



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

**Analysis of Operating Results  
and Financial Condition**

**June 30, 2016**

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION  
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2016**

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

**NET OPERATING INCOME**

	For The Three Months Ended			For The Six Months Ended		
	06/30/16	06/30/15	% Change	06/30/16	06/30/15	% Change
Rental income:						
Same Park <sup>(1)</sup>	\$ 94,484	\$ 90,798	4.1%	\$ 188,581	\$ 180,564	4.4%
Non-Same Park <sup>(2)</sup>	1,603	1,172	36.8%	3,351	2,333	43.6%
Total rental income	96,087	91,970	4.5%	191,932	182,897	4.9%
Cost of operations:						
Same Park <sup>(1)</sup>	28,467	28,323	0.5%	58,957	58,198	1.3%
Non-Same Park <sup>(2)</sup>	492	528	(6.8%)	1,032	1,055	(2.2%)
Total cost of operations	28,959	28,851	0.4%	59,989	59,253	1.2%
Net operating income:						
Same Park <sup>(1)</sup>	66,017	62,475	5.7%	129,624	122,366	5.9%
Non-Same Park <sup>(2)</sup>	1,111	644	72.5%	2,319	1,278	81.5%
Total net operating income	\$ 67,128	\$ 63,119	6.4%	\$ 131,943	\$ 123,644	6.7%

**FUNDS FROM OPERATIONS**

	For The Three Months Ended			For The Six Months Ended		
	06/30/16	06/30/15	% Change	06/30/16	06/30/15	% Change
<b>FFO allocable to common and dilutive shares - as reported</b>	<b>\$ 45,305</b>	<b>\$ 41,212</b>	<b>9.9%</b>	<b>\$ 88,993</b>	<b>\$ 80,191</b>	<b>11.0%</b>
LTEIP modification due to a change in senior management <sup>(3)</sup>	2,018	-	100.0%	2,018	-	100.0%
<b>FFO allocable to common and dilutive shares - as adjusted</b>	<b>\$ 47,323</b>	<b>\$ 41,212</b>	<b>14.8%</b>	<b>\$ 91,011</b>	<b>\$ 80,191</b>	<b>13.5%</b>
<b>FFO per common and dilutive share - as reported</b>	<b>\$ 1.30</b>	<b>\$ 1.20</b>	<b>8.3%</b>	<b>\$ 2.56</b>	<b>\$ 2.33</b>	<b>9.9%</b>
<b>FFO per common and dilutive share - as adjusted</b>	<b>\$ 1.36</b>	<b>\$ 1.20</b>	<b>13.3%</b>	<b>\$ 2.62</b>	<b>\$ 2.33</b>	<b>12.4%</b>
Weighted average common shares outstanding - diluted	27,172	27,033	0.5%	27,149	27,027	0.5%
Weighted average common OP units outstanding	7,305	7,305	-	7,305	7,305	-
Weighted average restricted stock units outstanding	245	110	122.7%	253	114	121.9%
Total common and dilutive shares	34,722	34,448	0.8%	34,707	34,446	0.8%

**PROPERTY INFORMATION**

	For The Three Months Ended			For The Six Months Ended		
	06/30/16	06/30/15	% Change	06/30/16	06/30/15	% Change
<u>Total Portfolio</u>						
Total rentable square footage at period end	27,969	27,969	-	27,969	27,969	-
Weighted average occupancy	93.6%	92.1%	1.6%	93.9%	91.8%	2.3%
Period end occupancy	93.4%	93.4%	-	93.4%	93.4%	-
Annualized realized rent per sq. ft. <sup>(4)</sup>	\$ 14.68	\$ 14.28	2.8%	\$ 14.62	\$ 14.24	2.7%
REVPAF <sup>(5)</sup>	\$ 13.74	\$ 13.15	4.5%	\$ 13.72	\$ 13.08	4.9%
<u>Same Park Portfolio</u> <sup>(1)</sup>						
Total rentable square footage at period end	27,291	27,291	-	27,291	27,291	-
Weighted average occupancy	93.6%	92.7%	1.0%	93.8%	92.4%	1.5%
Period end occupancy	93.3%	93.7%	(0.4%)	93.3%	93.7%	(0.4%)
Annualized realized rent per sq. ft. <sup>(4)</sup>	\$ 14.80	\$ 14.36	3.1%	\$ 14.73	\$ 14.32	2.9%
REVPAF <sup>(5)</sup>	\$ 13.85	\$ 13.31	4.1%	\$ 13.82	\$ 13.23	4.5%
<u>Non-Same Park Portfolio</u> <sup>(2)</sup>						
Total rentable square footage at period end	678	678	-	678	678	-
Weighted average occupancy	95.0%	70.8%	34.2%	95.0%	70.0%	35.7%
Period end occupancy	95.3%	82.6%	15.4%	95.3%	82.6%	15.4%

**MARKET VALUE INFORMATION**

	06/30/16	% of Total	12/31/15	% of Total
	Market value of common stock and common OP units	\$ 3,648,076	78.9%	\$ 3,002,296
Total debt	54,000	1.2%	250,000	6.0%
Total preferred equity	920,000	19.9%	920,000	22.0%
Total market capitalization	\$ 4,622,076	100.0%	\$ 4,172,296	100.0%
Stock price at the end of the period	\$ 106.08		\$ 87.43	

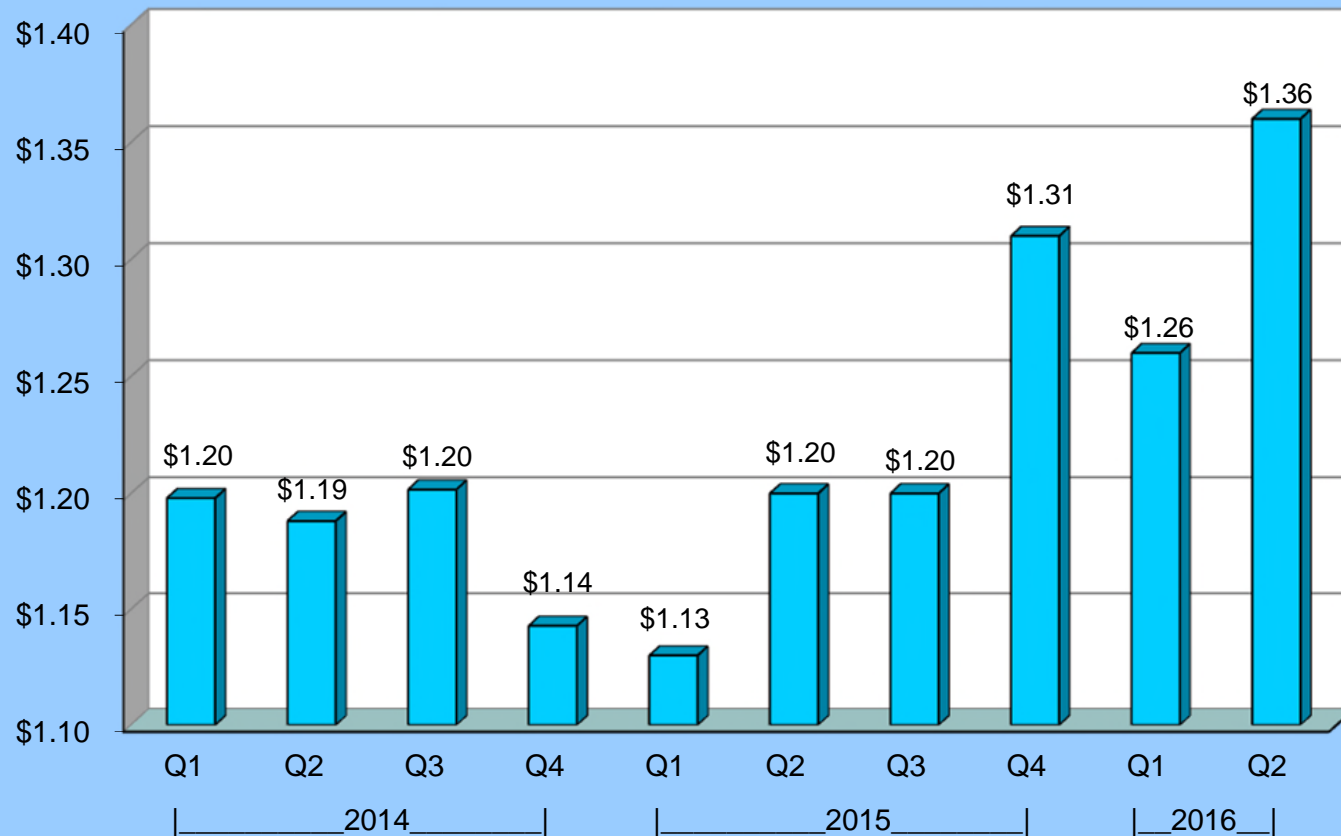
**NOTES**

- (1) All owned assets acquired prior to January 1, 2014 (excludes sold assets).
- (2) All owned assets acquired subsequent to January 1, 2014.
- (3) In order to provide comparable data points, the impact of the LTEIP non-cash stock compensation related to a change in senior management has been excluded.
- (4) Represents the annualized revenues earned per occupied square foot.
- (5) Represents the annualized revenues 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 Six Months Ended			
	06/30/16	06/30/15	Change	% Change	06/30/16	06/30/15	Change	% Change
<b>Funds from operations (FFO):</b>								
Net income allocable to common shareholders	\$ 15,731	\$ 11,129	\$ 4,602	41.4%	\$ 30,300	\$ 30,901	\$ (601)	(1.9%)
Adjustments:								
Gain on sale of real estate facility	-	-	-	-	-	(12,487)	12,487	(100.0%)
Depreciation and amortization	25,214	27,025	(1,811)	(6.7%)	50,255	53,258	(3,003)	(5.6%)
Net income allocable to noncontrolling interests - common units	4,243	3,016	1,227	40.7%	8,179	8,379	(200)	(2.4%)
Net income allocable to restricted stock unit holders	117	42	75	178.6%	259	140	119	85.0%
FFO allocable to common and dilutive shares	<u>\$ 45,305</u>	<u>\$ 41,212</u>	<u>\$ 4,093</u>	9.9%	<u>\$ 88,993</u>	<u>\$ 80,191</u>	<u>\$ 8,802</u>	11.0%
Weighted average common shares outstanding	27,082	26,956	126	0.5%	27,063	26,941	122	0.5%
Weighted average common OP units outstanding	7,305	7,305	-	-	7,305	7,305	-	-
Weighted average restricted stock units outstanding	245	110	135	122.7%	253	114	139	121.9%
Weighted average common share equivalents outstanding	90	77	13	16.9%	86	86	-	0.0%
Total common and dilutive shares	<u>34,722</u>	<u>34,448</u>	<u>274</u>	0.8%	<u>34,707</u>	<u>34,446</u>	<u>261</u>	0.8%
FFO per common and dilutive share	<u>\$ 1.30</u>	<u>\$ 1.20</u>	<u>\$ 0.10</u>	8.3%	<u>\$ 2.56</u>	<u>\$ 2.33</u>	<u>\$ 0.23</u>	9.9%
<b>Funds available for distribution (FAD):</b>								
Funds from operations	\$ 45,305	\$ 41,212	\$ 4,093	9.9%	\$ 88,993	\$ 80,191	\$ 8,802	11.0%
Adjustments:								
Recurring capital improvements	(1,525)	(2,719)	1,194	(43.9%)	(2,679)	(3,783)	1,104	(29.2%)
Tenant improvements	(4,531)	(6,413)	1,882	(29.3%)	(7,850)	(13,023)	5,173	(39.7%)
Lease commissions	(1,767)	(2,702)	935	(34.6%)	(3,588)	(4,260)	672	(15.8%)
Total recurring capital expenditures (sold assets)	-	(72)	72	(100.0%)	-	(325)	325	(100.0%)
Straight-line rent	(170)	(1,159)	989	(85.3%)	(1,217)	(2,192)	975	(44.5%)
Stock compensation expense (excluding LTEIP)	194	213	(19)	(8.9%)	531	526	5	1.0%
LTEIP amortization	4,084	2,421	1,663	68.7%	6,552	4,511	2,041	45.2%
In-place lease adjustment	(138)	(352)	214	(60.8%)	(331)	(663)	332	(50.1%)
Tenant improvement reimbursements, net of lease incentives	(423)	(543)	120	(22.1%)	(846)	(940)	94	(10.0%)
Capitalized interest expense	(345)	(271)	(74)	27.3%	(739)	(531)	(208)	39.2%
FAD	<u>\$ 40,684</u>	<u>\$ 29,615</u>	<u>\$ 11,069</u>	37.4%	<u>\$ 78,826</u>	<u>\$ 59,511</u>	<u>\$ 19,315</u>	32.5%
FAD per common and dilutive share	<u>\$ 1.17</u>	<u>\$ 0.86</u>	<u>\$ 0.31</u>	36.0%	<u>\$ 2.27</u>	<u>\$ 1.73</u>	<u>\$ 0.54</u>	31.2%
<b>Free cash available for debt repayment and investments:</b>								
FAD	\$ 40,684	\$ 29,615	\$ 11,069	37.4%	\$ 78,826	\$ 59,511	\$ 19,315	32.5%
Distributions to common shareholders	(20,318)	(13,485)	(6,833)	50.7%	(40,598)	(26,949)	(13,649)	50.6%
Distributions to common OP unit holders	(5,479)	(3,652)	(1,827)	50.0%	(10,958)	(7,305)	(3,653)	50.0%
Distributions to restricted stock unit holders	(117)	(56)	(61)	108.9%	(259)	(118)	(141)	119.5%
Non-recurring property renovations	(141)	(1,387)	1,246	(89.8%)	(346)	(2,474)	2,128	(86.0%)
Free cash available for debt repayment and investments	<u>\$ 14,629</u>	<u>\$ 11,035</u>	<u>\$ 3,594</u>	32.6%	<u>\$ 26,665</u>	<u>\$ 22,665</u>	<u>\$ 4,000</u>	17.6%
Investment in and advances to unconsolidated joint venture	(8,955)	(403)	(8,552)	2122.1%	(12,501)	(1,315)	(11,186)	850.6%
Retained cash	<u>\$ 5,674</u>	<u>\$ 10,632</u>	<u>\$ (4,958)</u>	(46.6%)	<u>\$ 14,164</u>	<u>\$ 21,350</u>	<u>\$ (7,186)</u>	(33.7%)
FAD distributions payout ratio	<u>63.7%</u>	<u>58.1%</u>			<u>65.7%</u>	<u>57.8%</u>		

## FFO Per Common and Dilutive Share (As Adjusted)<sup>(1)</sup>



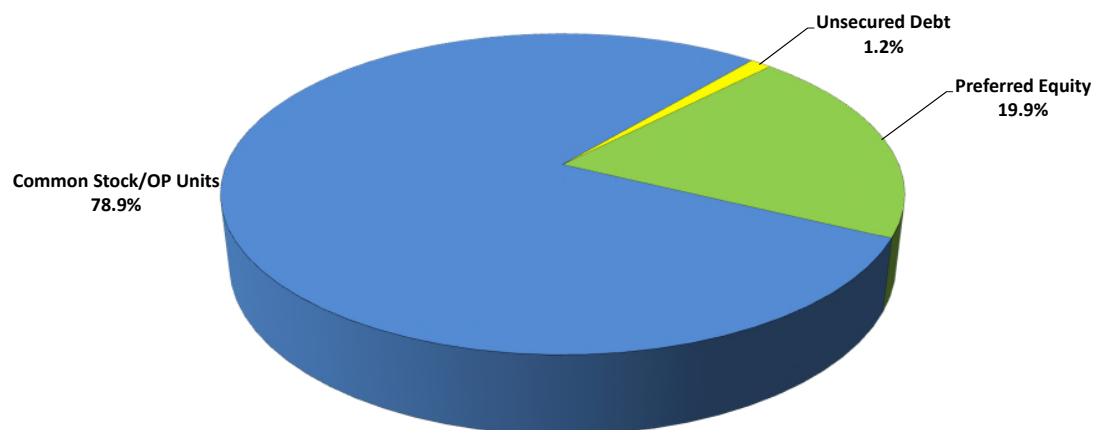
<sup>(1)</sup> Where applicable, amounts exclude the non-cash charge related to June 2016 senior management change, net gain on repurchase of preferred equity, non-cash distributions related to the redemption/repurchase of preferred equity and acquisition transaction costs.

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

	As of June 30, 2016			As of December 31, 2015		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
<b>Mortgage Debt:</b>						
5.45% mortgage note, repaid June 2016	\$ -			\$ 250,000		
Total mortgage debt	-	-	-	250,000	6.0%	5.45%
<b>Unsecured Debt:</b>						
\$250.0 million unsecured credit facility (LIBOR + 0.875%)	54,000			-		
Total unsecured debt	54,000	1.2%	1.33%	-	-	-
Total debt	54,000	1.2%	1.33%	250,000	6.0%	5.45%
<b>Preferred Equity:</b>						
6.450% Series S preferred stock (9,200,000 depository shares outstanding) callable 1/18/17	230,000			230,000		
6.000% Series T preferred stock (14,000,000 depository shares outstanding) callable 5/14/17	350,000			350,000		
5.750% Series U preferred stock (9,200,000 depository shares outstanding) callable 9/14/17	230,000			230,000		
5.700% Series V preferred stock (4,400,000 depository shares outstanding) callable 3/14/18	110,000			110,000		
Total preferred equity	920,000	19.9%	6.01%	920,000	22.0%	6.01%
Total debt and preferred equity	974,000	21.1%	5.75%	1,170,000	28.0%	5.89%
Common stock (27,084,500 and 27,034,073 shares outstanding as of June 30, 2016 and December 31, 2015, respectively)	2,873,124			2,363,589		
Common operating partnership units (7,305,355 units outstanding as of June 30, 2016 and December 31, 2015)	774,952			638,707		
Total common equity (1)	3,648,076	78.9%		3,002,296	72.0%	
Total market capitalization	\$ 4,622,076	100.0%		\$ 4,172,296	100.0%	

(1) Closing stock price was \$106.08 and \$87.43 as of June 30, 2016 and December 31, 2015, respectively.

### Total Market Capitalization as of June 30, 2016: \$4.6 billion



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

	06/30/16	12/31/15	Change	% Change
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 3,702	\$ 188,912	\$ (185,210) (a)	(98.0%)
Real estate facilities, at cost:				
Land	793,569	793,569	-	-
Buildings and equipment	2,225,062	2,215,515	9,547	0.4%
	3,018,631	3,009,084	9,547	0.3%
Accumulated depreciation	(1,126,239)	(1,082,603)	(43,636)	4.0%
	1,892,392	1,926,481	(34,089) (b)	(1.8%)
Land held for future development	6,081	6,081	-	-
	1,898,473	1,932,562	(34,089)	(1.8%)
Investment in and advances to unconsolidated joint venture	39,976	26,736	13,240	49.5%
Rent receivable	2,303	2,234	69 (c)	3.1%
Deferred rent receivable	29,544	28,327	1,217	4.3%
Other assets	8,084	7,887	197 (d)	2.5%
Total assets	\$ 1,982,082	\$ 2,186,658	\$ (204,576)	(9.4%)
<b><u>LIABILITIES AND EQUITY</u></b>				
Accrued and other liabilities	\$ 74,335	\$ 76,059	\$ (1,724) (e)	(2.3%)
Credit Facility	54,000	-	54,000	100.0%
Mortgage note payable	-	250,000	(250,000)	(100.0%)
Total liabilities	128,335	326,059	(197,724)	(60.6%)
Equity:				
PS Business Parks, Inc.'s shareholders' equity:				
Preferred stock	920,000	920,000	-	-
Common stock	270	269	1	0.4%
Paid-in capital	726,944	722,009	4,935 (f)	0.7%
Cumulative net income	1,433,645	1,375,421	58,224	4.2%
Cumulative distributions	(1,425,466)	(1,357,203)	(68,263) (g)	5.0%
Total PS Business Parks, Inc.'s shareholders' equity	1,655,393	1,660,496	(5,103)	(0.3%)
Noncontrolling interests:				
Common units	198,354	200,103	(1,749)	(0.9%)
Total noncontrolling interests:	198,354	200,103	(1,749)	(0.9%)
Total equity	1,853,747	1,860,599	(6,852)	(0.4%)
Total liabilities and equity	\$ 1,982,082	\$ 2,186,658	\$ (204,576)	(9.4%)

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

<b>(a) Change in cash and cash equivalents:</b>			
Beginning cash balance			\$ 188,912
Net cash provided by operating activities			116,814
Net cash used in investing activities			(27,703)
Net cash used in financing activities			(274,321)
Ending cash balance			<u>\$ 3,702</u>
<b>(b) Change in real estate facilities, at cost:</b>			
Beginning balance			\$ 1,926,481
Recurring capital improvements			2,679
Tenant improvements, gross			9,553
Lease commissions			3,588
Nonrecurring capital improvements			346
Depreciation and amortization			(50,255)
Ending balance			<u>\$ 1,892,392</u>
<b>(c) Change in properties held for disposition, net:</b>			
	<u>06/30/16</u>	<u>12/31/15</u>	<u>Change</u>
Non-government tenants	\$ 1,166	\$ 1,012	\$ 154
U.S. Government tenants	1,537	1,622	(85)
Allowance for doubtful accounts	(400)	(400)	-
	<u>\$ 2,303</u>	<u>\$ 2,234</u>	<u>\$ 69</u>
<b>(d) Other assets consist of:</b>			
	<u>06/30/16</u>	<u>12/31/15</u>	<u>Change</u>
In-place lease adjustment and incentives, net	\$ 1,810	\$ 2,163	\$ (353)
Prepaid property taxes and insurance	3,367	3,789	(422)
Other	2,907	1,935	972
	<u>\$ 8,084</u>	<u>\$ 7,887</u>	<u>\$ 197</u>
<b>(e) Accrued and other liabilities consist of:</b>			
	<u>06/30/16</u>	<u>12/31/15</u>	<u>Change</u>
Security deposits	\$ 30,344	\$ 28,815	\$ 1,529
Accrued property taxes	12,081	10,113	1,968
Prepaid rent	17,165	19,213	(2,048)
In-place lease adjustment and tenant improvement reimbursements, net	6,305	7,281	(976)
Other	8,440	10,637	(2,197)
	<u>\$ 74,335</u>	<u>\$ 76,059</u>	<u>\$ (1,724)</u>
<b>(f) Change in paid-in capital:</b>			
Beginning paid-in capital			\$ 722,009
Exercise of stock options			899
Stock compensation, net			5,066
Adjustment to reflect noncontrolling interests to underlying ownership			(1,030)
Ending paid in capital			<u>\$ 726,944</u>
<b>(g) Change in cumulative distributions:</b>			
Beginning cumulative distributions			\$ (1,357,203)
Distributions to preferred shareholders			(27,665)
Distributions to common shareholders			(40,598)
Ending cumulative distributions			<u>\$ (1,425,466)</u>



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

	For The Three Months Ended		Change	% Change
	06/30/16	06/30/15		
Revenues:				
Rental income	\$ 96,087	\$ 92,948	\$ 3,139	(a) 3.4%
Facility management fees	131	133	(2)	(1.5%)
Total operating revenues	<u>96,218</u>	<u>93,081</u>	<u>3,137</u>	3.4%
Expenses:				
Cost of operations	29,750	30,057	(307)	(b) (1.0%)
Depreciation and amortization	25,214	27,025	(1,811)	(6.7%)
General and administrative	5,377	3,497	1,880	(c) 53.8%
Total operating expenses	<u>60,341</u>	<u>60,579</u>	<u>(238)</u>	(0.4%)
Other income and (expense):				
Interest and other income	208	145	63	43.4%
Interest and other expense	(2,162)	(3,338)	1,176	(d) (35.2%)
Total other income and (expense)	<u>(1,954)</u>	<u>(3,193)</u>	<u>1,239</u>	(38.8%)
Net income	<u>\$ 33,923</u>	<u>\$ 29,309</u>	<u>\$ 4,614</u>	15.7%
Net income allocation:				
Net income allocable to noncontrolling interests:				
Noncontrolling interests - common units	\$ 4,243	\$ 3,016	\$ 1,227	40.7%
Total net income allocable to noncontrolling interests	<u>4,243</u>	<u>3,016</u>	<u>1,227</u>	40.7%
Net income allocable to PS Business Parks, Inc.:				
Preferred shareholders	13,832	15,122	(1,290)	(8.5%)
Restricted stock unit holders	117	42	75	178.6%
Common shareholders	15,731	11,129	4,602	41.4%
Total net income allocable to PS Business Parks, Inc.	<u>29,680</u>	<u>26,293</u>	<u>3,387</u>	12.9%
	<u>\$ 33,923</u>	<u>\$ 29,309</u>	<u>\$ 4,614</u>	15.7%
Net income per common share				
Basic	\$ 0.58	\$ 0.41	\$ 0.17	41.5%
Diluted	\$ 0.58	\$ 0.41	\$ 0.17	41.5%
Weighted average common shares outstanding:				
Basic	27,082	26,956	126	0.5%
Diluted	<u>27,172</u>	<u>27,033</u>	<u>139</u>	0.5%

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

	For The Three Months Ended		Change
	06/30/16	06/30/15	
<b>(a) Rental income:</b>			
Same Park	\$ 94,337	\$ 89,679	\$ 4,658
Non-Same Park	1,580	1,117	463
Same Park straight-line rent	147	1,119	(972)
Non-Same Park straight-line rent	23	55	(32)
Sold Assets	-	978	(978)
	<u>\$ 96,087</u>	<u>\$ 92,948</u>	<u>\$ 3,139</u>
<b>(b) Cost of Operations:</b>			
Same Park	\$ 28,467	\$ 28,323	\$ 144
Non-Same Park	492	528	(36)
Sold Assets	-	427	(427)
LTEIP amortization	791	779	12
	<u>\$ 29,750</u>	<u>\$ 30,057</u>	<u>\$ (307)</u>
<b>(c) General and administrative expenses:</b>			
Cash and non-cash compensation expense	\$ 1,308	\$ 1,235	\$ 73
LTEIP amortization	3,293	1,642	1,651
Professional fees and other	776	620	156
	<u>\$ 5,377</u>	<u>\$ 3,497</u>	<u>\$ 1,880</u>
<b>(d) Interest and other expense:</b>			
Mortgage notes payable	\$ (2,310)	\$ (3,445)	\$ 1,135
Credit facility	(28)	-	(28)
Capitalized interest	345	271	74
Facilities fees & other charges	(169)	(164)	(5)
	<u>\$ (2,162)</u>	<u>\$ (3,338)</u>	<u>\$ 1,176</u>

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

	For The Six Months Ended		Change	% Change
	6/30/2016	6/30/2015		
<b>Revenues:</b>				
Rental income	\$ 191,932	\$ 185,263	\$ 6,669	(a) 3.6%
Facility management fees	259	280	(21)	(7.5%)
Total operating revenues	<u>192,191</u>	<u>185,543</u>	<u>6,648</u>	3.6%
<b>Expenses:</b>				
Cost of operations	61,644	61,803	(159)	(b) (0.3%)
Depreciation and amortization	50,255	53,258	(3,003)	(5.6%)
General and administrative	9,012	6,896	2,116	(c) 30.7%
Total operating expenses	<u>120,911</u>	<u>121,957</u>	<u>(1,046)</u>	(0.9%)
<b>Other income and (expense):</b>				
Interest and other income	475	252	223	88.5%
Interest and other expense	(5,352)	(6,661)	1,309	(d) (19.7%)
Total other income and (expense)	<u>(4,877)</u>	<u>(6,409)</u>	<u>1,532</u>	(23.9%)
Gain on sale of real estate facilities	-	12,487	(12,487)	(100.0%)
Net income	<u>\$ 66,403</u>	<u>\$ 69,664</u>	<u>\$ (3,261)</u>	(4.7%)
<b>Net income allocation:</b>				
Net income allocable to noncontrolling interests:				
Noncontrolling interests - common units	\$ 8,179	\$ 8,379	\$ (200)	(2.4%)
Total net income allocable to noncontrolling interests	<u>8,179</u>	<u>8,379</u>	<u>(200)</u>	(2.4%)
Net income allocable to PS Business Parks, Inc.:				
Preferred shareholders	27,665	30,244	(2,579)	(8.5%)
Restricted stock unit holders	259	140	119	85.0%
Common shareholders	30,300	30,901	(601)	(1.9%)
Total net income allocable to PS Business Parks, Inc.	<u>58,224</u>	<u>61,285</u>	<u>(3,061)</u>	(5.0%)
	<u>\$ 66,403</u>	<u>\$ 69,664</u>	<u>\$ (3,261)</u>	(4.7%)
<b>Net income per common share</b>				
Basic	\$ 1.12	\$ 1.15	\$ (0.03)	(2.6%)
Diluted	\$ 1.12	\$ 1.14	\$ (0.02)	(1.8%)
<b>Weighted average common shares outstanding:</b>				
Basic	<u>27,063</u>	<u>26,941</u>	<u>122</u>	0.5%
Diluted	<u>27,149</u>	<u>27,027</u>	<u>122</u>	0.5%

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

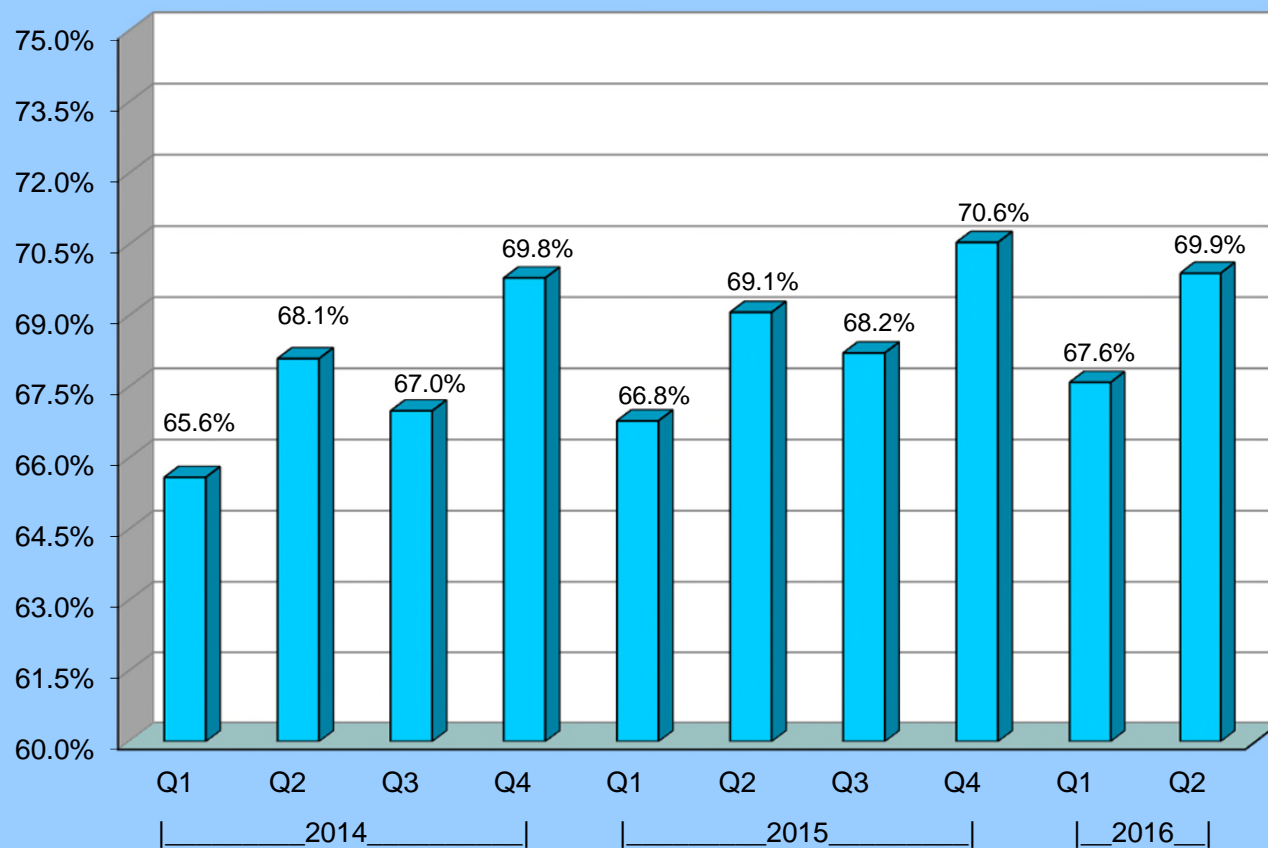
	For The Six Months Ended		Change
	06/30/16	06/30/15	
<b>(a) Rental income:</b>			
Same Park	\$ 187,472	\$ 178,670	\$ 8,802
Non-Same Park	3,243	2,013	1,230
Same Park straight-line rent	1,109	1,894	(785)
Non-Same Park straight-line rent	108	320	(212)
Sold Assets	-	2,366	(2,366)
	<u>\$ 191,932</u>	<u>\$ 185,263</u>	<u>\$ 6,669</u>
<b>(b) Cost of operations:</b>			
Same Park	\$ 58,957	\$ 58,198	\$ 759
Non-Same Park	1,032	1,055	(23)
Sold Assets	-	1,039	(1,039)
LTEIP amortization	1,655	1,511	144
	<u>\$ 61,644</u>	<u>\$ 61,803</u>	<u>\$ (159)</u>
<b>(c) General and administrative expenses:</b>			
Cash and non-cash compensation expense	\$ 2,700	\$ 2,680	\$ 20
LTEIP amortization	4,897	3,000	1,897
Professional fees and other	1,415	1,216	199
	<u>\$ 9,012</u>	<u>\$ 6,896</u>	<u>\$ 2,116</u>
<b>(d) Interest and other expense:</b>			
Mortgage notes payable	\$ (5,755)	\$ (6,852)	\$ 1,097
Credit facility	(28)	-	(28)
Capitalized interest	739	531	208
Facilities fees & other charges	(308)	(340)	32
	<u>\$ (5,352)</u>	<u>\$ (6,661)</u>	<u>\$ 1,309</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 Six Months Ended June 30, 2016</u>	<u>Cost per Weighted Average Square Foot</u>
Capital improvements	\$2,679	\$0.10
Tenant improvements	7,850	\$0.28
Lease commissions	3,588	\$0.13
Total recurring capital expenditures	<u>\$14,117</u>	\$0.51
 <u>Non-recurring property renovations</u>		
Non-recurring property renovations	\$346	

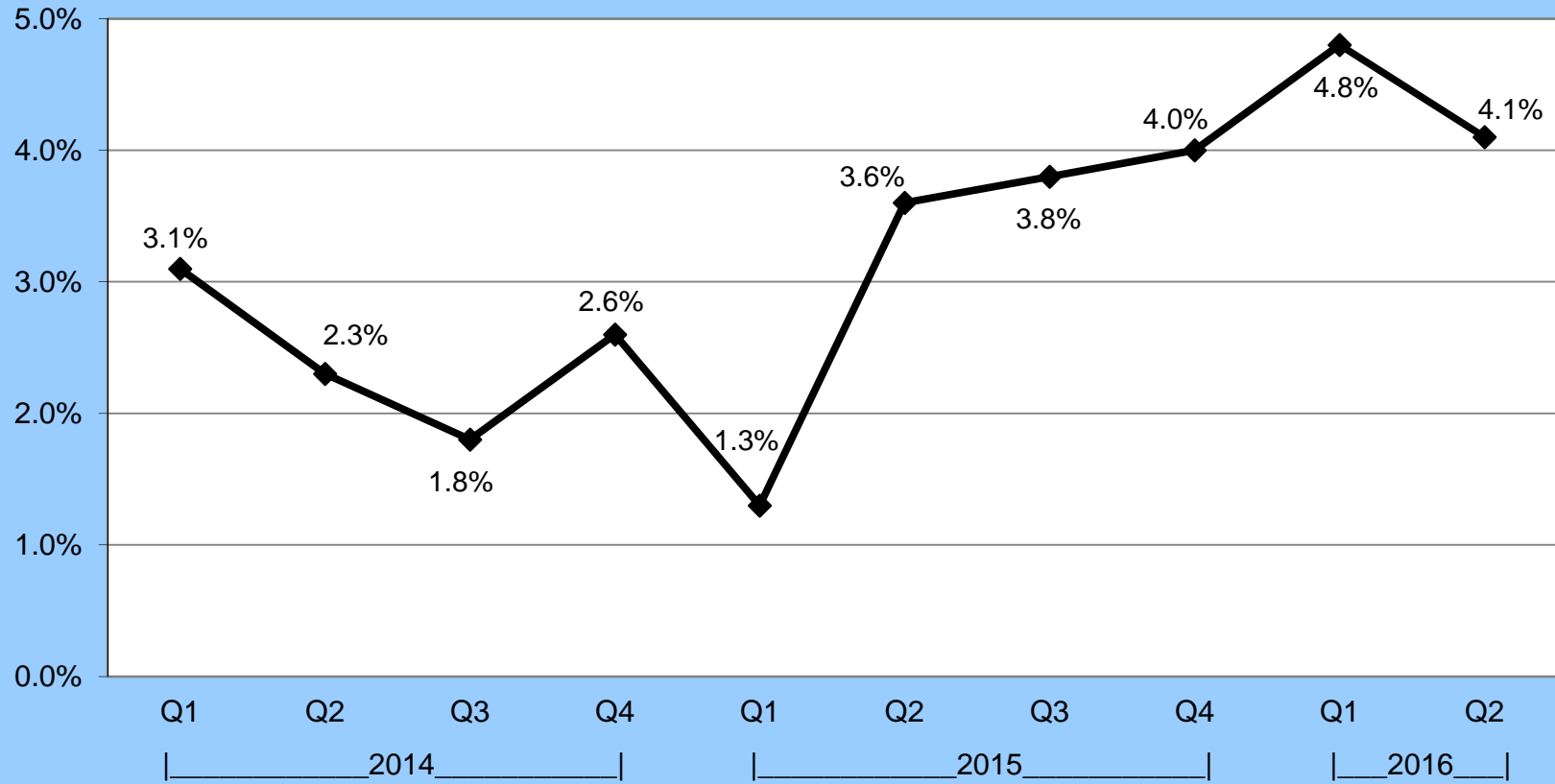
(1) The Company defines "recurring capital expenditures" as those capitalized costs necessary to continue to operate the property at its current economic value. Capital improvements in excess of \$2,000 with a useful life greater than 24 months are capitalized. Lease transaction costs of \$1,000 or more 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 \$14.6 million or approximately \$0.52 per weighted average square foot for the six months ended June 30, 2016 compared to \$14.2 million or approximately \$0.50 per weighted average square foot for the six months ended June 30, 2015.

## Same Park Gross Operating Margin Percentage <sup>(1)</sup>



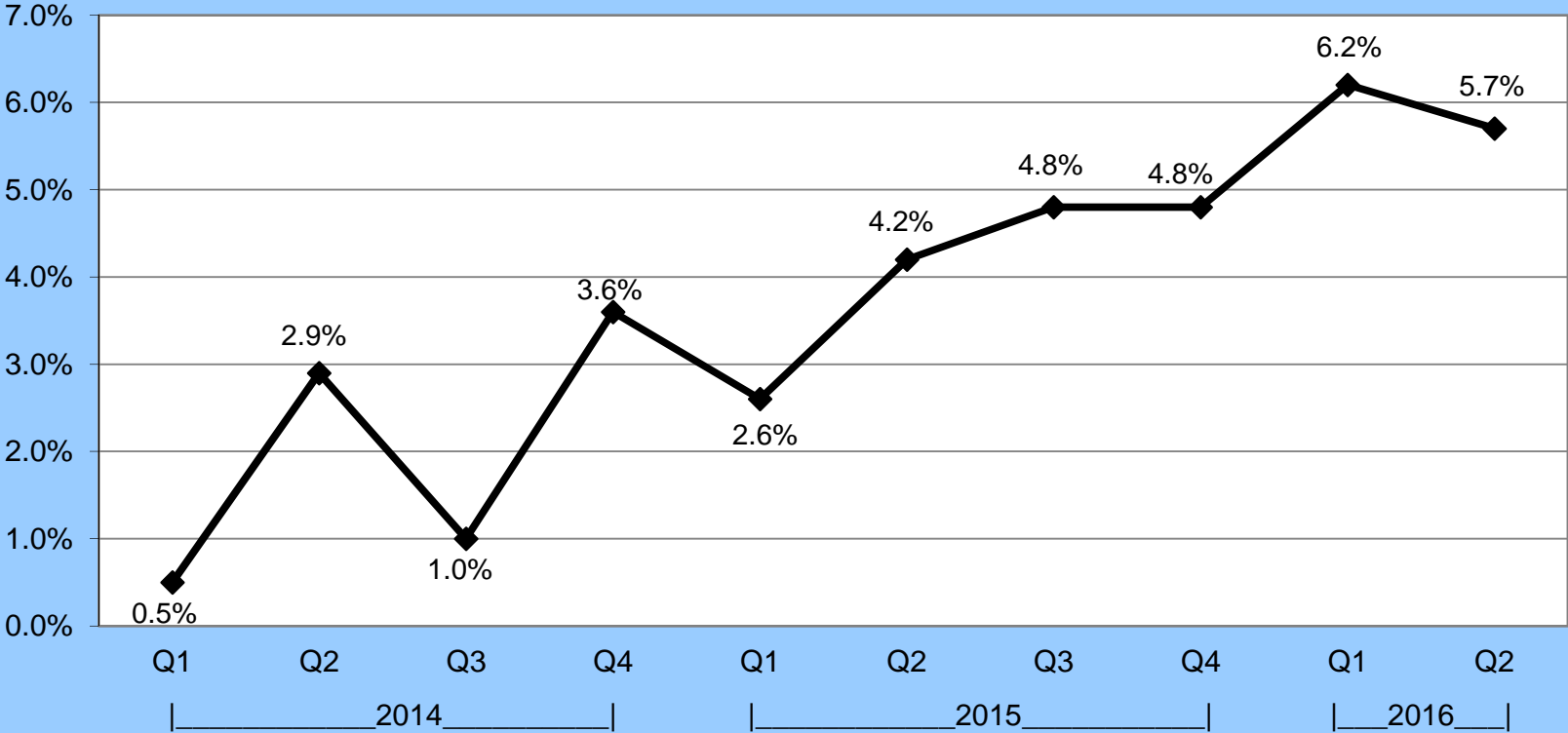
<sup>(1)</sup> Gross margin is computed by dividing property net operating income by rental income for Same Park properties in each period. Amounts exclude LTEIP amortization.

## Change in Same Park Revenue<sup>(1)</sup>



<sup>(1)</sup> 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<sup>(1)</sup>



<sup>(1)</sup> Percentage represents the change over the comparable period in the previous year based on Same Park operating assets as reported in each period. Amounts exclude LTEIP amortization.



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

Industry Concentration as of June 30, 2016

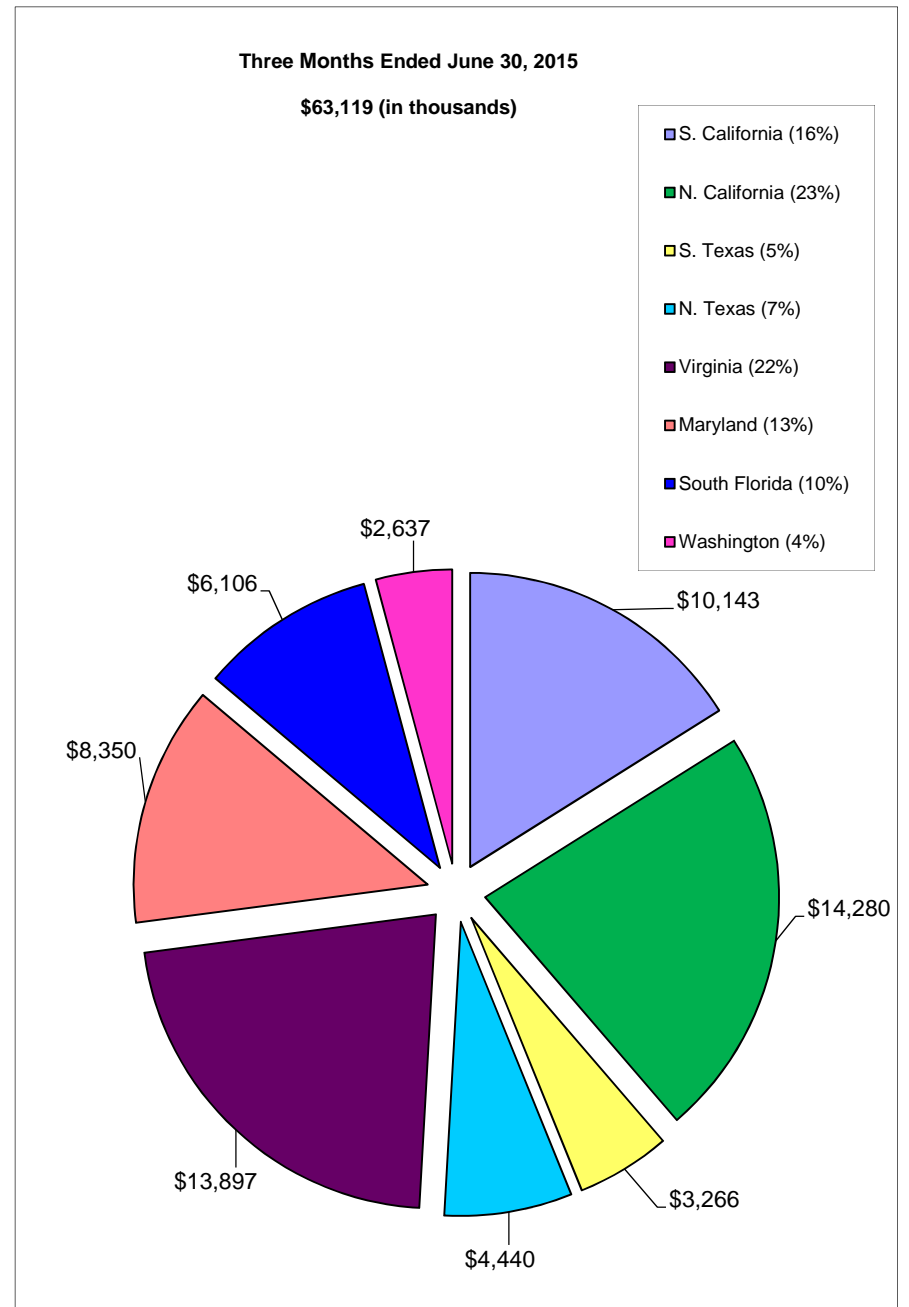
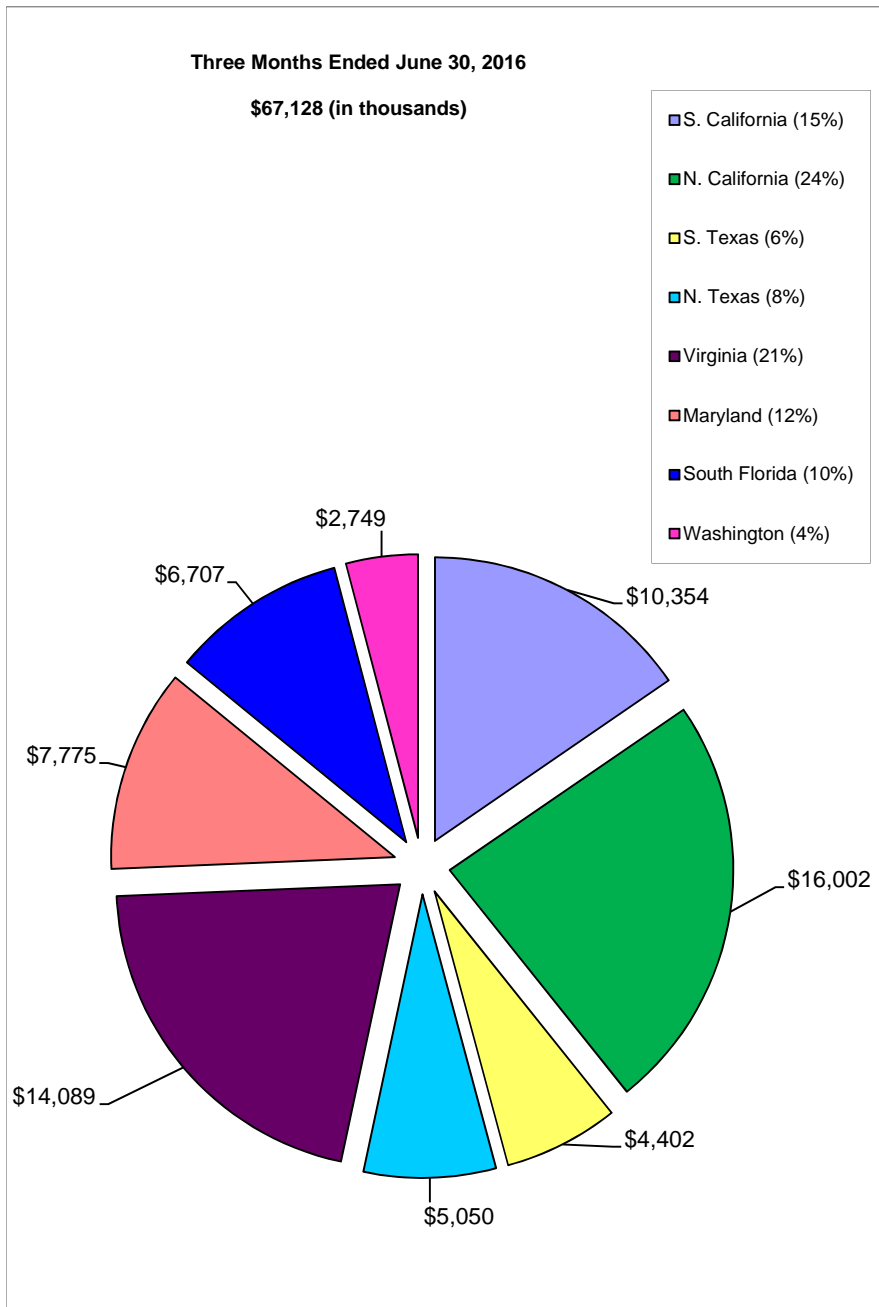
	% of Total Rental Income
Business services	17.9%
Computer hardware, software and related services	10.3%
Warehouse, distribution, transportation and logistics	10.2%
Health services	9.6%
Government	9.2%
Retail, food, and automotive	7.5%
Engineering and construction	6.8%
Insurance and financial services	4.4%
Electronics	3.1%
Home furnishings	3.0%
Aerospace/defense products and services	2.8%
Communications	2.2%
Educational services	1.8%
Other	11.2%
<b>Total</b>	<b>100.0%</b>

Top 10 Customers by Total Annual Rental Income as of June 30, 2016

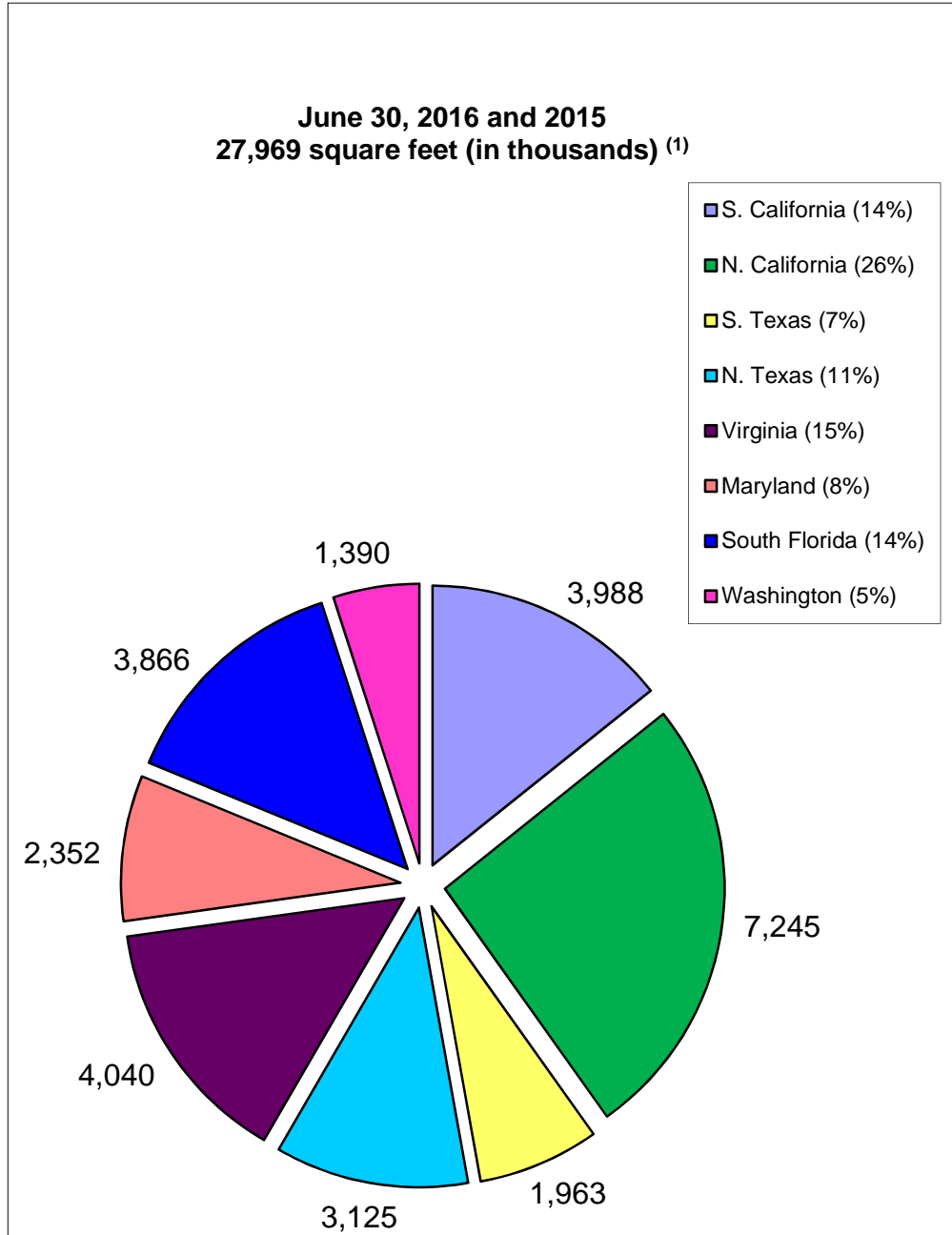
Tenant	Square Footage	Annualized Rental Income <sup>(1)</sup>	% of Total Annualized Rental Income
US Government	789	\$ 17,626	4.6%
Kaiser Permanente	199	4,934	1.3%
Lockheed Martin Corporation	168	4,034	1.1%
Keeco, L.L.C.	460	3,434	0.9%
Luminex Corporation	185	3,309	0.9%
MAXIMUS, Inc.	102	2,031	0.5%
KZ Kitchen Cabinet & Stone	181	1,846	0.5%
Investorplace Media, LLC	46	1,764	0.5%
Inova Health Care Services	63	1,726	0.5%
Quanta Computer USA, Inc. & Quanta C	179	1,620	0.4%
<b>Total</b>	<b>2,372</b>	<b>\$ 42,324</b>	<b>11.2%</b>

(1) - For leases expiring within one year, annualized rental income represents income to be received under existing leases from July 1, 2016 through the date of expiration.

## Total Portfolio Net Operating Income by Region

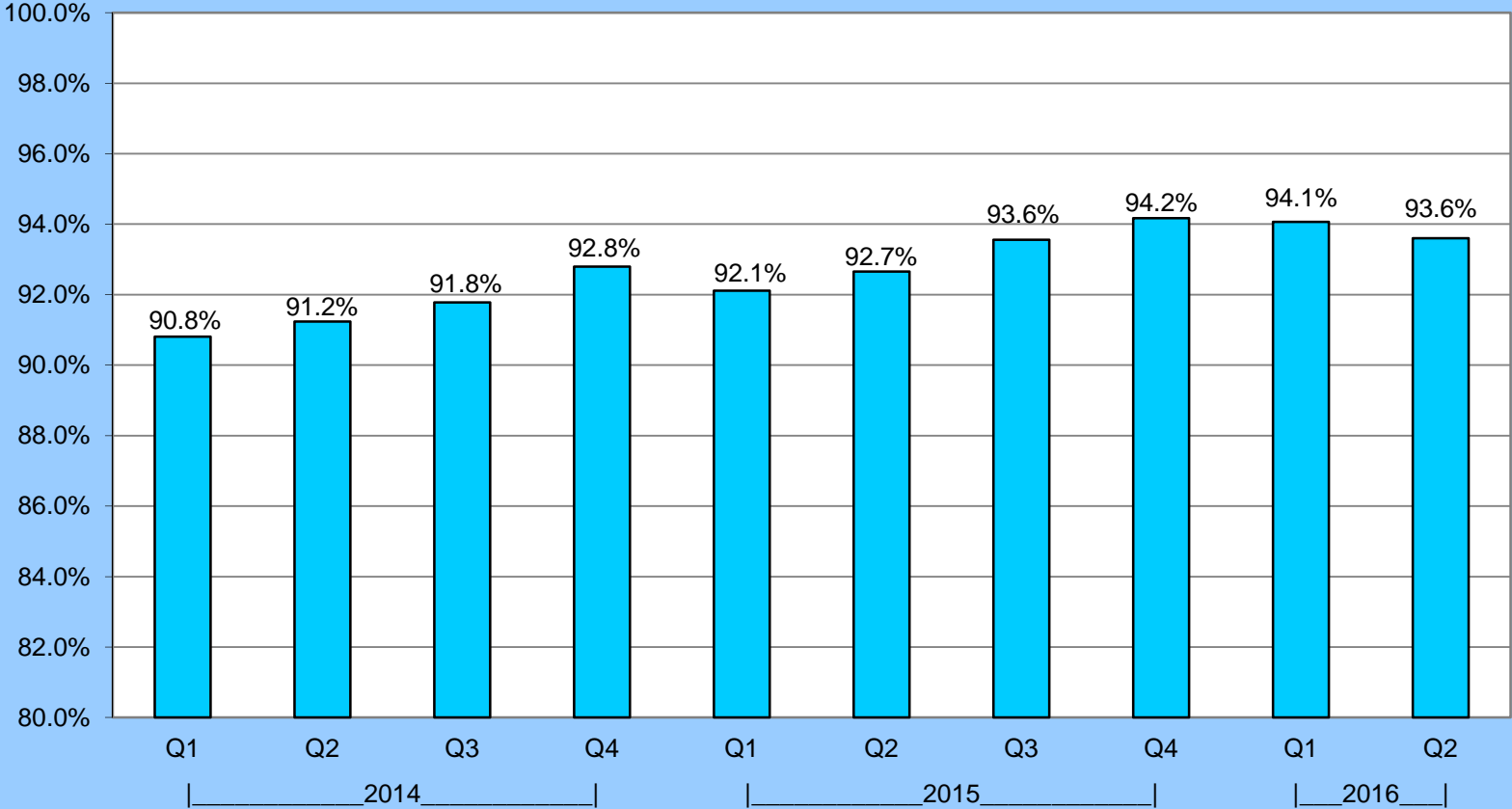


## Total Rentable Square Footage by Region



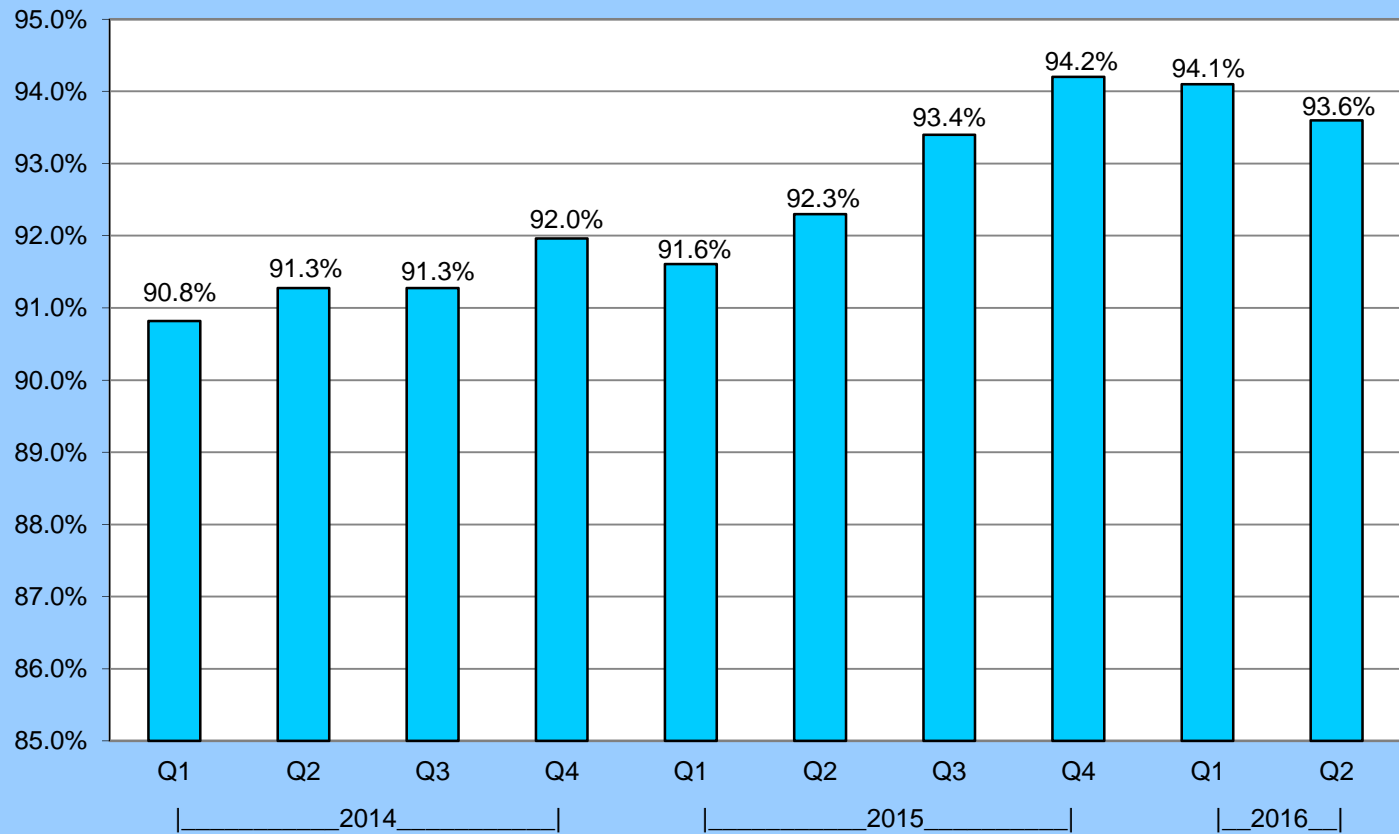
(1) - Excludes sold assets.

# Same Park Weighted Average Occupancy (1)



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

## Total Portfolio Weighted Average Occupancy <sup>(1)</sup>



<sup>(1)</sup> Represents the weighted average occupancy for the total owned portfolio.

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

Rentable Square Footage of Properties as of June 30, 2016					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Northern Virginia	-	2,093	1,947	4,040	14.8%
South Florida	2,631	12	1,074	3,717	13.6%
East Bay	2,014	-	1,336	3,350	12.3%
Silicon Valley	1,892	-	1,450	3,342	12.3%
Dallas	231	-	2,730	2,961	10.8%
Maryland	-	1,382	970	2,352	8.6%
Austin	-	-	1,717	1,717	6.3%
Orange County	-	705	911	1,616	5.9%
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%
<b>Total</b>	<b>8,431</b>	<b>4,591</b>	<b>14,269</b>	<b>27,291</b>	<b>100.0%</b>
Percentage by Product Type	30.9%	16.8%	52.3%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended June 30, 2016				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	91.6%	94.1%	92.8%
South Florida	94.2%	100.0%	88.5%	92.6%
East Bay	96.0%	-	93.3%	95.0%
Silicon Valley	96.9%	-	98.5%	97.6%
Dallas	100.0%	-	88.4%	89.3%
Maryland	-	88.7%	85.9%	87.5%
Austin	-	-	97.3%	97.3%
Orange County	-	86.7%	94.1%	90.8%
Los Angeles County	99.6%	88.1%	96.5%	97.8%
Seattle	99.3%	97.0%	96.2%	98.3%
San Diego County	-	-	91.3%	91.3%
Mid-Peninsula	-	95.9%	100.0%	96.7%
<b>Total</b>	<b>96.4%</b>	<b>90.3%</b>	<b>92.9%</b>	<b>93.6%</b>

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended June 30, 2016			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	93.9%	90.8%	92.8%
South Florida	93.6%	88.6%	92.6%
East Bay	95.1%	93.9%	95.0%
Silicon Valley	97.5%	97.9%	97.6%
Dallas	89.0%	90.1%	89.3%
Maryland	87.1%	88.9%	87.5%
Austin	97.4%	96.3%	97.3%
Orange County	92.1%	89.8%	90.8%
Los Angeles County	99.6%	96.2%	97.8%
Seattle	99.3%	96.2%	98.3%
San Diego County	-	91.3%	91.3%
Mid-Peninsula	-	96.7%	96.7%
<b>Total</b>	<b>94.1%</b>	<b>92.2%</b>	<b>93.6%</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.

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

Rentable Square Footage of Properties as of June 30, 2016					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Northern Virginia	-	2,093	1,947	4,040	14.4%
South Florida	2,780	12	1,074	3,866	13.8%
East Bay	2,014	-	1,336	3,350	12.0%
Silicon Valley	1,892	-	1,569	3,461	12.4%
Dallas	231	-	2,894	3,125	11.2%
Maryland	-	1,382	970	2,352	8.4%
Austin	246	-	1,717	1,963	7.0%
Orange County	-	705	911	1,616	5.8%
Los Angeles County	712	31	861	1,604	5.7%
Seattle	951	28	411	1,390	5.0%
San Diego County	-	-	768	768	2.7%
Mid-Peninsula	-	340	94	434	1.6%
<b>Total</b>	<b>8,826</b>	<b>4,591</b>	<b>14,552</b>	<b>27,969</b>	<b>100.0%</b>
Percentage by Product Type	31.6%	16.4%	52.0%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended June 30, 2016				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	91.6%	94.1%	92.8%
South Florida	94.5%	100.0%	88.5%	92.9%
East Bay	96.0%	-	93.3%	95.0%
Silicon Valley	96.9%	-	98.5%	97.7%
Dallas	100.0%	-	88.8%	89.6%
Maryland	-	88.7%	85.9%	87.5%
Austin	90.2%	-	97.3%	96.4%
Orange County	-	86.7%	94.1%	90.8%
Los Angeles County	99.6%	88.1%	96.5%	97.8%
Seattle	99.3%	97.0%	96.2%	98.3%
San Diego County	-	-	91.3%	91.3%
Mid-Peninsula	-	95.9%	100.0%	96.7%
<b>Total</b>	<b>96.3%</b>	<b>90.3%</b>	<b>93.0%</b>	<b>93.6%</b>

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended June 30, 2016			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	93.9%	90.8%	92.8%
South Florida	93.9%	88.6%	92.9%
East Bay	95.1%	93.9%	95.0%
Silicon Valley	97.5%	98.1%	97.7%
Dallas	89.0%	90.8%	89.6%
Maryland	87.1%	88.9%	87.5%
Austin	96.4%	96.3%	96.4%
Orange County	92.1%	89.8%	90.8%
Los Angeles County	99.6%	96.2%	97.8%
Seattle	99.3%	96.2%	98.3%
San Diego County	-	91.3%	91.3%
Mid-Peninsula	-	96.7%	96.7%
<b>Total</b>	<b>94.1%</b>	<b>92.4%</b>	<b>93.6%</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.

**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2016**  
**(IN THOUSANDS)**

Lease Expirations - Flex				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2016	1,521	\$ 19,858	9.4%	5.0%
2017	3,640	53,757	25.5%	13.4%
2018	3,076	46,924	22.2%	11.7%
2019	1,917	30,354	14.4%	7.6%
2020	1,540	24,360	11.6%	6.1%
Thereafter	1,871	35,682	16.9%	8.9%
Total	13,565	\$ 210,935	100.0%	52.7%

Lease Expirations - Office				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2016	692	\$ 17,817	16.5%	4.5%
2017	984	24,429	22.6%	6.1%
2018	946	24,028	22.2%	6.0%
2019	588	15,713	14.5%	3.9%
2020	301	8,486	7.8%	2.1%
Thereafter	618	17,741	16.4%	4.5%
Total	4,129	\$ 108,214	100.0%	27.1%

Lease Expirations - Industrial				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2016	562	\$ 4,891	6.1%	1.2%
2017	1,942	16,288	20.2%	4.1%
2018	1,367	12,599	15.7%	3.2%
2019	1,954	17,906	22.3%	4.5%
2020	1,217	12,255	15.2%	3.1%
Thereafter	1,458	16,518	20.5%	4.1%
Total	8,500	\$ 80,457	100.0%	20.2%

Lease Expirations - Total Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2016	2,775	\$ 42,566	10.7%	10.7%
2017	6,566	94,474	23.6%	23.6%
2018	5,389	83,551	20.9%	20.9%
2019	4,459	63,973	16.0%	16.0%
2020	3,058	45,101	11.3%	11.3%
Thereafter	3,947	69,941	17.5%	17.5%
Total	26,194	\$ 399,606	100.0%	100.0%



**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2016**  
(in thousands)

Southern California					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2016	441	\$ 7,184	11.1%	1.8%	
2017	1,329	21,263	32.7%	5.3%	
2018	960	16,655	25.6%	4.2%	
2019	534	8,420	13.0%	2.1%	
2020	264	4,496	6.9%	1.1%	
Thereafter	267	6,932	10.7%	1.7%	
Total	<u>3,795</u>	<u>\$ 64,950</u>	<u>100.0%</u>	<u>16.2%</u>	

Northern California					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2016	493	\$ 6,915	7.6%	1.70%	
2017	1,340	17,263	19.0%	4.30%	
2018	1,149	16,052	17.6%	4.00%	
2019	1,819	20,252	22.3%	5.10%	
2020	1,044	13,871	15.3%	3.50%	
Thereafter	1,141	16,580	18.2%	4.20%	
Total	<u>6,986</u>	<u>\$ 90,933</u>	<u>100.0%</u>	<u>22.8%</u>	

Southern Texas					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2016	116	\$ 1,633	5.8%	0.4%	
2017	447	6,131	21.7%	1.5%	
2018	439	6,180	21.9%	1.5%	
2019	124	2,097	7.4%	0.5%	
2020	377	6,071	21.5%	1.5%	
Thereafter	386	6,112	21.7%	1.5%	
Total	<u>1,889</u>	<u>\$ 28,224</u>	<u>100.0%</u>	<u>6.9%</u>	

Northern Texas					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2016	315	\$ 2,822	8.6%	0.7%	
2017	720	7,890	24.0%	2.0%	
2018	548	6,044	18.3%	1.5%	
2019	459	6,079	18.5%	1.5%	
2020	359	4,010	12.2%	1.0%	
Thereafter	406	6,057	18.4%	1.5%	
Total	<u>2,807</u>	<u>\$ 32,902</u>	<u>100.0%</u>	<u>8.2%</u>	

**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2016**  
(in thousands)

South Florida					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2016	502	\$ 4,670	12.5%	1.2%	
2017	1,044	10,694	28.8%	2.7%	
2018	943	9,961	26.8%	2.5%	
2019	419	4,608	12.4%	1.2%	
2020	211	2,402	6.5%	0.6%	
Thereafter	459	4,843	13.0%	1.2%	
Total	<u>3,578</u>	<u>\$ 37,178</u>	<u>100.0%</u>	<u>9.4%</u>	

Northern Virginia					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2016	558	\$ 11,340	14.0%	2.9%	
2017	1,003	21,084	26.1%	5.3%	
2018	529	11,247	13.9%	2.8%	
2019	600	14,143	17.5%	3.5%	
2020	382	7,457	9.2%	1.9%	
Thereafter	627	15,601	19.3%	3.9%	
Total	<u>3,699</u>	<u>\$ 80,872</u>	<u>100.0%</u>	<u>20.3%</u>	

Maryland					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2016	245	\$ 6,543	13.4%	1.6%	
2017	267	5,670	11.6%	1.4%	
2018	633	14,589	30.0%	3.7%	
2019	284	6,183	12.7%	1.5%	
2020	208	4,718	9.7%	1.2%	
Thereafter	429	11,026	22.6%	2.8%	
Total	<u>2,066</u>	<u>\$ 48,729</u>	<u>100.0%</u>	<u>12.2%</u>	

Washington					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2016	105	\$ 1,459	9.2%	0.4%	
2017	416	4,479	28.3%	1.1%	
2018	188	2,823	17.9%	0.7%	
2019	220	2,191	13.9%	0.6%	
2020	213	2,076	13.1%	0.5%	
Thereafter	232	2,790	17.6%	0.7%	
Total	<u>1,374</u>	<u>\$ 15,818</u>	<u>100.0%</u>	<u>4.0%</u>	

**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2016**  
(in thousands)

Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2016	2,775	\$ 42,566	10.7%	10.7%	
2017	6,566	94,474	23.6%	23.6%	
2018	5,389	83,551	20.9%	20.9%	
2019	4,459	63,973	16.0%	16.0%	
2020	3,058	45,101	11.3%	11.3%	
Thereafter	3,947	69,941	17.5%	17.5%	
Total	<u>26,194</u>	<u>\$ 399,606</u>	<u>100.0%</u>	<u>100.0%</u>	

**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2016**  
(in thousands)

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2016	1,373	\$ 20,470	7.9%	5.1%	
2017	4,017	50,066	19.5%	12.5%	
2018	3,568	50,117	19.5%	12.5%	
2019	3,452	45,186	17.6%	11.3%	
2020	2,573	35,120	13.7%	8.8%	
Thereafter	3,354	56,179	21.8%	14.1%	
Total	<u>18,337</u>	<u>\$ 257,138</u>	<u>100.0%</u>	<u>64.3%</u>	

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2016	1,402	\$ 22,096	15.5%	5.6%	
2017	2,549	44,408	31.2%	11.1%	
2018	1,821	33,434	23.5%	8.4%	
2019	1,007	18,787	13.2%	4.7%	
2020	485	9,981	7.0%	2.5%	
Thereafter	593	13,762	9.6%	3.4%	
Total	<u>7,857</u>	<u>\$ 142,468</u>	<u>100.0%</u>	<u>35.7%</u>	

Lease Expirations - Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2016	2,775	\$ 42,566	10.7%	10.7%	
2017	6,566	94,474	23.6%	23.6%	
2018	5,389	83,551	20.9%	20.9%	
2019	4,459	63,973	16.0%	16.0%	
2020	3,058	45,101	11.3%	11.3%	
Thereafter	3,947	69,941	17.5%	17.5%	
Total	<u>26,194</u>	<u>\$ 399,606</u>	<u>100.0%</u>	<u>100.0%</u>	

**PS BUSINESS PARKS, INC.**  
**QUARTERLY AND YEAR TO DATE PRODUCTION STATISTICS - TOTAL PORTFOLIO**  
**June 30, 2016**

	<b>Leasing Volume 2nd Quarter</b>	<b>Leasing Volume YTD</b>	<b>Tenant Retention 2nd Quarter</b>	<b>Tenant Retention YTD</b>	<b>Rental Rate Change <sup>(1)</sup> 2nd Quarter</b>	<b>Rental Rate Change <sup>(1)</sup> YTD</b>
Maryland	106,000	407,000	71.1%	84.0%	-3.2%	-6.7%
Virginia	265,000	482,000	70.0%	76.6%	-8.5%	-7.2%
San Diego	118,000	191,000	71.0%	63.4%	3.8%	5.5%
Orange County	118,000	272,000	51.6%	54.9%	8.7%	7.1%
Los Angeles	156,000	315,000	77.1%	81.6%	8.4%	8.4%
Austin	98,000	180,000	60.9%	68.4%	11.8%	16.4%
Dallas	131,000	320,000	49.3%	51.0%	3.9%	5.4%
South Florida	336,000	601,000	56.3%	56.9%	4.9%	5.5%
Seattle	84,000	147,000	71.4%	67.9%	12.5%	12.0%
East Bay	117,000	246,000	64.3%	66.5%	13.4%	14.2%
Silicon Valley	158,000	317,000	70.0%	69.6%	26.5%	23.3%
Mid-Peninsula	29,000	77,000	65.2%	79.8%	13.4%	23.2%
<b>Company Totals</b>	<b>1,716,000</b>	<b>3,555,000</b>	<b>64.4%</b>	<b>67.7%</b>	<b>5.5%</b>	<b>4.8%</b>

<sup>(1)</sup> 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.