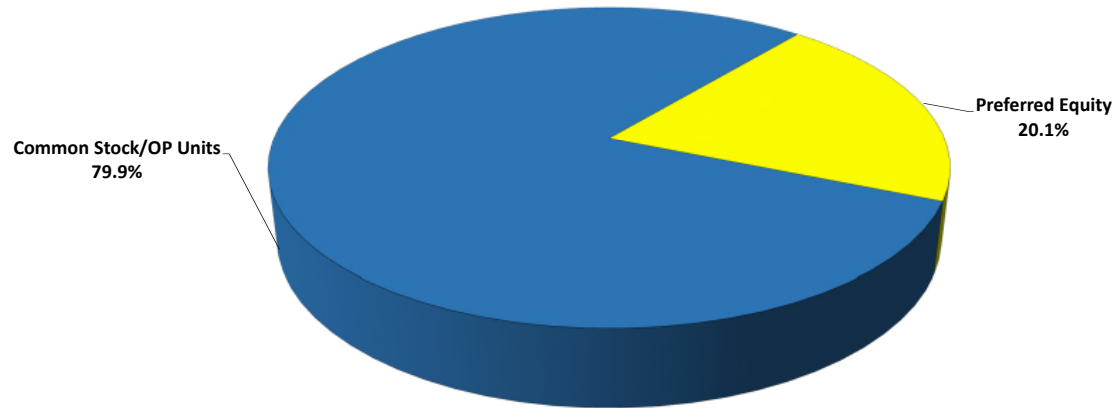
⁽²⁾ Excludes lease buyout payment of \$528,000.

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

	As of December 31, 2017			As of December 31, 2016		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
Preferred Equity:						
5.750% Series U preferred stock (9,200,000 depositary shares outstanding) callable 9/14/17	230,000			230,000		
5.700% Series V preferred stock (4,400,000 depositary shares outstanding) callable 3/14/18	110,000			110,000		
5.200% Series W preferred stock (7,590,000 depositary shares outstanding) callable 10/20/21	189,750			189,750		
5.250% Series X preferred stock (9,200,000 depositary shares outstanding) callable 9/21/22	230,000			-		
5.200% Series Y preferred stock (8,000,000 depositary shares outstanding) callable 12/7/22	200,000			-		
6.450% Series S preferred stock (9,200,000 depositary shares outstanding) redeemed 1/18/17	-			230,000		
6.000% Series T preferred stock (8,800,000 depositary shares outstanding) redeemed 10/30/17	-			220,000		
6.000% Series T preferred stock (5,200,000 depositary shares outstanding) called 12/4/17	130,000			130,000		
Total preferred equity	<u>1,089,750</u>	<u>20.1%</u>	<u>5.47%</u>	<u>1,109,750</u>	<u>21.7%</u>	<u>5.87%</u>
Total debt and preferred equity	<u>1,089,750</u>	<u>20.1%</u>	<u>5.47%</u>	<u>1,109,750</u>	<u>21.7%</u>	<u>5.87%</u>
Common stock (27,254,607 and 27,138,138 shares outstanding as of December 31, 2017 and 2016, respectively)	3,409,279			3,162,136		
Common operating partnership units (7,305,355 units outstanding as of December 31, 2017 and 2016)	913,827			851,220		
Total common equity ⁽¹⁾	<u>4,323,106</u>	<u>79.9%</u>		<u>4,013,356</u>	<u>78.3%</u>	
Total market capitalization	<u>\$ 5,412,856</u>	<u>100.0%</u>		<u>\$ 5,123,106</u>	<u>100.0%</u>	

⁽¹⁾ Closing stock price was \$125.09 and \$116.52 as of December 31, 2017 and 2016, respectively.

Total Market Capitalization as of December 31, 2017: \$5.4 billion



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

	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>		<u>% Change</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 114,882	\$ 128,629	\$ (13,747)	(a)	(10.7%)
Real estate facilities, at cost:					
Land	770,310	770,310	-		-
Buildings and equipment	2,166,579	2,128,828	37,751		1.8%
	<u>2,936,889</u>	<u>2,899,138</u>	<u>37,751</u>		1.3%
Accumulated depreciation	(1,168,980)	(1,090,979)	(78,001)		7.1%
	<u>1,767,909</u>	<u>1,808,159</u>	<u>(40,250)</u>	(b)	(2.2%)
Properties held for disposition, net	45,450	48,445	(2,995)		(6.2%)
Land and building held for development	29,665	27,028	2,637		9.8%
	<u>1,843,024</u>	<u>1,883,632</u>	<u>(40,608)</u>		(2.2%)
Investment in and advances to unconsolidated joint venture	100,898	67,190	33,708		50.2%
Rent receivable, net	1,876	1,945	(69)	(c)	(3.5%)
Deferred rent receivable, net	32,062	29,770	2,292		7.7%
Other assets	7,417	8,205	(788)	(d)	(9.6%)
Total assets	<u>\$ 2,100,159</u>	<u>\$ 2,119,371</u>	<u>\$ (19,212)</u>		(0.9%)
<u>LIABILITIES AND EQUITY</u>					
Accrued and other liabilities	\$ 80,223	\$ 78,657	\$ 1,566	(e)	2.0%
Preferred stock called for redemption	130,000	230,000	(100,000)		(43.5%)
Total liabilities	<u>210,223</u>	<u>308,657</u>	<u>(98,434)</u>		(31.9%)
Equity:					
PS Business Parks, Inc.'s shareholders' equity:					
Preferred stock	959,750	879,750	80,000		9.1%
Common stock	272	271	1		0.4%
Paid-in capital	735,067	733,671	1,396	(f)	0.2%
Accumulated deficit	(1,778)	(433)	(1,345)	(g)	310.6%
Total PS Business Parks, Inc.'s shareholders' equity	<u>1,693,311</u>	<u>1,613,259</u>	<u>80,052</u>		5.0%
Noncontrolling interests	196,625	197,455	(830)		(0.4%)
Total equity	<u>1,889,936</u>	<u>1,810,714</u>	<u>79,222</u>		4.4%
Total liabilities and equity	<u>\$ 2,100,159</u>	<u>\$ 2,119,371</u>	<u>\$ (19,212)</u>		(0.9%)

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

(a) Change in cash and cash equivalents:			
Beginning cash balance			\$ 128,629
Net cash provided by operating activities			271,614
Net cash used in investing activities			(80,325)
Net cash used in financing activities			(205,036)
Ending cash balance			<u>\$ 114,882</u>
(b) Change in real estate facilities, at cost:			
Beginning balance			\$ 1,808,159
Recurring capital improvements			10,069
Tenant improvements, gross			29,984
Lease commissions			7,477
Nonrecurring capital improvements			4,379
Depreciation and amortization			(94,270)
Transfer to properties held for disposition			2,111
Ending balance			<u>\$ 1,767,909</u>
(c) Rent receivable consists of:			
	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>
Non-government tenants	\$ 1,115	\$ 1,192	\$ (77)
U.S. Government tenants	1,161	1,153	8
Allowance for doubtful accounts	(400)	(400)	-
	<u>\$ 1,876</u>	<u>\$ 1,945</u>	<u>\$ (69)</u>
(d) Other assets consist of:			
	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>
In-place lease adjustment and incentives, net	\$ 1,084	\$ 1,494	\$ (410)
Prepaid property taxes and insurance	3,394	3,646	(252)
Other	2,939	3,065	(126)
	<u>\$ 7,417</u>	<u>\$ 8,205</u>	<u>\$ (788)</u>
(e) Accrued and other liabilities consist of:			
	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>
Security deposits	\$ 34,198	\$ 32,675	\$ 1,523
Accrued property taxes	11,157	10,421	736
Prepaid rent	16,638	17,192	(554)
In-place lease adjustment and tenant improvement reimbursements, net	7,970	5,254	2,716
Other	10,260	13,115	(2,855)
	<u>\$ 80,223</u>	<u>\$ 78,657</u>	<u>\$ 1,566</u>
(f) Change in paid-in capital:			
Beginning paid-in capital			\$ 733,671
Issuance cost of preferred stock			(14,221)
Exercise of stock options			4,217
Charge related to the redemption of preferred securities			10,978
Stock compensation, net			4,016
Cash paid for taxes in lieu of shares upon vesting of restricted stock units			(3,865)
Adjustment to reflect noncontrolling interests to underlying ownership			271
Ending paid in capital			<u>\$ 735,067</u>
(g) Change in accumulated deficit:			
Beginning accumulated deficit			\$ (433)
Charge related to the redemption of preferred securities			(10,978)
Distributions to preferred shareholders			(52,873)
Distributions to common shareholders			(92,531)
Net income			155,037
Ending accumulated deficit			<u>\$ (1,778)</u>

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

	For The Three Months Ended		Change	% Change
	12/31/17	12/31/16		
Rental income	\$ 101,837	\$ 97,599	\$ 4,238	(a) 4.3%
Expenses:				
Cost of operations	32,378	30,668	1,710	(b) 5.6%
Depreciation and amortization	23,805	24,600	(795)	(3.2%)
General and administrative	2,660	2,880	(220)	(c) (7.6%)
Total operating expenses	<u>58,843</u>	<u>58,148</u>	<u>695</u>	1.2%
Operating income	42,994	39,451	3,543	9.0%
Interest and other income	343	293	50	17.1%
Interest and other expense	(313)	(157)	(156)	(d) 99.4%
Equity in loss of unconsolidated joint venture	(47)	-	(47)	(100.0%)
Gain on sale of development rights	2,500	-	2,500	100.0%
Net income	<u>45,477</u>	<u>39,587</u>	<u>5,890</u>	14.9%
Allocation to noncontrolling interests	<u>(5,669)</u>	<u>(3,461)</u>	<u>(2,208)</u>	63.8%
Net income allocable to PS Business Parks, Inc.	39,808	36,126	3,682	10.2%
Allocation to preferred shareholders based upon				
Distributions	(14,401)	(15,778)	1,377	(8.7%)
Charge related to the redemption of preferred securities	(4,078)	(7,312)	3,234	(44.2%)
Allocation to restricted stock unit holders	(179)	(182)	3	(1.6%)
Net income allocable to common shareholders	<u>\$ 21,150</u>	<u>\$ 12,854</u>	<u>\$ 8,296</u>	64.5%
Net income per common share				
Basic	\$ 0.78	\$ 0.47	\$ 0.31	66.0%
Diluted	\$ 0.77	\$ 0.47	\$ 0.30	63.8%
Weighted average common shares outstanding:				
Basic	<u>27,255</u>	<u>27,128</u>	<u>127</u>	0.5%
Diluted	<u>27,442</u>	<u>27,213</u>	<u>229</u>	0.8%

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

	For The Three Months Ended		Change
	12/31/17	12/31/16	
(a) Rental income:			
Same Park	\$ 97,350	\$ 92,831	\$ 4,519
Non-Same Park	395	254	141
Same Park straight-line rent	284	131	153
Non-Same Park straight-line rent	124	33	91
Assets sold or held for sale or development	3,684	4,350	(666)
	<u>\$ 101,837</u>	<u>\$ 97,599</u>	<u>\$ 4,238</u>
(b) Cost of Operations:			
Same Park	\$ 29,810	\$ 27,879	\$ 1,931
Non-Same Park	455	286	169
Assets sold or held for sale or development	1,549	1,812	(263)
LTEIP amortization	564	691	(127)
	<u>\$ 32,378</u>	<u>\$ 30,668</u>	<u>\$ 1,710</u>
(c) General and administrative expenses:			
Compensation expense	\$ 881	\$ 1,108	\$ (227)
LTEIP amortization	560	954	(394)
Professional fees and other	1,219	818	401
	<u>\$ 2,660</u>	<u>\$ 2,880</u>	<u>\$ (220)</u>
(d) Interest and other expense:			
Credit facility	\$ (150)	\$ (31)	\$ (119)
Capitalized interest	-	31	(31)
Facilities fees & other charges	(163)	(157)	(6)
	<u>\$ (313)</u>	<u>\$ (157)</u>	<u>\$ (156)</u>

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

	For The Years Ended		Change	% Change
	12/31/2017	12/31/2016		
Rental income	\$ 402,179	\$ 386,871	\$ 15,308	(a) 4.0%
Expenses:				
Cost of operations	125,340	123,108	2,232	(b) 1.8%
Depreciation and amortization	94,270	99,486	(5,216)	(5.2%)
General and administrative	9,679	14,862	(5,183)	(c) (34.9%)
Total operating expenses	<u>229,289</u>	<u>237,456</u>	<u>(8,167)</u>	(3.4%)
Operating income	172,890	149,415	23,475	15.7%
Interest and other income	942	1,233	(291)	(23.6%)
Interest and other expense	(1,285)	(5,664)	4,379	(d) (77.3%)
Equity in loss of unconsolidated joint venture	(805)	-	(805)	(100.0%)
Gain on sale of real estate facilities	1,209	-	1,209	100.0%
Gain on sale of development rights	6,365	-	6,365	100.0%
Net income	<u>179,316</u>	<u>144,984</u>	<u>34,332</u>	23.7%
Allocation to noncontrolling interests	<u>(24,279)</u>	<u>(16,955)</u>	<u>(7,324)</u>	43.2%
Net income allocable to PS Business Parks, Inc.	155,037	128,029	27,008	21.1%
Allocation to preferred shareholders based upon				
Distributions	(52,873)	(57,276)	4,403	(7.7%)
Charge related to the redemption of preferred securities	(10,978)	(7,312)	(3,666)	50.1%
Allocation to restricted stock unit holders	(761)	(569)	(192)	33.7%
Net income allocable to common shareholders	<u>\$ 90,425</u>	<u>\$ 62,872</u>	<u>\$ 27,553</u>	43.8%
Net income per common share				
Basic	\$ 3.32	\$ 2.32	\$ 1.00	43.1%
Diluted	\$ 3.30	\$ 2.31	\$ 0.99	42.9%
Weighted average common shares outstanding:				
Basic	<u>27,207</u>	<u>27,089</u>	<u>118</u>	0.4%
Diluted	<u>27,412</u>	<u>27,179</u>	<u>233</u>	0.9%

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

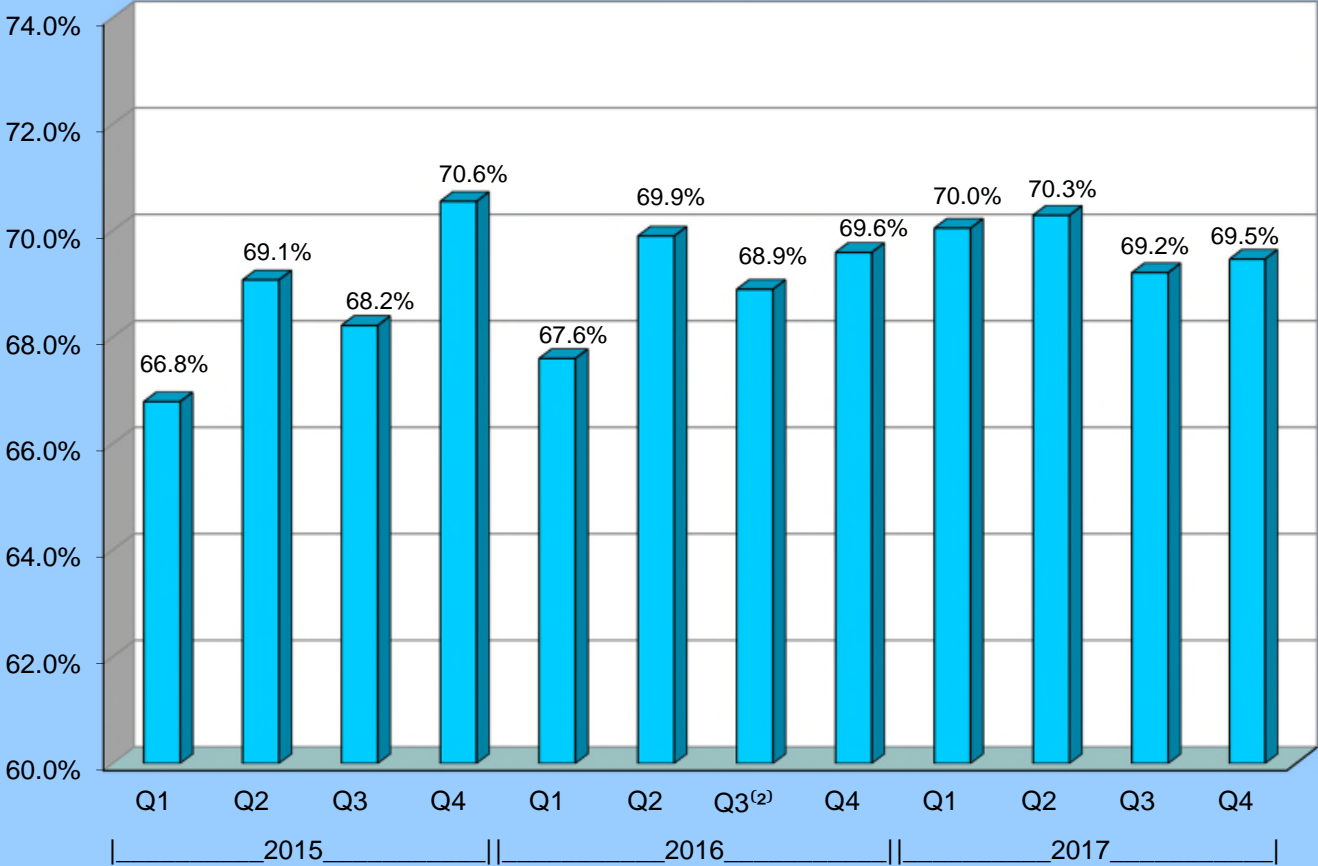
	For The Years Ended		Change
	12/31/17	12/31/16	
(a) Rental income:			
Same Park	\$ 384,058	\$ 367,638	\$ 16,420
Non-Same Park	1,228	263	965
Lease buyout payment	-	528	(528)
Same Park straight-line rent	2,075	1,362	713
Non-Same Park straight-line rent	267	33	234
Assets sold or held for sale or development	14,551	17,047	(2,496)
	<u>\$ 402,179</u>	<u>\$ 386,871</u>	<u>\$ 15,308</u>
(b) Cost of Operations:			
Same Park	\$ 115,574	\$ 112,929	\$ 2,645
Non-Same Park	1,373	289	1,084
Assets sold or held for sale or development	6,062	6,887	(825)
LTEIP amortization	2,331	3,003	(672)
	<u>\$ 125,340</u>	<u>\$ 123,108</u>	<u>\$ 2,232</u>
(c) General and administrative expenses:			
Compensation expense	\$ 3,879	\$ 4,432	\$ (553)
Separation settlement	1,500	-	1,500
LTEIP amortization	2,815	4,740	(1,925)
Impact on LTEIP amortization due to departure of senior executives	(1,914)	2,018	(3,932)
Acquisition transaction costs	-	328	(328)
Professional fees and other	3,399	3,344	55
	<u>\$ 9,679</u>	<u>\$ 14,862</u>	<u>\$ (5,183)</u>
(d) Interest and other expense:			
Mortgage note payable	\$ -	\$ (5,755)	\$ 5,755
Credit facility	(1,210)	(175)	(1,035)
Capitalized interest	506	885	(379)
Facilities fees & other charges	(581)	(619)	38
	<u>\$ (1,285)</u>	<u>\$ (5,664)</u>	<u>\$ 4,379</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 Year Ended December 31, 2017</u>	<u>Cost per Weighted Average Square Foot</u>
Capital improvements	\$10,069	\$0.36
Tenant improvements	28,294	\$1.01
Lease commissions	7,477	\$0.27
Total recurring capital expenditures	<u><u>\$45,840</u></u>	\$1.64
 <u>Non-recurring property renovations</u>		
Non-recurring property renovations	\$4,379	

(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 of \$1,000 or more for leases with terms greater than 12 months are capitalized. It excludes 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 \$29.0 million or approximately \$1.03 per weighted average square foot for the year ended December 31, 2017 compared to \$27.5 million or approximately \$0.98 per weighted average square foot for the year ended December 31, 2016.

Same Park Gross Operating Margin Percentage ⁽¹⁾



⁽¹⁾ Gross margin is computed by dividing property net operating income by rental income for Same Park properties in each period. Amounts exclude LTEIP amortization.

⁽²⁾ Excludes lease buyout payment of \$528,000.

PS BUSINESS PARKS, INC.
PORTFOLIO CONCENTRATION SUMMARY
(in thousands, excluding assets held for sale)

Industry Concentration as of December 31, 2017

	% of Total Rental Income
Business services	18.3%
Warehouse, distribution, transportation and logistics	11.8%
Computer hardware, software and related services	9.9%
Health services	9.9%
Engineering and construction	7.2%
Retail, food, and automotive	7.1%
Government	7.1%
Insurance and financial services	4.0%
Electronics	3.1%
Aerospace/defense products and services	2.8%
Home furnishings	2.6%
Communications	2.0%
Educational services	1.6%
Other	12.6%
Total	100.0%

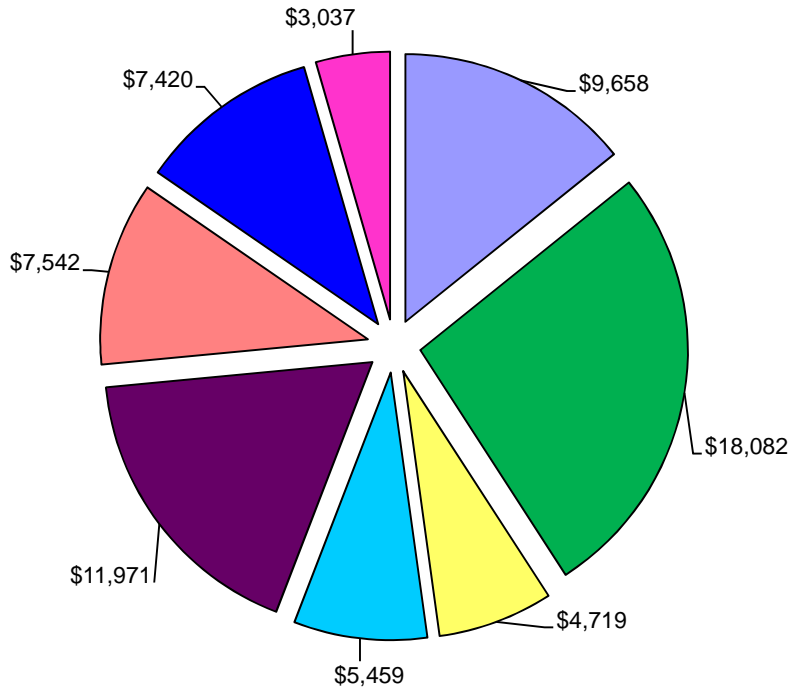
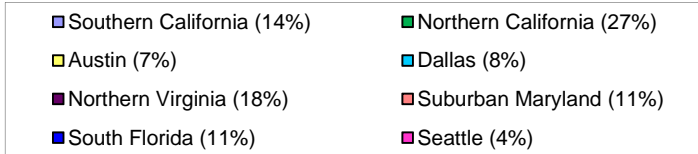
Top 10 Customers by Total Annual Rental Income as of December 31, 2017

Customer	Square Footage	Annualized Rental Income ⁽¹⁾	% of Total Annualized Rental Income
US Government	642	\$ 17,759	4.5%
Keeco, L.L.C.	460	3,639	0.9%
Lockheed Martin Corporation	168	3,505	0.9%
Kaiser Permanente	158	3,427	0.9%
Luminex Corporation	162	3,247	0.8%
KZ Kitchen Cabinet & Stone	192	2,255	0.6%
CEVA Logistics U.S., Inc.	213	2,142	0.5%
Applied Materials, Inc.	162	2,086	0.5%
Inova Health Care Services	66	1,913	0.5%
Investorplace Media, LLC	46	1,859	0.5%
Total	2,269	\$ 41,832	10.6%

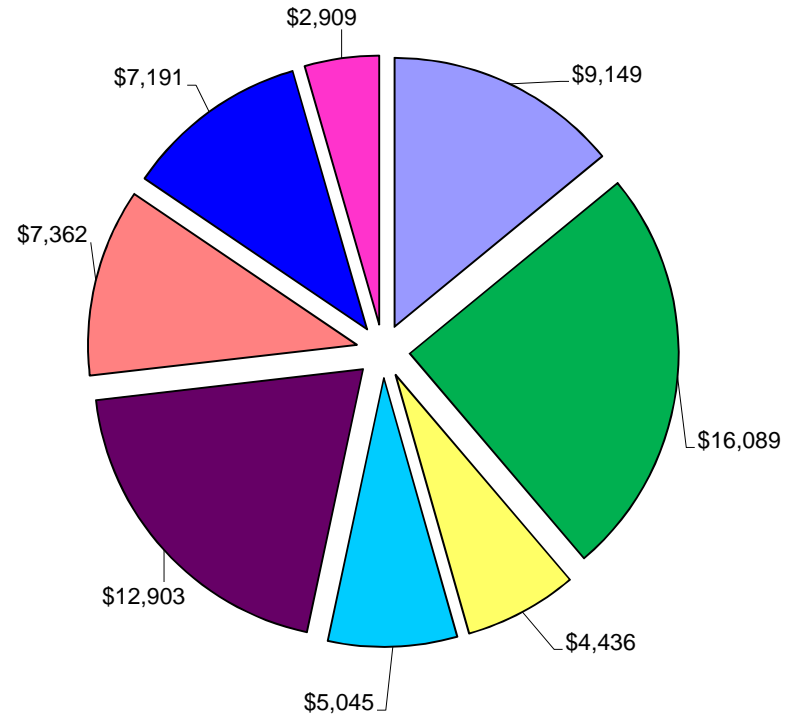
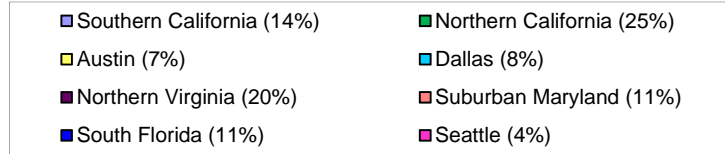
(1) - For leases expiring within one year, annualized rental income represents income to be received under existing leases from January 1, 2018 through the date of expiration.

Total Portfolio Net Operating Income by Region

Three Months Ended December 31, 2017
\$67,888 (in thousands) ⁽¹⁾



Three Months Ended December 31, 2016
\$65,084 (in thousands) ⁽¹⁾



(1) Excludes assets held for sale or development.

Same Park Portfolio by Region by Type
Adjusted Rental Income, Adjusted Cost of Operations and Net Operating Income ("NOI")

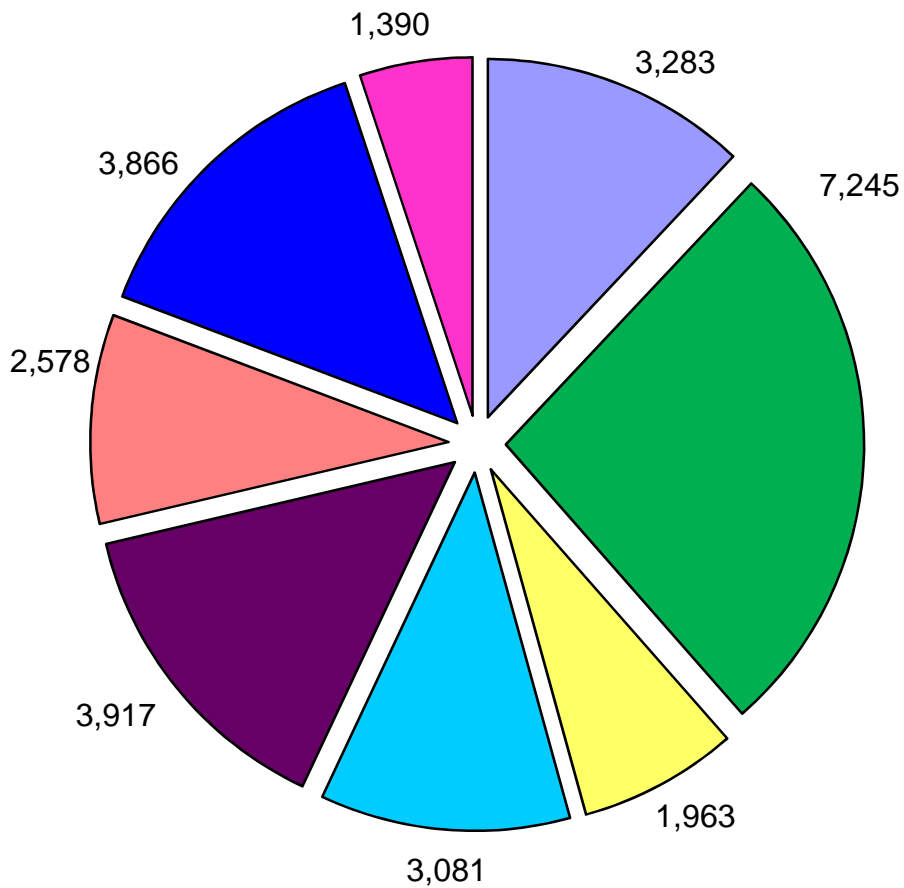
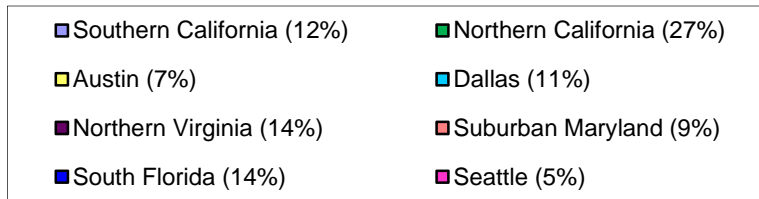
	For the Three Months Ended							
	December 31, 2017				December 31, 2016			
	Flex	Office	Industrial	Total	Flex	Office	Industrial	Total
	In thousands							
Adjusted Rental Income:								
Northern California	\$ 11,428	\$ 2,755	\$ 9,860	\$ 24,043	\$ 10,069	\$ 2,518	\$ 9,307	\$ 21,894
Southern California	11,233	173	1,516	12,922	10,748	174	1,446	12,368
Dallas	7,906	—	438	8,344	7,357	—	402	7,759
Austin	6,606	—	455	7,061	6,419	—	452	6,871
Northern Virginia	8,114	10,557	—	18,671	8,241	10,640	—	18,881
South Florida	3,599	60	6,966	10,625	3,320	64	6,294	9,678
Suburban Maryland	4,032	7,828	—	11,860	4,068	7,599	—	11,667
Seattle	2,109	160	1,839	4,108	2,012	142	1,690	3,844
Total	55,027	21,533	21,074	97,634	52,234	21,137	19,591	92,962
Adjusted Cost of Operations:								
Northern California	2,963	772	2,226	5,961	2,740	843	2,222	5,805
Southern California	2,905	60	299	3,264	2,869	73	277	3,219
Dallas	2,789	—	96	2,885	2,636	—	78	2,714
Austin	2,197	—	145	2,342	2,249	—	186	2,435
Northern Virginia	2,511	4,189	—	6,700	2,267	3,711	—	5,978
South Florida	1,267	16	1,922	3,205	930	10	1,547	2,487
Suburban Maryland	1,376	3,006	—	4,382	1,371	2,935	—	4,306
Seattle	550	50	471	1,071	476	45	414	935
Total	16,558	8,093	5,159	29,810	15,538	7,617	4,724	27,879
NOI:								
Northern California	8,465	1,983	7,634	18,082	7,329	1,675	7,085	16,089
Southern California	8,328	113	1,217	9,658	7,879	101	1,169	9,149
Dallas	5,117	—	342	5,459	4,721	—	324	5,045
Austin	4,409	—	310	4,719	4,170	—	266	4,436
Northern Virginia	5,603	6,368	—	11,971	5,974	6,929	—	12,903
South Florida	2,332	44	5,044	7,420	2,390	54	4,747	7,191
Suburban Maryland	2,656	4,822	—	7,478	2,697	4,664	—	7,361
Seattle	1,559	110	1,368	3,037	1,536	97	1,276	2,909
Total	\$ 38,469	\$ 13,440	\$ 15,915	\$ 67,824	\$ 36,696	\$ 13,520	\$ 14,867	\$ 65,083

	For the Years Ended							
	December 31, 2017				December 31, 2016			
	Flex	Office	Industrial	Total	Flex	Office	Industrial	Total
	In thousands							
Adjusted Rental Income:								
Northern California	\$ 43,796	\$ 10,790	\$ 38,446	\$ 93,032	\$ 39,512	\$ 10,199	\$ 36,684	\$ 86,395
Southern California	43,686	670	5,913	50,269	41,183	646	5,754	47,583
Dallas	31,327	—	1,700	33,027	29,610	—	1,623	31,233
Austin	27,310	—	1,930	29,240	25,779	—	1,688	27,467
Northern Virginia	32,693	42,897	—	75,590	32,388	43,897	—	76,285
South Florida	14,127	208	26,747	41,082	13,073	245	24,835	38,153
Suburban Maryland	16,614	31,128	—	47,742	15,758	31,053	—	46,811
Seattle	8,237	575	7,339	16,151	7,729	597	6,747	15,073
Total	217,790	86,268	82,075	386,133	205,032	86,637	77,331	369,000
Adjusted Cost of Operations:								
Northern California	11,482	2,903	9,147	23,532	10,897	3,147	8,575	22,619
Southern California	11,917	269	1,196	13,382	11,614	279	1,179	13,072
Dallas	10,849	—	319	11,168	10,839	—	326	11,165
Austin	9,206	—	685	9,891	8,798	—	689	9,487
Northern Virginia	9,254	15,764	—	25,018	9,763	15,731	—	25,494
South Florida	4,211	67	7,071	11,349	3,873	69	6,636	10,578
Suburban Maryland	5,365	11,793	—	17,158	5,215	11,388	—	16,603
Seattle	2,052	190	1,834	4,076	2,004	193	1,714	3,911
Total	64,336	30,986	20,252	115,574	63,003	30,807	19,119	112,929
NOI:								
Northern California	32,314	7,887	29,299	69,500	28,615	7,052	28,109	63,776
Southern California	31,769	401	4,717	36,887	29,569	367	4,575	34,511
Dallas	20,478	—	1,381	21,859	18,771	—	1,297	20,068
Austin	18,104	—	1,245	19,349	16,981	—	999	17,980
Northern Virginia	23,439	27,133	—	50,572	22,625	28,166	—	50,791
South Florida	9,916	141	19,676	29,733	9,200	176	18,199	27,575
Suburban Maryland	11,249	19,335	—	30,584	10,543	19,665	—	30,208
Seattle	6,185	385	5,505	12,075	5,725	404	5,033	11,162
Total	\$ 153,454	\$ 55,282	\$ 61,823	\$ 270,559	\$ 142,029	\$ 55,830	\$ 58,212	\$ 256,071

(1) Excludes assets sold or held for sale or development

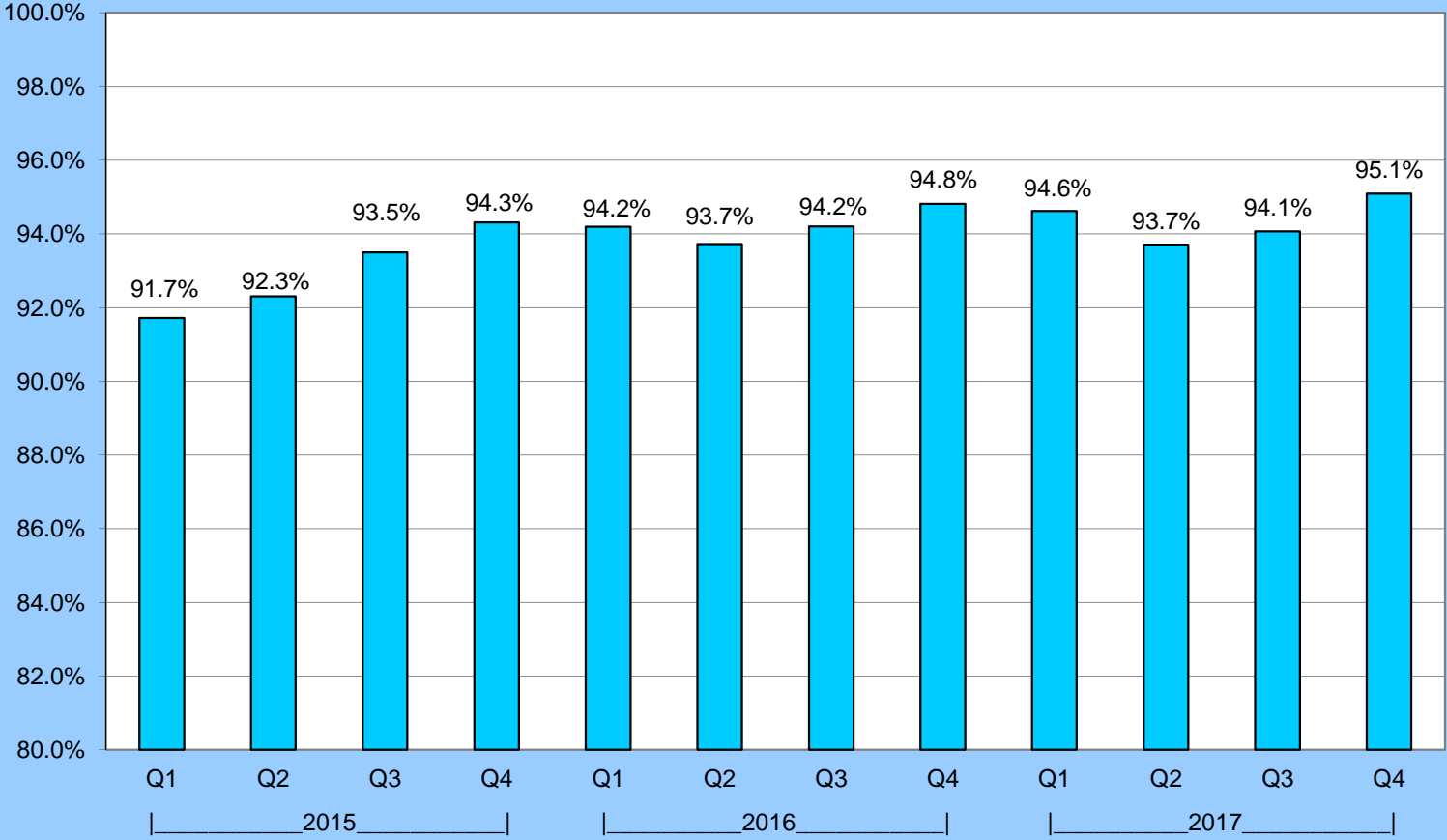
Total Rentable Square Footage by Region

December 31, 2017 and 2016
27,323 square feet ⁽¹⁾ (in thousands)



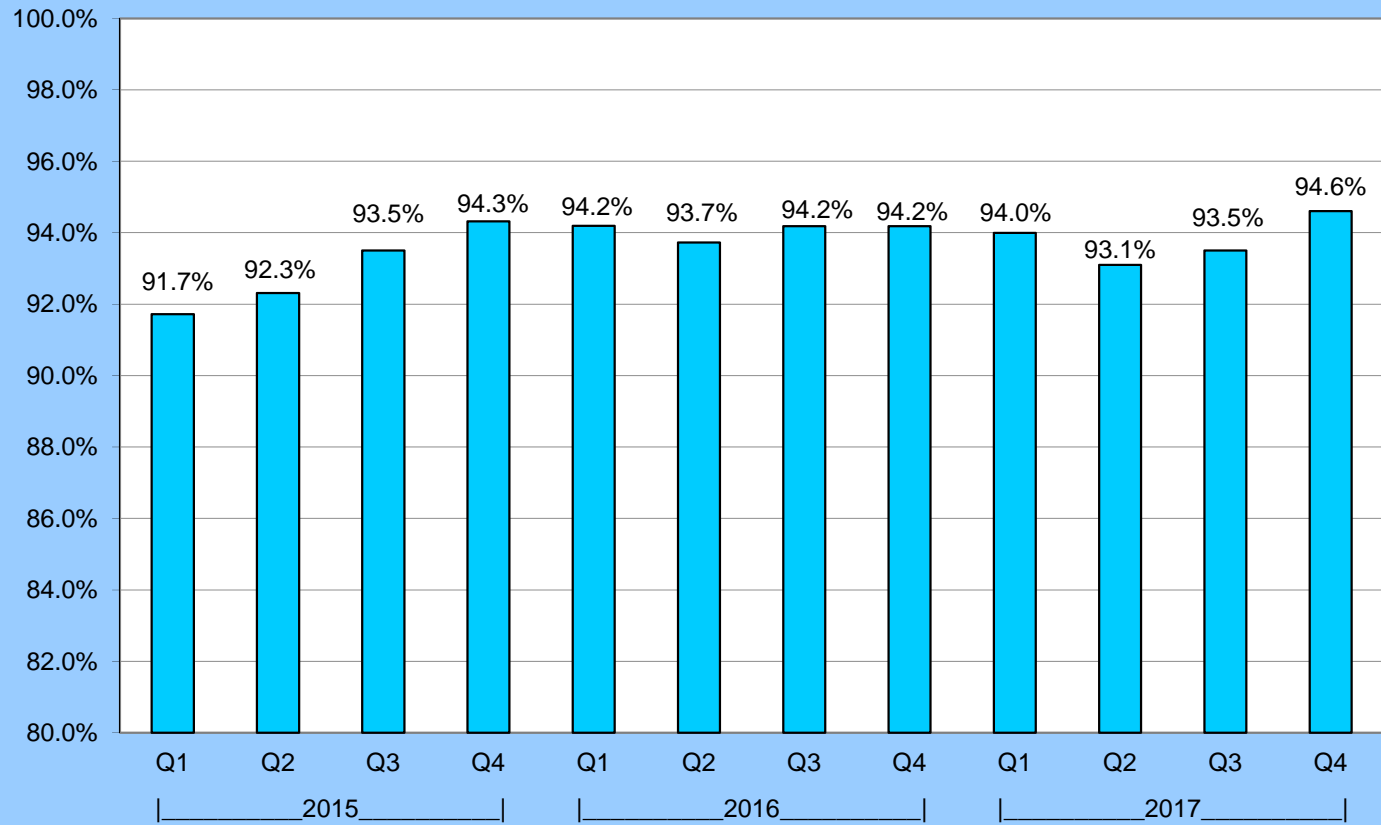
(1) Excludes assets held for sale or development.

Same Park Weighted Average Occupancy (1)



(1) Represents the weighted average occupancy for the current Same Park portfolio.

Total Portfolio Weighted Average Occupancy (1)



(1) Represents the weighted average occupancy for the total owned portfolio, excluding assets sold or held for sale or development.

PS BUSINESS PARKS, INC.
SAME PARK PORTFOLIO OVERVIEW
(in thousands, excludes assets sold or held for sale)

Rentable Square Footage of Properties as of December 31, 2017					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Northern Virginia	-	1,970	1,947	3,917	14.5%
South Florida	2,780	12	1,074	3,866	14.3%
East Bay	2,014	-	1,336	3,350	12.4%
Silicon Valley	1,892	-	1,569	3,461	12.8%
Dallas	231	-	2,850	3,081	11.4%
Suburban Maryland	-	1,382	970	2,352	8.7%
Austin	246	-	1,717	1,963	7.1%
Orange County	-	-	911	911	3.4%
Los Angeles County	712	31	861	1,604	5.9%
Seattle	951	28	411	1,390	5.1%
San Diego County	-	-	768	768	2.8%
Mid-Peninsula	-	340	94	434	1.6%
Total	8,826	3,763	14,508	27,097	100.0%
Percentage by Product Type	32.6%	13.9%	53.5%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended December 31, 2017				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	90.1%	95.9%	93.0%
South Florida	98.2%	100.0%	95.7%	97.5%
East Bay	100.0%	-	98.3%	99.3%
Silicon Valley	91.4%	-	97.9%	94.4%
Dallas	100.0%	-	90.2%	90.9%
Suburban Maryland	-	89.0%	91.0%	89.8%
Austin	100.0%	-	94.4%	95.1%
Orange County	-	-	96.1%	96.1%
Los Angeles County	99.6%	98.0%	96.3%	97.8%
Seattle	99.3%	95.5%	96.3%	98.3%
San Diego County	-	-	97.6%	97.6%
Mid-Peninsula	-	95.8%	96.5%	95.9%
Total	97.5%	90.4%	94.9%	95.1%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended December 31, 2017			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	94.8%	89.8%	93.0%
South Florida	98.2%	95.1%	97.5%
East Bay	99.3%	99.6%	99.3%
Silicon Valley	94.1%	95.6%	94.4%
Dallas	91.8%	89.3%	90.9%
Suburban Maryland	90.9%	86.2%	89.8%
Austin	96.4%	86.0%	95.1%
Orange County	95.6%	96.8%	96.1%
Los Angeles County	99.6%	96.4%	97.8%
Seattle	99.3%	96.3%	98.3%
San Diego County	-	97.6%	97.6%
Mid-Peninsula	-	95.9%	95.9%
Total	95.9%	93.2%	95.1%

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.
TOTAL PORTFOLIO OVERVIEW
(in thousands, excludes assets sold or held for sale)

Rentable Square Footage of Properties as of December 31, 2017					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Northern Virginia	-	1,970	1,947	3,917	14.3%
South Florida	2,780	12	1,074	3,866	14.1%
East Bay	2,014	-	1,336	3,350	12.3%
Silicon Valley	1,892	-	1,569	3,461	12.7%
Dallas	231	-	2,850	3,081	11.3%
Suburban Maryland	-	1,608	970	2,578	9.4%
Austin	246	-	1,717	1,963	7.2%
Orange County	-	-	911	911	3.3%
Los Angeles County	712	31	861	1,604	5.9%
Seattle	951	28	411	1,390	5.1%
San Diego County	-	-	768	768	2.8%
Mid-Peninsula	-	340	94	434	1.6%
Total	8,826	3,989	14,508	27,323	100.0%
Percentage by Product Type	32.3%	14.6%	53.1%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended December 31, 2017				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	90.1%	95.9%	93.0%
South Florida	98.2%	100.0%	95.7%	97.5%
East Bay	100.0%	-	98.3%	99.3%
Silicon Valley	91.4%	-	97.9%	94.4%
Dallas	100.0%	-	90.2%	90.9%
Suburban Maryland	-	81.9%	91.0%	85.4%
Austin	100.0%	-	94.4%	95.1%
Orange County	-	-	96.1%	96.1%
Los Angeles County	99.6%	98.0%	96.3%	97.8%
Seattle	99.3%	95.5%	96.3%	98.3%
San Diego County	-	-	97.6%	97.6%
Mid-Peninsula	-	95.8%	96.5%	95.9%
Total	97.5%	87.4%	94.9%	94.6%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended December 31, 2017			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	94.8%	89.8%	93.0%
South Florida	98.2%	95.1%	97.5%
East Bay	99.3%	99.6%	99.3%
Silicon Valley	94.1%	95.6%	94.4%
Dallas	91.8%	89.3%	90.9%
Suburban Maryland	90.9%	72.4%	85.4%
Austin	96.4%	86.0%	95.1%
Orange County	95.6%	96.8%	96.1%
Los Angeles County	99.6%	96.4%	97.8%
Seattle	99.3%	96.3%	98.3%
San Diego County	-	97.6%	97.6%
Mid-Peninsula	-	95.9%	95.9%
Total	95.9%	91.7%	94.6%

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.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF DECEMBER 31, 2017
(IN THOUSANDS, EXCLUDING ASSETS HELD FOR SALE)

Lease Expirations - Flex				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	3,553	\$ 56,461	24.5%	13.5%
2018	3,512	56,990	24.7%	13.7%
2019	2,700	42,647	18.5%	10.3%
2020	1,425	23,192	10.1%	5.6%
2021	1,511	28,015	12.2%	6.7%
Thereafter	1,128	23,181	10.0%	5.6%
Total	<u>13,829</u>	<u>\$ 230,486</u>	<u>100.0%</u>	<u>55.4%</u>

Lease Expirations - Office				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	973	\$ 25,695	27.6%	6.2%
2018	822	21,912	23.5%	5.3%
2019	581	15,532	16.7%	3.7%
2020	277	6,713	7.2%	1.6%
2021	295	7,727	8.3%	1.9%
Thereafter	539	15,585	16.7%	3.7%
Total	<u>3,487</u>	<u>\$ 93,164</u>	<u>100.0%</u>	<u>22.4%</u>

Lease Expirations - Industrial				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	1,479	\$ 15,378	16.6%	3.7%
2018	2,416	23,122	25.0%	5.5%
2019	1,813	17,782	19.2%	4.3%
2020	739	8,093	8.8%	1.9%
2021	918	9,884	10.7%	2.4%
Thereafter	1,371	18,223	19.7%	4.4%
Total	<u>8,736</u>	<u>\$ 92,482</u>	<u>100.0%</u>	<u>22.2%</u>

Lease Expirations - Total Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	6,005	\$ 97,534	23.4%	23.4%
2018	6,750	102,024	24.5%	24.5%
2019	5,094	75,961	18.3%	18.3%
2020	2,441	37,998	9.1%	9.1%
2021	2,724	45,626	11.0%	11.0%
Thereafter	3,038	56,989	13.7%	13.7%
Total	<u>26,052</u>	<u>\$ 416,132</u>	<u>100.0%</u>	<u>100.0%</u>

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF DECEMBER 31, 2017
(IN THOUSANDS, EXCLUDING ASSETS HELD FOR SALE)

Southern California					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	975	\$ 16,514	30.0%	4.0%	
2019	1,129	17,747	32.3%	4.3%	
2020	637	10,638	19.4%	2.5%	
2021	143	2,946	5.4%	0.7%	
2022	207	3,981	7.2%	1.0%	
Thereafter	127	3,142	5.7%	0.8%	
Total	3,218	\$ 54,968	100.0%	13.3%	

Northern California					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	996	\$ 16,379	15.7%	3.9%	
2019	2,145	27,938	26.8%	6.7%	
2020	1,323	20,254	19.5%	4.9%	
2021	825	11,432	11.0%	2.7%	
2022	719	10,588	10.2%	2.5%	
Thereafter	1,093	17,485	16.8%	4.2%	
Total	7,101	\$ 104,076	100.0%	24.9%	

Austin					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	429	\$ 6,608	21.7%	1.6%	
2019	266	4,006	13.2%	1.0%	
2020	487	7,860	25.8%	1.9%	
2021	227	4,018	13.2%	1.0%	
2022	265	4,354	14.3%	1.0%	
Thereafter	189	3,591	11.8%	0.9%	
Total	1,863	\$ 30,437	100.0%	7.4%	

Dallas					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	760	\$ 10,012	28.6%	2.4%	
2019	701	8,358	23.9%	2.0%	
2020	711	7,480	21.3%	1.8%	
2021	234	3,023	8.6%	0.7%	
2022	206	2,252	6.4%	0.6%	
Thereafter	234	3,923	11.2%	0.9%	
Total	2,846	\$ 35,048	100.0%	8.4%	

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF DECEMBER 31, 2017
(IN THOUSANDS, EXCLUDING ASSETS HELD FOR SALE)

South Florida					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	1,219	\$ 13,580	31.4%	3.3%	
2019	818	9,612	22.2%	2.3%	
2020	605	6,861	15.8%	1.7%	
2021	368	4,329	10.0%	1.0%	
2022	375	4,170	9.6%	1.0%	
Thereafter	412	4,742	11.0%	1.1%	
Total	<u>3,797</u>	<u>\$ 43,294</u>	<u>100.0%</u>	<u>10.4%</u>	

Northern Virginia					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	825	\$ 17,127	21.7%	4.1%	
2019	996	21,699	27.6%	5.2%	
2020	616	11,936	15.2%	2.9%	
2021	289	5,733	7.3%	1.4%	
2022	526	12,498	15.9%	3.0%	
Thereafter	394	9,685	12.3%	2.3%	
Total	<u>3,646</u>	<u>\$ 78,678</u>	<u>100.0%</u>	<u>18.9%</u>	

Suburban Maryland					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	612	\$ 14,403	27.9%	3.4%	
2019	356	7,728	14.9%	1.9%	
2020	292	6,469	12.5%	1.5%	
2021	221	4,608	8.9%	1.1%	
2022	244	5,309	10.3%	1.3%	
Thereafter	476	13,185	25.5%	3.2%	
Total	<u>2,201</u>	<u>\$ 51,702</u>	<u>100.0%</u>	<u>12.4%</u>	

Seattle					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	189	\$ 2,911	16.2%	0.7%	
2019	339	4,935	27.5%	1.1%	
2020	423	4,464	24.9%	1.1%	
2021	134	1,909	10.7%	0.5%	
2022	182	2,474	13.8%	0.6%	
Thereafter	113	1,236	6.9%	0.3%	
Total	<u>1,380</u>	<u>\$ 17,929</u>	<u>100.0%</u>	<u>4.3%</u>	

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF DECEMBER 31, 2017
(IN THOUSANDS, EXCLUDING ASSETS HELD FOR SALE)

Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	%	% of Total Annualized Rental Income
2018	6,005	\$ 97,534	23.4%		23.4%
2019	6,750	102,023	24.5%		24.5%
2020	5,094	75,962	18.3%		18.3%
2021	2,441	37,998	9.1%		9.1%
2022	2,724	45,626	11.0%		11.0%
Thereafter	3,038	56,989	13.7%		13.7%
Total	<u>26,052</u>	<u>\$ 416,132</u>	<u>100.0%</u>		<u>100.0%</u>

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF DECEMBER 31, 2017
(IN THOUSANDS, EXCLUDING ASSETS HELD FOR SALE)

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	3,600	\$ 54,357	20.1%	13.0%	
2019	4,439	59,441	21.9%	14.3%	
2020	3,741	49,735	18.4%	12.0%	
2021	1,896	27,362	10.1%	6.6%	
2022	2,170	34,245	12.6%	8.2%	
Thereafter	2,592	45,676	16.9%	11.0%	
Total	18,438	\$ 270,816	100.0%	65.1%	

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	2,405	\$ 43,177	29.7%	10.4%	
2019	2,311	42,583	29.3%	10.2%	
2020	1,353	26,226	18.1%	6.3%	
2021	545	10,636	7.3%	2.5%	
2022	554	11,381	7.8%	2.8%	
Thereafter	446	11,313	7.8%	2.7%	
Total	7,614	\$ 145,316	100.0%	34.9%	

Lease Expirations - Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	6,005	\$ 97,534	23.4%	23.4%	
2019	6,750	102,024	24.5%	24.5%	
2020	5,094	75,961	18.3%	18.3%	
2021	2,441	37,998	9.1%	9.1%	
2022	2,724	45,626	11.0%	11.0%	
Thereafter	3,038	56,989	13.7%	13.7%	
Total	26,052	\$ 416,132	100.0%	100.0%	

PS BUSINESS PARKS, INC.
QUARTERLY AND YEAR TO DATE PRODUCTION STATISTICS - TOTAL PORTFOLIO ⁽¹⁾
December 31, 2017

	Total Portfolio Activity							
	Square Footage Leased		Tenant Retention		Transaction Costs per Executed Foot		Rental Rate Change ⁽²⁾	
	4th Quarter	YTD	4th Quarter	YTD	4th Quarter	YTD	4th Quarter	YTD
Suburban Maryland	110,000	541,000	79.0%	78.9%	\$ 12.42	\$ 12.83	-12.0%	-10.9%
Northern Virginia	354,000	1,136,000	70.9%	66.3%	\$ 10.72	\$ 7.57	-9.6%	-9.2%
San Diego	65,000	359,000	75.1%	68.6%	\$ 0.77	\$ 0.90	4.0%	3.5%
Orange County	60,000	344,000	68.9%	64.9%	\$ 2.81	\$ 2.38	-1.7%	2.6%
Los Angeles	196,000	629,000	90.2%	73.4%	\$ 1.20	\$ 1.47	6.7%	6.6%
Austin	64,000	384,000	48.8%	44.8%	\$ 2.02	\$ 2.43	14.9%	14.3%
Dallas	246,000	820,000	72.5%	56.1%	\$ 2.63	\$ 3.23	0.9%	3.0%
South Florida	266,000	1,124,000	63.0%	62.5%	\$ 1.51	\$ 1.50	7.0%	4.7%
Seattle	65,000	446,000	92.8%	79.6%	\$ 0.90	\$ 0.98	13.0%	12.2%
East Bay	166,000	646,000	62.1%	67.4%	\$ 1.77	\$ 1.68	23.0%	23.0%
Silicon Valley	371,000	850,000	64.0%	69.8%	\$ 1.91	\$ 1.78	54.4%	36.0%
Mid-Peninsula	57,000	195,000	70.8%	69.8%	\$ 2.99	\$ 1.96	9.3%	4.5%
Company Totals	2,020,000	7,474,000	71.0%	66.1%	\$ 3.97	\$ 3.52	8.0%	5.1%

⁽¹⁾ Excludes assets sold or held for sale.

⁽²⁾ Rental rate change is computed by taking the percentage difference between outgoing rents and incoming rents for leases executed during the period. Leases executed on spaces vacant for more than the preceding twelve months have been excluded.

Multi-Family Development Summary - Unconsolidated Joint Venture ("JV")

December 31, 2017

Project Name	Location	Apartment Units	Estimated Total Costs ⁽¹⁾ (in thousands)	Schedule			
				Construction Start	Initial Occupancy	Estimated Construction Completion	Estimated Stabilization Period
Highgate at the Mile	McLean, Virginia	395	\$ 115,588	Q3 2015	Q2 2017	Q4 2017	Q4 2018
			Development costs to date				112,455
			Remaining costs				<u>\$ 3,133</u>
As of December 31, 2017							
				% Completed	% Occupied	Average Rent per Unit ⁽²⁾	
				100.0%	58.5%	\$ 2,156	

As of December 31, 2017		PSB's Pro-Rata Share of JV Operations		
Ownership %	PSB Book Value ⁽³⁾ (in thousands)		For the Three Months Ended	For the Year Ended
95.0%	\$ 100,898		December 31, 2017	
		Operating Data ⁽⁴⁾		
		Property revenue	\$ 1,195,000	\$ 1,837,000
		Property expenses	(649,000)	(1,462,000)
		Net operating income (loss)	546,000	375,000
		Depreciation	(593,000)	(1,180,000)
		Equity loss in JV	<u>\$ (47,000)</u>	<u>\$ (805,000)</u>
		Weighted Average Occupancy	51.9%	20.6%

(1) The estimated total costs of the project includes original land basis of \$15.3 million plus unrealized land appreciation of \$11.6 million.

(2) Average monthly rental rate is defined as the total potential monthly rental revenue (actual rent for occupied apartment homes plus market rent for vacant apartment homes) divided by the number of apartment homes.

(3) Net equity in JV plus construction loan receivable balance of \$70.2 million.

(4) Operating data represents PSB's pro-rata share of revenue and expenses.