PSBUSINESSPARKS

Analysis of Operating Results and Financial Condition

For the Periods Ended September 30, 2002

ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE PERIODS ENDED September 30, 2002

INDEX

PS BUSINESS PARKS, INC.
THIRD QUARTER FACT SHEET

OPERATING DATA

	Three Months Ended			Nine Months Ended		
	09/30/02	09/30/01	Difference	09/30/02	09/30/01	Difference
Total revenues	$ 49,878,000	$ 42,825,000	16.5%	$ 150,336,000	$ 121,229,000	24.0%
Net income allocable to common shareholders	$ 9,911,000	$ 10,010,000	(1.0%)	$ 32,535,000	$ 31,130,000	4.5%
Net income per common share:						
Basic	$ 0.46	$ 0.45	2.2%	$ 1.51	$ 1.38	9.4%
Diluted	$ 0.46	$ 0.45	2.2%	$ 1.49	$ 1.37	8.8%
Weighted average common shares outstanding:						
Basic	21,552,000	22,210,000	(3.0%)	21,548,000	22,610,000	(4.7%)
Diluted	21,772,000	22,295,000	(2.3%)	21,763,000	22,685,000	(4.1%)

FUNDS FROM OPERATIONS

	Three Months Ended			Nine Months Ended		
	09/30/02	09/30/01	Difference	09/30/02	09/30/01	Difference
FFO allocable to common shareholders	$ 19,595,000	$ 17,836,000	9.9%	$ 57,890,000	$ 53,083,000	9.1%
Weighted average common shares outstanding - diluted	21,772,000	22,295,000	(2.3%)	21,763,000	22,685,000	(4.1%)
FFO per common share - diluted	$ 0.90	$ 0.80	12.5%	$ 2.66	$ 2.34	13.7%

PROPERTY INFORMATION

	Three Months Ended			Nine Months Ended		
	09/30/02	09/30/01	Difference	09/30/02	09/30/01	Difference
Net rentable square footage at period end (wholly-owned)	14,755,000	13,598,000	8.5%	14,755,000	13,598,000	8.5%
<u>Same Park Facilities</u>						
Weighted average occupancy	93.9%	95.6%	(1.7%)	94.6%	96.1%	(1.5%)
Annualized realized rent per sq. ft. (1)	$ 13.46	$ 13.17	2.2%	$ 13.36	$ 12.96	3.1%

(1) Realized rent per square foot represents the actual revenues earned per occupied square foot.

BALANCE SHEET DATA

	09/30/02	12/31/01	Difference
Total assets	$ 1,138,136,000	$ 1,169,955,000	(2.7%)
Minority interest - preferred	$ 197,750,000	$ 197,750,000	0.0%
Minority interest - common	$ 166,436,000	$ 162,141,000	2.6%
Perpetual preferred stock	$ 170,950,000	$ 121,000,000	41.3%
Common shareholders' equity	$ 492,945,000	$ 478,731,000	3.0%
Total common shares outstanding at period end	21,553,000	21,540,000	0.1%
Book value per common share	$ 22.87	$ 22.23	2.9%

MARKET VALUE INFORMATION

	09/30/02	12/31/01	Difference
Market value of common stock and OP units	$ 981,180,000	$ 908,622,000	8.0%
Total debt	77,720,000	165,145,000	(52.9%)
Total preferred stock and OP units	368,700,000	318,750,000	15.7%
Total market capitalization	$ 1,427,600,000	$ 1,392,517,000	2.5%
Stock price	$ 34.00	$ 31.50	7.9%

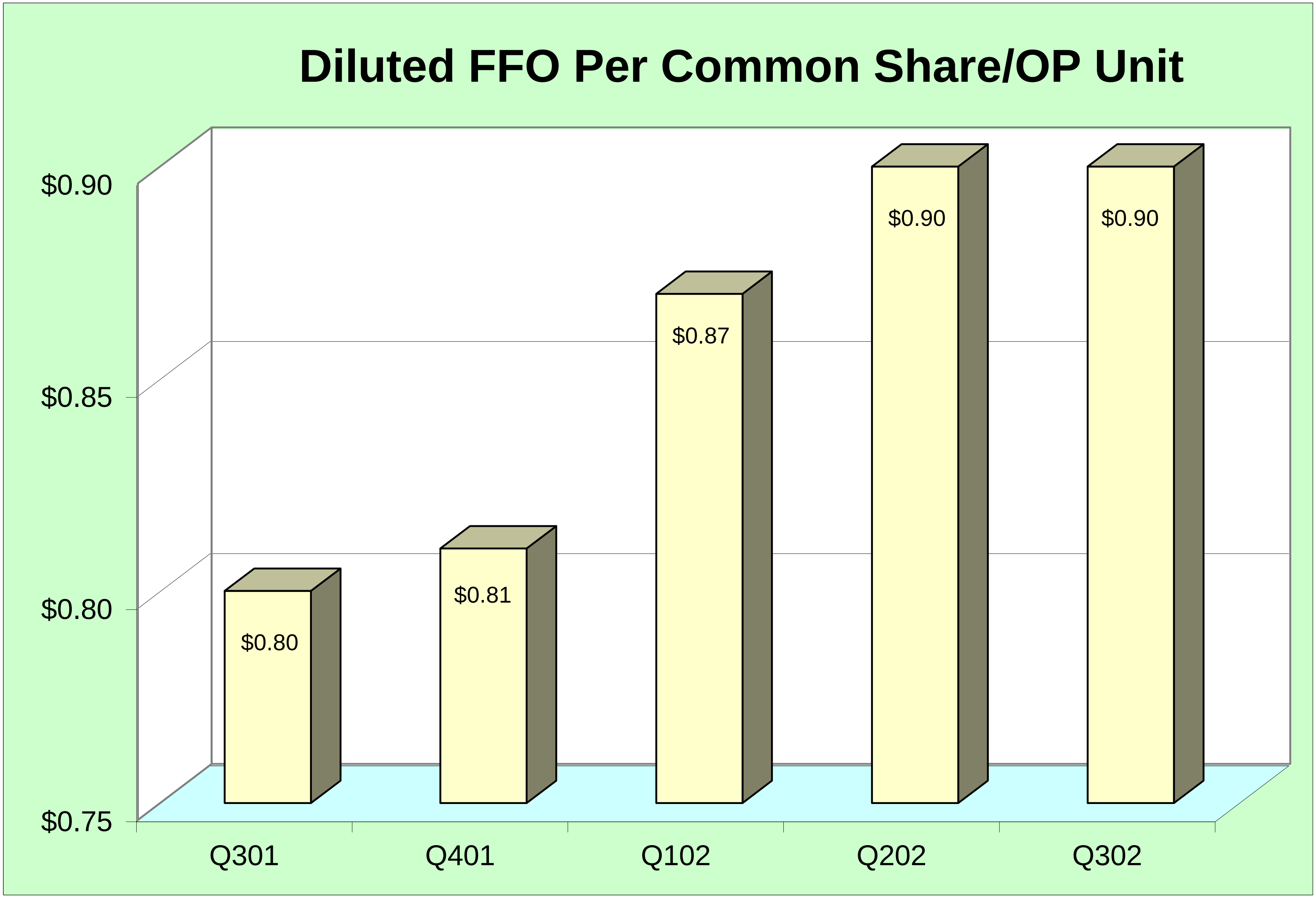
PS BUSINESS PARKS, INC.

Sources and Uses of Funds
For the Nine Months Ended September 30, 2002

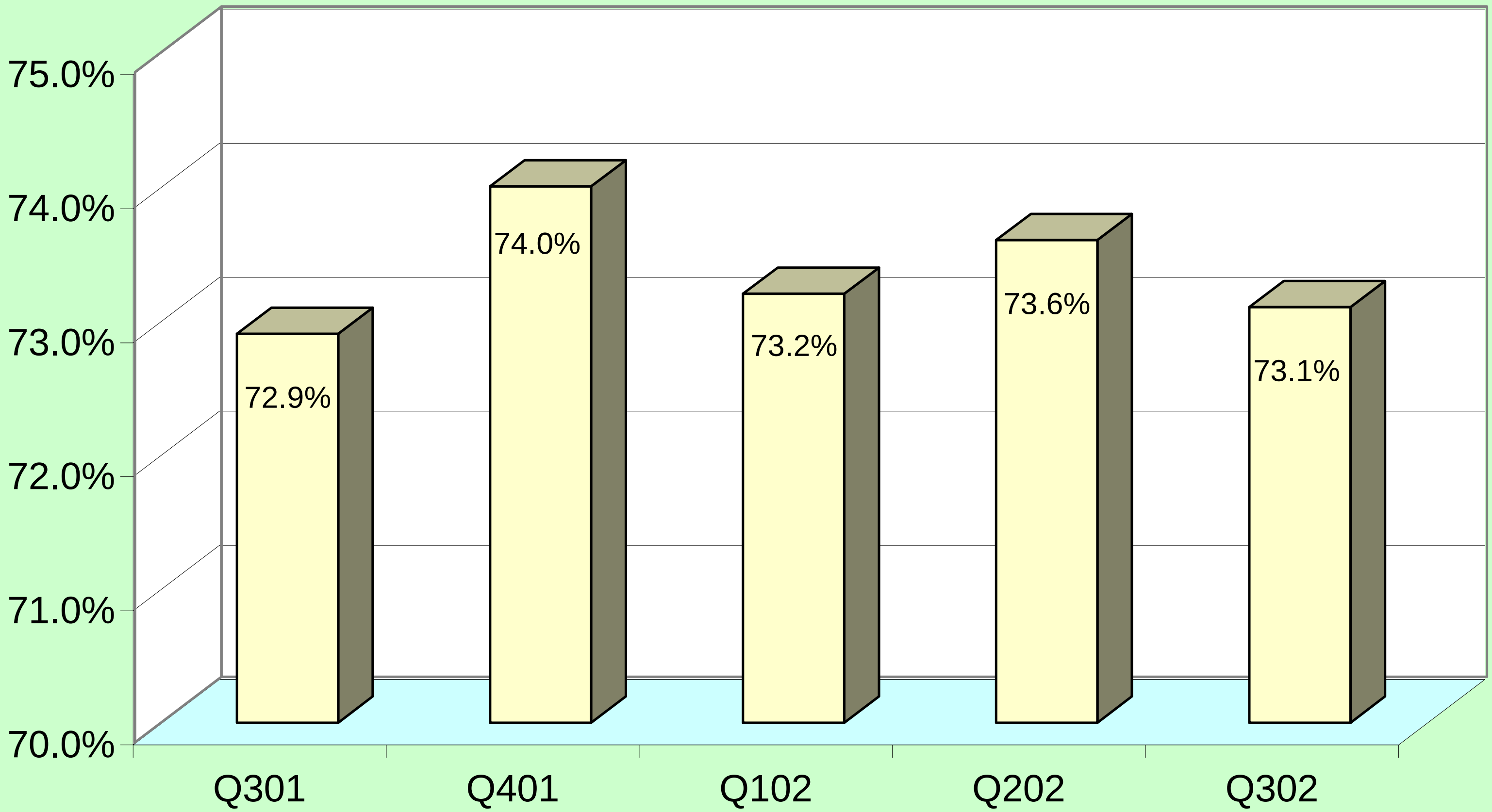
	FY02 (YTD Actual)
Sources of Funds:	
Funds from operations	$ 77,405,000
Proceeds from term loan	50,000,000
Issuance of preferred stock, net	48,326,000
Exercise of stock options	297,000
Proceeds from property sales	5,160,000
Proceeds from liquidation of investments	4,823,000
Proceeds from note receivable	7,250,000
Disposition proceeds from joint venture	553,000
Total Sources of Funds	193,814,000
Uses of Funds:	
Developed projects	(2,778,000)
Property renovations	(2,998,000)
Recurring capital expenditures	(13,496,000)
Recurring capital expenditures (properties held for disposition)	(186,000)
Acquisition costs	(661,000)
Land acquisition and development	(898,000)
Repurchase of preferred stock	(51,000)
Common dividends and OP distributions	(25,102,000)
Repayments of borrowings from affiliate	(35,000,000)
Repayments of Line of Credit	(100,000,000)
Principal payments on mortgage notes payable	(2,425,000)
Special dividends	(4,327,000)
Change in working capital	(4,343,000)
Total Uses of Funds	(192,265,000)
Net increase in cash balance	1,549,000
Beginning cash balance	3,076,000
Ending cash balance	$ 4,625,000

PS BUSINESS PARKS, INC.
ANALYSIS OF FUNDS FROM OPERATIONS

	Three Months Ended 09/30/02	Three Months Ended 09/30/01	Increase (Decrease)	% Change	Nine Months Ended 09/30/02	Nine Months Ended 09/30/01	Increase (Decrease)	% Change
Funds from operations (FFO):								
Net income allocable to common shareholders	$ 9,911,000	$ 10,010,000	$ (99,000)	(1.0%)	$ 32,535,000	$ 31,130,000	$ 1,405,000	4.5%
Less: gain on investment in marketable securities	(16,000)	-	(16,000)	100.0%	(41,000)	(15,000)	(26,000)	173.3%
Less: gain on disposition of properties	(2,041,000)	-	(2,041,000)	(100.0%)	(7,407,000)	-	(7,407,000)	(100.0%)
Less: equity income from sale of joint venture properties	(117,000)	-	(117,000)	(100.0%)	(265,000)	-	(265,000)	(100.0%)
Less: effects of straight line rents	(541,000)	(288,000)	(253,000)	87.8%	(2,278,000)	(1,171,000)	(1,107,000)	94.5%
Add: Depreciation and amortization	14,595,000	10,679,000	3,916,000	36.7%	42,885,000	30,058,000	12,827,000	42.7%
Add: Depreciation from unconsolidated joint venture	17,000	-	17,000	100.0%	57,000	-	57,000	100.0%
Add: Impairment charge on property held for sale	900,000	-	900,000	100.0%	900,000	-	900,000	100.0%
Add: Minority interest in income	3,356,000	3,268,000	88,000	2.7%	11,019,000	10,047,000	972,000	9.7%
FFO allocable to common shareholders/unitholders	$ 26,064,000	$ 23,669,000	$ 2,395,000	10.1%	$ 77,405,000	$ 70,049,000	$ 7,356,000	10.5%
Weighted average common shares outstanding	21,552,000	22,210,000	(658,000)	(3.0%)	21,548,000	22,610,000	(1,062,000)	(4.7%)
Weighted average common OP units outstanding	7,305,000	7,305,000	-	0.0%	7,305,000	7,307,000	(2,000)	(0.0%)
Weighted average dilutive stock options	220,000	85,000	135,000	158.8%	215,000	75,000	140,000	186.7%
Total pro forma fully-converted shares	29,077,000	29,600,000	(523,000)	(1.8%)	29,068,000	29,992,000	(924,000)	(3.1%)
FFO per common share/OP unit	$ 0.90	$ 0.80	$ 0.10	12.5%	$ 2.66	$ 2.34	$ 0.32	13.7%
Funds available for distribution (FAD):								
Total funds from operations	$ 26,064,000	$ 23,669,000	$ 2,395,000	10.1%	$ 77,405,000	$ 70,049,000	$ 7,356,000	10.5%
Less capitalized expenditures:								
Maintenance capital expenditures	890,000	1,366,000	(476,000)	(34.8%)	3,508,000	2,589,000	919,000	35.5%
Tenant improvements	2,618,000	1,453,000	1,165,000	80.2%	7,313,000	3,091,000	4,222,000	136.6%
Capitalized lease commissions	1,812,000	687,000	1,125,000	163.8%	2,861,000	1,666,000	1,195,000	71.7%
Total capitalized expenditures	5,320,000	3,506,000	1,814,000	51.7%	13,682,000	7,346,000	6,336,000	86.3%
FAD	$ 20,744,000	$ 20,163,000	$ 581,000	2.9%	$ 63,723,000	$ 62,703,000	$ 1,020,000	1.6%
FAD per common share/OP unit	$ 0.71	$ 0.68	$ 0.03	4.4%	$ 2.19	$ 2.09	$ 0.10	4.8%
Cash available for debt repayments and reinvestments:								
FAD	$ 20,744,000	$ 20,163,000	$ 581,000	2.9%	$ 63,723,000	$ 62,703,000	$ 1,020,000	1.6%
Distributions to common shareholders	(6,250,000)	(6,336,000)	86,000	(1.4%)	(18,748,000)	(19,550,000)	802,000	(4.1%)
Distributions to common OP unitholders	(2,118,000)	(2,118,000)	-	0.0%	(6,354,000)	(6,356,000)	2,000	(0.0%)
Cash available for debt repayments and reinvestments	$ 12,376,000	$ 11,709,000	$ 667,000	5.7%	$ 38,621,000	$ 36,797,000	$ 1,824,000	5.0%


Diluted FFO Per Common Share/OP Unit
$0.90
$0.85
$0.80
$0.75
$0.80
$0.81
$0.87
$0.90
$0.90
Q301
Q401
Q102
Q202
Q302

Gross Operating Margin Percentage*
(Same Park)



* Gross margin is computed by dividing property net operating income by rental income (excluding straight-line rent adjustment).

PS BUSINESS PARKS, INC.
CAPITAL STRUCTURE

		Principal Maturity Dates					
Debt at September 30, 2002 consists of the following:	Total	2002	2003	2004	2005	2006	Thereafter
7.050% mortgage note, secured by one commercial property, due May 2006	$ 8,218,000	$ 54,000	$ 226,000	$ 243,000	$ 260,000	$ 7,435,000	$ -
8.190% mortgage note, secured by one commercial property, due March 2007	6,123,000	56,000	235,000	254,000	276,000	300,000	5,002,000
7.290% mortgage note, secured by one commercial property, due February 2009	6,078,000	30,000	125,000	134,000	144,000	155,000	5,490,000
7.280% mortgage note, secured by two commercial properties, due February 2003	3,957,000	35,000	3,922,000	-	-	-	-
8.000% mortgage note, secured by one commercial property, due April 2003	1,856,000	26,000	1,830,000	-	-	-	-
8.000% mortgage note, secured by one commercial property, due April 2003	1,488,000	15,000	1,473,000	-	-		-
Total mortgage notes payable **(1) (4)**	$ 27,720,000	$ 216,000	$ 7,811,000	$ 631,000	$ 680,000	$ 7,890,000	$ 10,492,000
$100 million unsecured line of credit	$ -						
Term Facility Loan (4.46%@9/30/02)	50,000,000						
Total debt **(3) (4)**	$ 77,720,000	5%					

Equity at September 30, 2002 consists of the following:

9.250% Series A preferred stock (2,198,500 depositary shares outstanding) callable 4/30/04	$ 54,962,500		
8.875% Series B preferred operating partnership units (510,000 units outstanding) callable 4/23/04	12,750,000		
8.750% Series C preferred operating partnership units (3,200,000 units outstanding) callable 9/3/04	80,000,000		
9.500% Series D preferred stock (2,639,500 depositary shares outstanding) callable 5/10/06	65,987,500		
9.250% Series E preferred operating partnership units (2,120,000 units outstanding) callable 9/21/06	53,000,000		
8.750% Series F preferred stock (2,000,000 units outstanding) callable 1/28/07	50,000,000		
8.875% Series X preferred operating partnership units (1,600,000 units outstanding) callable 9/23/04	40,000,000		
8.875% Series Y preferred operating partnership units (480,000 units outstanding) callable 7/12/05	12,000,000		
Total preferred equity **(2) (4)**	$ 368,700,000		26%
Common stock (21,552,887 shares outstanding)	$ 732,798,000	**(5)**	
Common operating partnership units (7,305,355 units outstanding)	248,382,000	**(5)**	
Total common equity **(6)**	$ 981,180,000		69%
Total market capitalization	$ 1,427,600,000		100%

(1) The weighted average interest rate and maturity was 7.50% and 3.6 years, respectively.

(2) The weighted average distribution rate on preferred equity is 9.05%.

(3) The weighted average interest rate on debt was 4.46%.

(4) The total weighted average interest/distribution rate on all debt/preferred equity was 8.31%.

(5) Value based on September 30, 2002 closing stock price of $34.00.

(6) Does not include 215,000 shares related to stock options for the nine months ending September 30, 2002 computed using the Treasury Stock method. These stock options are treated as common stock equivalents for purposes of calculating weighted average common shares outstanding used in computing net income and FFO per common share.

PS BUSINESS PARKS, INC.
CONSOLIDATED BALANCE SHEETS

	09/30/02		12/31/01	Increase (Decrease)		% Change
ASSETS						
Cash and cash equivalents	$ 4,625,000		$ 3,076,000	$ 1,549,000	(a)	50.4%
Marketable securities	5,378,000		9,134,000	(3,756,000)	(b)	-41.1%
Real estate facilities, at cost:						
Land	286,300,000		288,792,000	(2,492,000)		-0.9%
Buildings and equipment	958,157,000		948,899,000	9,258,000		1.0%
	1,244,457,000		1,237,691,000	6,766,000	(c)	0.5%
Accumulated depreciation	(162,177,000)		(121,609,000)	(40,568,000)		33.4%
	1,082,280,000		1,116,082,000	(33,802,000)		-3.0%
Properties held for disposition, net	16,643,000		9,498,000	7,145,000	(d)	75.2%
Land held for development	11,527,000		10,629,000	898,000	(e)	8.4%
	1,110,450,000		1,136,209,000	(25,759,000)		-2.3%
Investment in unconsolidated joint venture	901,000		974,000	(73,000)		-7.5%
Rent receivable	1,379,000		745,000	634,000		85.1%
Interest receivable	31,000		137,000	(106,000)		-77.4%
Note receivable	200,000	(f)	7,450,000	(7,250,000)		-97.3%
Deferred rent receivables	11,879,000		9,601,000	2,278,000		23.7%
Intangible assets, net	453,000		679,000	(226,000)		-33.3%
Other assets	2,840,000		1,950,000	890,000		45.6%
Total assets	$ 1,138,136,000		$ 1,169,955,000	$ (31,819,000)		-2.7%
LIABILITIES AND SHAREHOLDERS' EQUITY						
Accrued and other liabilities	$ 32,335,000	(g)	$ 45,188,000	$ (12,853,000)		-28.4%
Line of credit			100,000,000	(100,000,000)	(i)	-100.0%
Note payable to affiliate	-		35,000,000	(35,000,000)	(j)	-100.0%
Term Loan	50,000,000	(h)	-	50,000,000		100.0%
Mortgage notes payable	27,720,000		30,145,000	(2,425,000)		-8.0%
Total liabilities	110,055,000		210,333,000	(100,278,000)		-47.7%
Minority interest:						
Preferred units	197,750,000		197,750,000	-		0.0%
Common units	166,436,000		162,141,000	4,295,000		2.6%
Shareholders' equity:						
Preferred stock	170,950,000		121,000,000	49,950,000	(l)	41.3%
Common stock	216,000		215,000	1,000		0.5%
Paid-in capital	421,510,000		422,161,000	(651,000)	(m)	-0.2%
Cumulative net income	218,878,000		174,860,000	44,018,000		25.2%
Comprehensive gain	1,185,000	(k)	108,000	1,077,000		997.2%
Cumulative distributions	(148,844,000)		(118,613,000)	(30,231,000)	(n)	25.5%
Total shareholders' equity	663,895,000		599,731,000	64,164,000		10.7%
Total liabilities and shareholders' equity	$ 1,138,136,000		$ 1,169,955,000	$ (31,819,000)		-2.7%

(a) See sources and uses of funds on page 2

(b) Decrease is due to maturity of a $3 million bond, a $1.5 million bond that was called after Q3 2002 and therefore reclassed to cash and cash equivalence, and liquidation of other investments offset by an unrealized gain on marketable securities of $1,185,000.

(c)

Property dispositions (Overland Park)	$ (3,506,000)
Properties held for disposition (Spectrum 95)	(9,661,000)
Developed projects	2,778,000
Property renovations	2,998,000
Additional acquisition costs	661,000
Maintenance capital expenditures	3,508,000
Tenant improvements	7,204,000
Lease commissions	2,784,000
	$ 6,766,000

(d) Transferred Spectrum 95 to properties held for disposition ($7,857,000 net A/D).

(e) Purchased land to develop in Maryland for $820,000.

(f) Balance represents the remaining note receivable balance from the buyer of the San Diego property ($7,250,000 was collected).

(g) Accrued and other liabilities at September 30, 2002 consists of:

Deferred rental revenue	$ 3,433,000
Accounts payable	1,221,000
Property taxes	6,232,000
Security deposits	11,405,000
Accrued interest	250,000
Reserves for acquisition costs	6,584,000
Other	3,210,000
	$ 32,335,000

(h) Entered into a $50 million term loan agreement with Fleet National Bank.

(i) Paid down Wells Fargo Line of credit facility.

(j) Paid-off the affiliate loan due to PSI of $35 million.

(k) Unrealized gain on marketable securities.

(l) Completed a public offering of 2,000,000 depository shares of the Company's Cumulative Preferred Stock, Series F, at $25 per share, offset by a repurchase of 500 shares of PSB Series D Preferred Stock and a repurchase of 1,500 shares of PSB Series A Preferred Stock.

(m) Paid-in capital decreased due to the following:

Exercise of stock options	$ 296,000
Preferred stock issuance costs	(1,674,000)
Stock option expense	343,000
Minority interest adjustment	370,000
Stock bonus	15,000
Repurchase preferred stock	(1,000)
	$ (651,000)

(n)

Distributions to preferred shareholders	$ (11,483,000)
Distributions to common shareholders	(18,748,000)
	$ (30,231,000)

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED

	09/30/02	09/30/01	Increase (Decrease)	% Change
Revenues:				
Rental income	$ 49,478,000	$ 42,230,000	$ 7,248,000 **(a)**	17.2%
Facility management fees primarily from affiliates	191,000	170,000	21,000	12.4%
Business services	24,000	75,000	(51,000) **(b)**	(68.0%)
Equity income in unconsolidated joint venture	138,000 **(d)**	-	138,000	100.0%
Interest income	47,000	346,000	(299,000) **(c)**	(86.4%)
Dividend income	-	4,000	(4,000)	(100.0%)
	49,878,000	42,825,000	7,053,000	16.5%
Expenses:				
Cost of operations	12,953,000	11,488,000	1,465,000 **(e)**	12.8%
Cost of facility management	44,000	38,000	6,000	15.8%
Cost of business services	88,000	147,000	(59,000)	(40.1%)
Depreciation and amortization	14,595,000	10,679,000	3,916,000 **(f)**	36.7%
General and administrative	1,194,000 **(g)**	1,037,000	157,000	15.1%
Interest expense	1,115,000 **(h)**	538,000	577,000	107.2%
	29,989,000	23,927,000	6,062,000	25.3%
Income from continuing operations	19,889,000	18,898,000	991,000	5.2%
Income from discontinued operations and properties held for sale	566,000	542,000	24,000	4.4%
Income before gain (loss) on investments and minority interest	20,455,000	19,440,000	1,015,000	5.2%
Gain on investment in marketable securities	16,000	-	16,000	100.0%
Gain on disposition of properties	2,041,000 **(i)**	-	2,041,000	100.0%
Impairment charge on properties held for sale	(900,000)	-	(900,000)	100.0%
Income before minority interest	21,612,000	19,440,000	2,172,000	11.2%
Minority interest in income - preferred units	(4,412,000)	(3,323,000)	(1,089,000)	32.8%
Minority interest in income - common units	(3,356,000)	(3,268,000)	(88,000)	2.7%
Net income	$ 13,844,000	$ 12,849,000	$ 995,000	7.7%
Net income allocation:				
Allocable to preferred shareholders	$ 3,933,000	$ 2,839,000	$ 1,094,000	38.5%
Allocable to common shareholders	9,911,000	10,010,000	(99,000)	(1.0%)
	$ 13,844,000	$ 12,849,000	$ 995,000	7.7%
Net income per common share:				
Basic	$ 0.46	$ 0.45	$ 0.01	2.2%
Diluted	$ 0.46	$ 0.45	0.01	2.2%
Weighted average common shares outstanding:				
Basic	21,552,000	22,210,000	(658,000) **(j)**	(3.0%)
Diluted	21,772,000	22,295,000	(523,000) **(j)**	(2.3%)

(a) Rental income has increased due to the following:

"Same Park" facilities	$ 146,000
Other facilities	6,849,000
Straight line rent adjustment	253,000
	$ 7,248,000

(b) Business services include licensing fees from telecommunication service providers. Decrease from the prior year is due to the bankruptcy of Darwin Networks, Winstar and Teligent.

(c) Interest income decreased as a result of lower weighted average interest rates (2.0% in 2002 vs. 3.5% in 2001). Decrease is also due to lower average cash balances ($10M in 2002 vs. $39M in 2001).

(d) Represents equity income from the Company's 25% interest in the City of Industry JV and gains on the sale of several JV properties of approximately $117,000.

(e) Cost of operations have increased due to the following:

"Same Park" facilities	$ (37,000)
Other facilities	1,502,000

(f) Depreciation expense increased due primarily to 2001 acquisitions.

(g) General and administrative expenses for the three months ended September 30, 2002 consists of:

Professional fees	$ 121,000
Salaries	372,000
Stock option expense	343,000
Investor services	102,000
Internal acquisition costs	103,000
Other	153,000
	$ 1,194,000

(h) Interest expense for the three months ended September 30, 2002 consists of:

Mortgage notes payable	$ 522,000
Line of credit interest	$ 111,000
Facilities fees	64,000
Term loan interest (Fleet)	418,000
	$ 1,115,000

(i) The Overland Park property was sold in Q3 2002 at a gain of approximately $2 million.

(j) Decrease relates to the repurchase of common shares.

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED

	09/30/02	09/30/01	Increase (Decrease)	% Change
Revenues:				
Rental income	$ 148,632,000	$ 118,751,000	$ 29,881,000 **(a)**	25.2%
Facility management fees primarily from affiliates	577,000	499,000	78,000	15.6%
Business services	93,000	308,000	(215,000) **(b)**	(69.8%)
Equity income in unconsolidated joint venture	387,000 **(d)**	-	387,000	100.0%
Interest income	643,000	1,659,000	(1,016,000) **(c)**	(61.2%)
Dividend income	4,000	12,000	(8,000)	(66.7%)
	150,336,000	121,229,000	29,107,000	24.0%
Expenses:				
Cost of operations	39,396,000	31,350,000	8,046,000 **(e)**	25.7%
Cost of facility management	134,000	111,000	23,000	20.7%
Cost of business services	376,000	460,000	(84,000)	(18.3%)
Depreciation and amortization	42,885,000	30,058,000	12,827,000 **(f)**	42.7%
General and administrative	3,398,000 **(g)**	3,157,000	241,000	7.6%
Interest expense	4,098,000 **(h)**	932,000	3,166,000	339.7%
	90,287,000	66,068,000	24,219,000	36.7%
Income from continuing operations	60,049,000	55,161,000	4,888,000	8.9%
Income from discontinued operations and properties held for sale	1,677,000	1,711,000	(34,000)	(2.0%)
Income before gain on investments and minority interest	61,726,000	56,872,000	4,854,000	8.5%
Gain on investment in marketable securities	41,000	15,000	26,000	173.3%
Gain on disposition of properties	7,407,000 **(i)**	15,000	7,392,000	49280.0%
Impairment charge on properties held for sale	(900,000)	-	(900,000)	100.0%
Income before minority interest	68,274,000	56,902,000	11,372,000	20.0%
Minority interest in income - preferred units	(13,237,000)	(9,696,000)	(3,541,000)	36.5%
Minority interest in income - common units	(11,019,000)	(10,047,000)	(972,000)	9.7%
Net income	$ 44,018,000	$ 37,159,000	$ 6,859,000	18.5%
Net income allocation:				
Allocable to preferred shareholders	$ 11,483,000	$ 6,014,000	$ 5,469,000	90.9%
Allocable to common shareholders	32,535,000	31,130,000	1,405,000	4.5%
	$ 44,018,000	$ 37,144,000	$ 6,874,000	18.5%
Net income per common share:				
Basic	$ 1.51	$ 1.38	$ 0.13	9.4%
Diluted	$ 1.49	$ 1.37	$ 0.12	8.8%
Weighted average common shares outstanding:				
Basic	21,548,000	22,610,000	(1,062,000) **(j)**	(4.7%)
Diluted	21,763,000	22,685,000	(922,000) **(j)**	(4.1%)

(a) Rental income has increased due to the following:

"Same Park" facilities	$ 1,727,000
Other facilities	27,047,000
Straight line rent adjustment	1,107,000
	$ 29,881,000

(b) Business services include licensing fees from telecommunication service providers. Decrease from the prior year due to the bankruptcy of Darwin Networks, Winstar and Teligent.

(c) Interest income decreased primarily as a result of lower weighted average interest rates (approximately 2.1% in 2002 vs. 4.4% in 2001). Decrease is also due to lower average cash balances ($20M in 2002 vs. $51M in 2001).

(d) Represents equity income from the Company's 25% interest in the City of Industry JV and gains on the sale of several JV properties of approximately $265,000.

(e) Cost of operations have increased due to the following:

"Same Park" facilities	$ 970,000
Other facilities	7,076,000
	$ 8,046,000

(f) Depreciation expense increased due primarily to 2001 acquisitions.

(g) General and administrative expenses for the nine months ended September 30, 2002 consists of:

Professional fees	$ 367,000
Salaries	1,636,000
Stock option expense	343,000
Investor services	260,000
Internal acquisition costs	416,000
Other	376,000
	$ 3,398,000

(h) Interest expense for the nine months ended September 30, 2002 consists of:

Mortgage notes payable	$ 1,605,000
Line of credit interest	1,432,000
Facilities fees	365,000
Term loan interest (Fleet)	906,000
Affiliate loan (PSI)	78,000
Capitalized interest	(288,000)
	$ 4,098,000

(i) The San Diego property was disposed of during Q4 2001 which resulted in a gain of $5.4 million which was previously deferred and later recognized in Q1 2002. In Q3 2002, the Overland Park property was sold for a gain of approximately $2 million.

(j) Decrease primarily relates to the repurchase of common shares.

PS BUSINESS PARKS, INC.
Development Analysis
Third Quarter, 2002

Development	Market	Square Footage	Shell Complete	Percentage Leased	Q302 Occupancy	Q302 Capitalized Interest	Q302 NOI	Costs Incurred to Date	Estimated Costs to Complete	Estimated Total Costs
Greystone II & III	Beaverton, Oregon	97,000	June 2001	26%	26%	None	$46,000	$10,869,000	$2,976,000	$13,845,000
Lafayette II	Chantilly, Virginia	141,000	November 2002	80%	59%	None	$200,000	$10,442,000	$1,725,000	$12,167,000
Royal Tech 17	Dallas, Texas	100,000	October 2000	100%	100%	None	$256,000	$10,839,000	$1,200,000	$12,039,000
	Totals	338,000				$0	$502,000	$32,150,000	$5,901,000	$38,051,000

PS BUSINESS PARKS, INC.
Analysis of Capital Expenditures (Year-to-Date)

Recurring capital expenditures **(1)**	Year to date costs	Cost per Weighted Average Square Foot
Maintenance capital expenditures **(2)**	$3,509,000	$0.24
Tenant improvements **(3)**	$7,313,000	$0.49
Leasing commissions **(4)**	$2,861,000	$0.19
Total recurring capital expenditures	$13,683,000	$0.92
Non-recurring capital expenditures		
Development costs	$2,778,000	
Property renovations	$2,998,000	
Acquisition costs	$2,731,000	
Total non-recurring capital expenditures	$8,507,000	

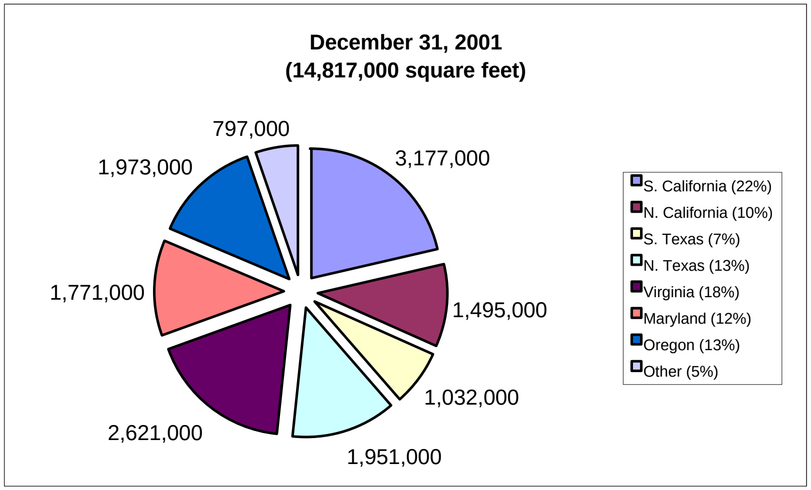
(1) The company defines "recurring capital expenditures" as those capitalized costs necessary to continue to operate the property at its current economic value. Costs in excess of $1,000 for tenant improvements and $5,000 for maintenance capital expenditures with a useful life greater than 24 months for tenant improvements and 30 months for maintenance capital expenditures 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 were $1.9 million or approximately $0.13 per weighted average square foot for the nine months ended September 30, 2002 compared to $2.4 million or $0.20 per square foot during the same period in 2001.

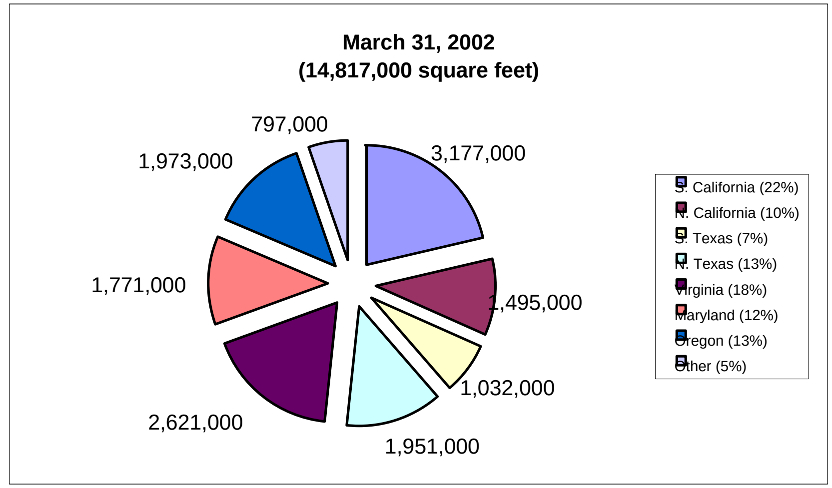
(2) Maintenance capital expenditures generally range from $0.30 to $0.45 per weighted average square foot annually. Major costs include roofing, HVAC replacement, parking lot replacement and other major repairs.

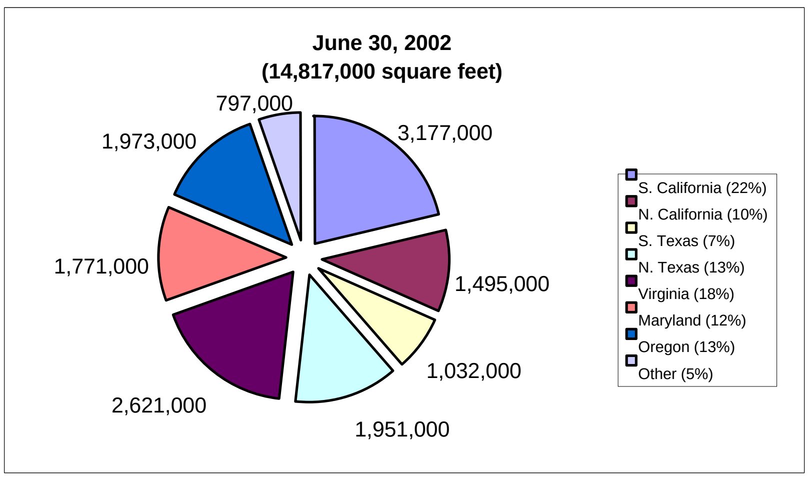
(3) Tenant improvement costs generally range from $0.40 to $0.60 per weighted average square foot annually. Tenant improvements less than $1,000 or for leases of two years or less are expensed and included in cost of operations ($837,000 for the nine months ended September 30, 2002 as compared to $516,000 for the nine months ended September 30, 2001).

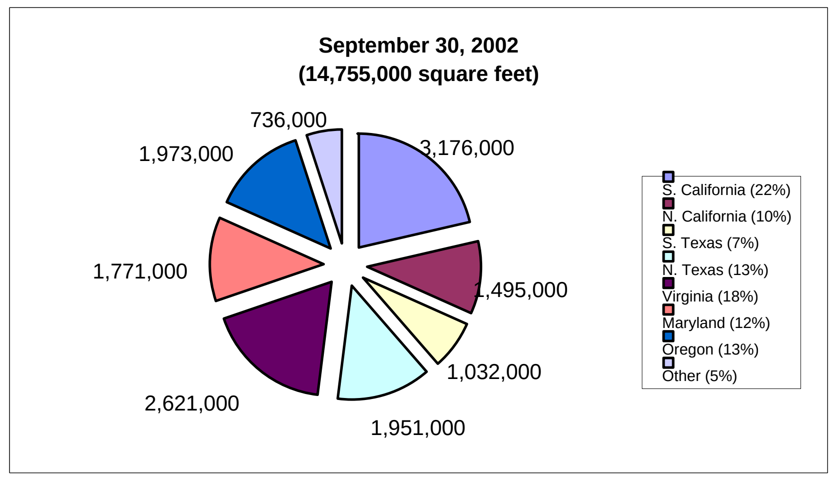
(4) Lease commissions generally range from $0.15 to $0.25 per weighted average square foot annually.

Rentable Square Footage by Region









PS BUSINESS PARKS, INC.
PORTFOLIO OVERVIEW

Rentable Square Footage of Properties as of September 30, 2002					
Primary Markets	Industrial	Office	Flex	Total	%
Northern Virginia	-	355,000	2,266,000	2,621,000	17.8%
Portland	-	346,000	1,627,000	1,973,000	13.4%
Maryland	-	720,000	1,051,000	1,771,000	12.0%
Dallas	-	-	1,576,000	1,576,000	10.7%
Los Angeles County	712,000	88,000	770,000	1,570,000	10.6%
Northern California	407,000	430,000	660,000	1,497,000	10.1%
Orange County	-	160,000	911,000	1,071,000	7.3%
Austin	-	-	833,000	833,000	5.6%
Phoenix	-	-	569,000	569,000	3.9%
San Diego County	-	-	535,000	535,000	3.6%
Other	-	330,000	409,000	739,000	5.0%
	1,119,000	2,429,000	11,207,000	14,755,000	100.0%

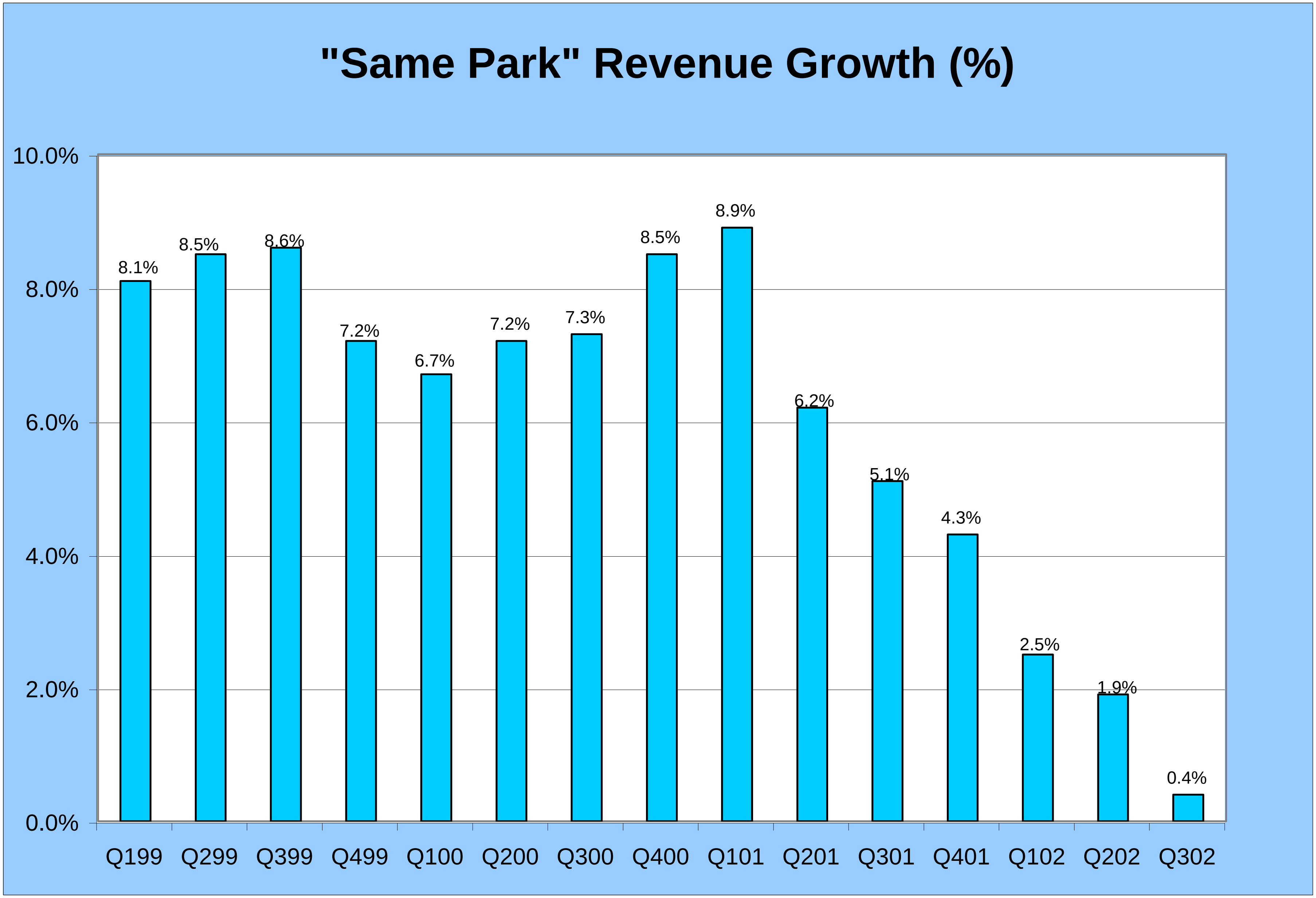
Average Occupancy Rates by Product Type for the Quarter Ending September 30, 2002				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	94.9%	92.0%	92.4%
Portland	-	88.7%	95.0%	94.2%
Maryland	-	91.1%	92.7%	92.1%
Dallas	-	-	91.3%	91.3%
Los Angeles County	99.8%	96.5%	96.1%	97.8%
Northern California	100.0%	95.7%	97.0%	97.4%
Orange County	-	93.0%	98.3%	97.5%
Austin	-	-	91.7%	91.7%
Phoenix	-	-	94.3%	94.3%
San Diego County	-	-	95.5%	95.5%
Other	-	84.2%	89.8%	87.3%
	99.8%	91.6%	93.7%	93.8%

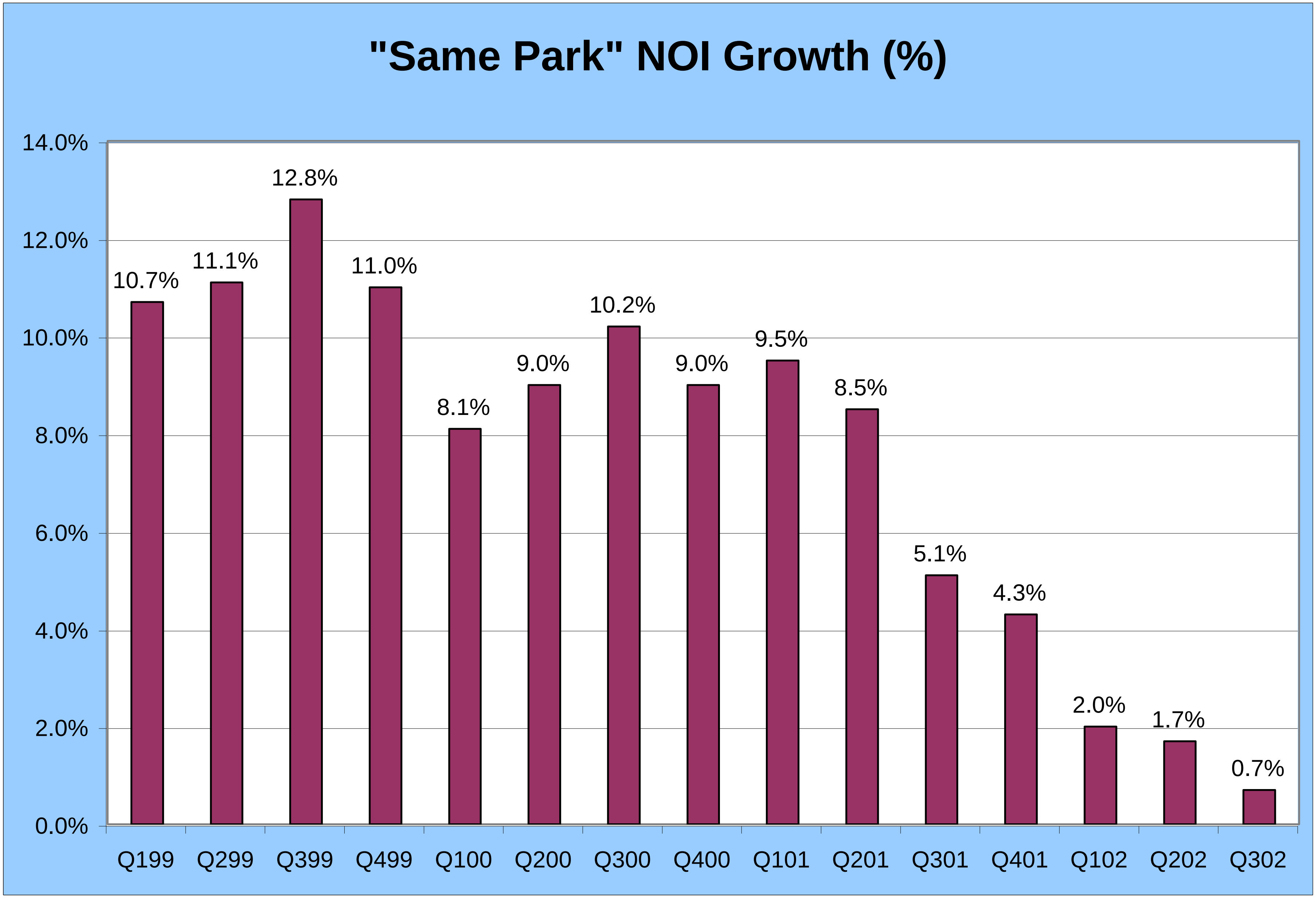
Weighted Average Occupancy Rates by Portfolio Type for the Quarter Ending September 30, 2002			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	91.6%	96.1%	92.4%
Portland	94.7%	84.3%	94.2%
Maryland	92.0%	98.3%	92.1%
Dallas	90.9%	93.2%	91.3%
Los Angeles County	99.8%	96.1%	97.8%
Northern California	99.0%	94.3%	97.4%
Orange County	97.0%	98.5%	97.5%
Austin	91.5%	92.2%	91.7%
Phoenix	95.2%	94.1%	94.3%
San Diego County	-	95.5%	95.5%
Other	88.2%	87.1%	87.3%
	93.7%	94.0%	93.8%

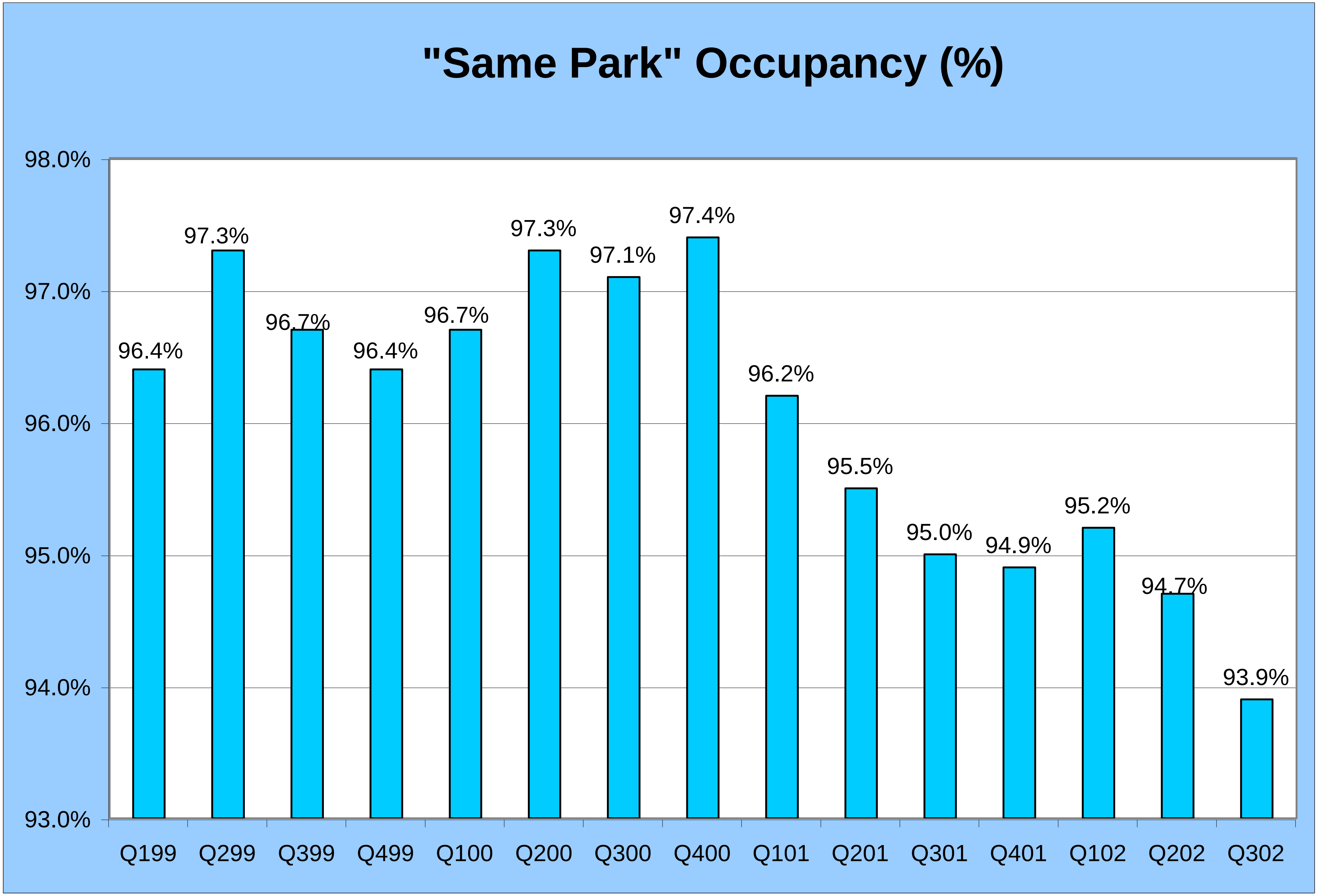
Note:

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

The Company's "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.


"Same Park" Revenue Growth (%)
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
8.1%
8.5%
8.6%
7.2%
6.7%
7.2%
7.3%
8.5%
8.9%
6.2%
5.1%
4.3%
2.5%
1.9%
0.4%
Q199
Q299
Q399
Q499
Q100
Q200
Q300
Q400
Q101
Q201
Q301
Q401
Q102
Q202
Q302


"Same Park" NOI Growth (%)
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
10.7%
11.1%
12.8%
11.0%
8.1%
9.0%
10.2%
9.0%
9.5%
8.5%
5.1%
4.3%
2.0%
1.7%
0.7%
Q199
Q299
Q399
Q499
Q100
Q200
Q300
Q400
Q101
Q201
Q301
Q401
Q102
Q202
Q302


"Same Park" Occupancy (%)
98.0%
97.0%
96.0%
95.0%
94.0%
93.0%
96.4%
97.3%
96.7%
96.4%
96.7%
97.3%
97.1%
97.4%
96.2%
95.5%
95.0%
94.9%
95.2%
94.7%
93.9%
Q199
Q299
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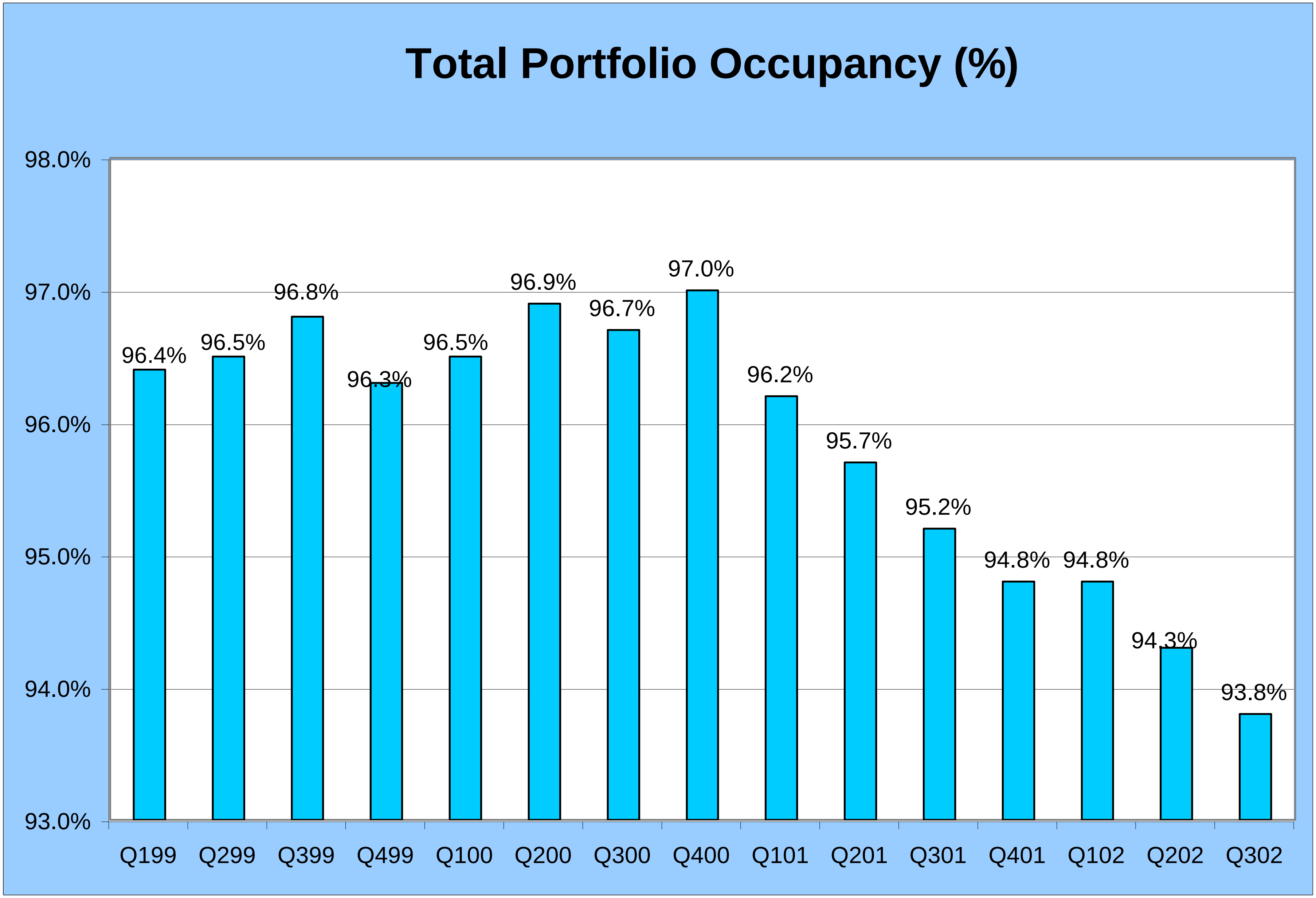
Q499
Q100
Q200
Q300
Q400
Q101
Q201
Q301
Q401
Q102
Q202
Q302


Total Portfolio Occupancy (%)
98.0%
97.0%
96.0%
95.0%
94.0%
93.0%
96.4%
96.5%
96.8%
96.3%
96.5%
96.9%
96.7%
97.0%
96.2%
95.7%
95.2%
94.8%
94.8%
94.3%
93.8%
Q199
Q299
Q399
Q499
Q100
Q200
Q300
Q400
Q101
Q201
Q301
Q401
Q102
Q202
Q302

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS

Industry Concentration as of September 30, 2002	
Computer Hardware, software and related service	15.3%
Business services	11.6%
Government	9.7%
Contractors	6.6%
Financial services	6.4%
Communications	6.2%
Retail	5.3%
Home funishings	5.2%
Electronics	3.7%
Manufacturing and assembly	3.4%
	73.3%

Top Ten Customers by Annual Rent as of September 30, 2002

Tenant	Square Footage	Annual Rents	%
U.S. Government	534,000	$ 10,680,000	5.3%
Citigroup	262,000	4,399,000	2.2%
IBM	263,000	4,112,000	2.1%
Intel	237,000	3,900,000	1.9%
County of Santa Clara	97,000	3,418,000	1.7%
Hughes Network Systems	106,000	2,754,000	1.4%
Axcelis Technologies	135,000	2,547,000	1.3%
Pycon, Inc.	134,000	2,228,000	1.1%
MCI Worldcom	108,000	1,717,000	0.9%
Sabre Holdings	102,000	1,713,000	0.9%
	1,978,000	$ 37,468,000	18.7%

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF September 30, 2002
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Lease Expirations - Flex			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2002	644,000	$ 7,536,000	5.6%
2003	2,558,000	28,051,000	21.0%
2004	2,410,000	27,272,000	20.4%
2005	1,632,000	21,375,000	16.0%
2006	1,250,000	17,905,000	13.4%
Thereafter	2,040,000	31,554,000	23.6%
	10,534,000	$ 133,693,000	100.0%

Lease Expirations - Office			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2002	113,000	$ 1,961,000	4.4%
2003	405,000	6,606,000	14.7%
2004	384,000	7,475,000	16.7%
2005	650,000	13,569,000	30.2%
2006	276,000	7,144,000	15.9%
Thereafter	337,000	8,120,000	18.1%
	2,165,000	$ 44,875,000	100.0%

Lease Expirations - Industrial			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2002	5,000	$ 31,000	0.4%
2003	123,000	690,000	10.0%
2004	313,000	1,934,000	28.0%
2005	304,000	1,867,000	27.0%
2006	193,000	1,321,000	19.1%
Thereafter	178,000	1,062,000	15.5%
	1,116,000	$ 6,905,000	100.0%

Lease Expirations - Total			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2002	762,000	$ 9,528,000	5.1%
2003	3,086,000	$ 35,347,000	19.1%
2004	3,107,000	$ 36,681,000	19.8%
2005	2,586,000	$ 36,811,000	19.8%
2006	1,719,000	$ 26,370,000	14.2%
Thereafter	2,555,000	$ 40,736,000	22.0%
	13,815,000	$ 185,473,000	100.0%

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF September 30, 2002

Southern California				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2002	98,000	$ 1,277,000	3.2%	0.7%
2003	859,000	10,626,000	26.9%	5.7%
2004	875,000	9,895,000	25.1%	5.3%
2005	625,000	8,369,000	21.2%	4.5%
2006	329,000	4,146,000	10.5%	2.2%
Thereafter	296,000	5,119,000	13.1%	2.8%
	3,082,000	$ 39,432,000	100.0%	21.3%

Northern California				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2002	55,000	$ 688,000	3.4%	0.4%
2003	298,000	4,049,000	19.9%	2.2%
2004	308,000	3,947,000	19.4%	2.1%
2005	188,000	2,163,000	10.6%	1.2%
2006	119,000	1,614,000	7.9%	0.9%
Thereafter	487,000	7,935,000	38.8%	4.3%
	1,455,000	$ 20,396,000	100.0%	11.0%

Southern Texas				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2002	53,000	$ 732,000	7.4%	0.4%
2003	252,000	2,648,000	26.6%	1.4%
2004	250,000	2,400,000	24.1%	1.3%
2005	285,000	2,952,000	29.7%	1.6%
2006	50,000	607,000	6.1%	0.3%
Thereafter	48,000	601,000	6.1%	0.3%
	938,000	$ 9,940,000	100.0%	5.4%

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF September 30, 2002

Northern Texas					
Year of Lease Expiration	Rentable Square Footage		Annual Rents	%	% of Company Annual rents
2002	88,000	$	928,000	5.2%	0.5%
2003	618,000		5,016,000	28.1%	2.7%
2004	452,000		3,665,000	20.6%	2.0%
2005	227,000		2,491,000	14.0%	1.3%
2006	240,000		3,069,000	17.2%	1.7%
Thereafter	300,000		2,664,000	14.9%	1.4%
	1,925,000	$	17,833,000	100.0%	9.6%

Northern Virginia					
Year of Lease Expiration	Rentable Square Footage		Annual Rents	%	% of Company Annual rents
2002	91,000	$	1,009,000	2.5%	0.5%
2003	259,000		3,490,000	8.7%	1.9%
2004	446,000		6,922,000	17.3%	3.7%
2005	378,000		6,044,000	15.1%	3.3%
2006	392,000		7,313,000	18.3%	3.9%
Thereafter	900,000		15,278,000	38.1%	8.2%
	2,466,000	$	40,056,000	100.0%	21.6%

Maryland					
Year of Lease Expiration	Rentable Square Footage		Annual Rents	%	% of Company Annual rents
2002	197,000	$	2,825,000	11.0%	1.5%
2003	218,000		3,202,000	12.4%	1.7%
2004	305,000		4,627,000	17.9%	2.5%
2005	363,000		7,797,000	30.2%	4.2%
2006	171,000		3,454,000	13.4%	1.9%
Thereafter	251,000		3,894,000	15.1%	2.1%
	1,505,000	$	25,799,000	100.0%	13.9%

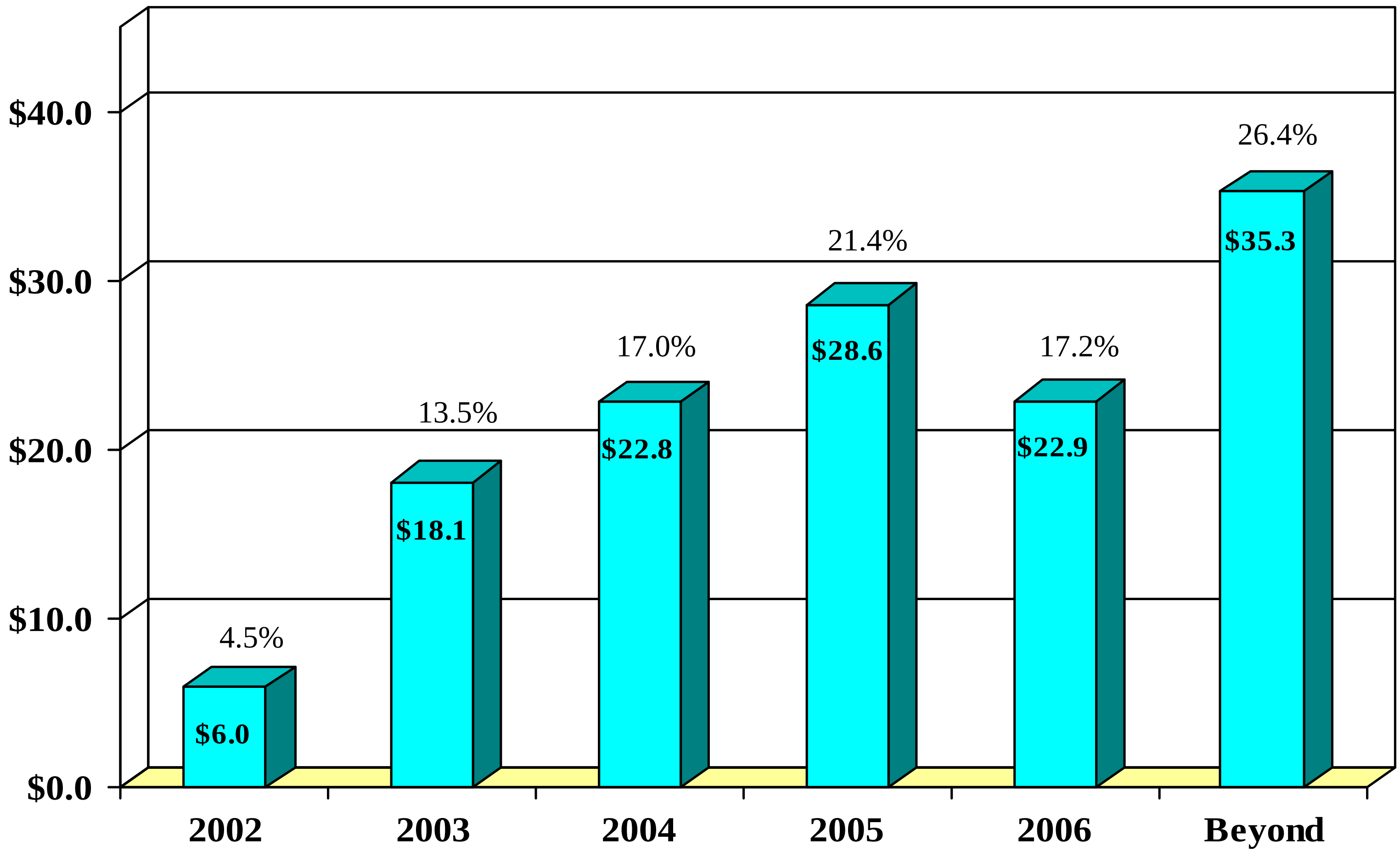
PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF September 30, 2002

Oregon				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2002	98,000	$ 1,279,000	5.1%	0.7%
2003	379,000	4,258,000	16.9%	2.3%
2004	305,000	3,504,000	13.9%	1.9%
2005	417,000	6,014,000	23.9%	3.2%
2006	359,000	5,702,000	22.6%	3.1%
Thereafter	204,000	4,456,000	17.6%	2.4%
	1,762,000	$ 25,213,000	100.0%	13.6%

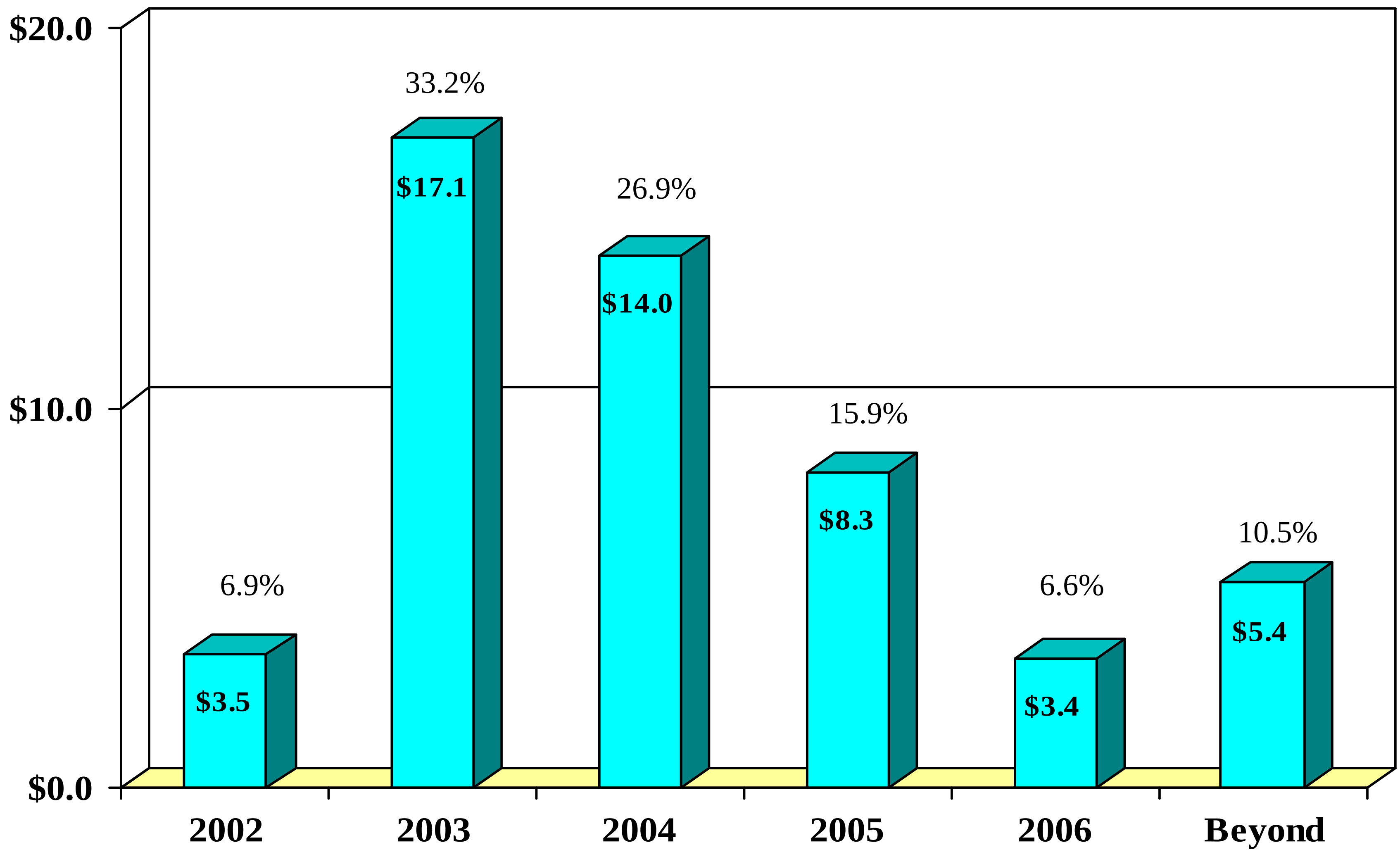
Other				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2002	82,000	$ 790,000	11.6%	0.4%
2003	202,000	2,058,000	30.2%	1.1%
2004	166,000	1,721,000	25.3%	0.9%
2005	101,000	981,000	14.4%	0.5%
2006	59,000	465,000	6.8%	0.3%
Thereafter	70,000	789,000	11.7%	0.4%
	680,000	$ 6,804,000	100.0%	3.7%

Total				
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents
2002	762,000	$ 9,528,000	5.1%	5.1%
2003	3,085,000	$ 35,347,000	19.1%	19.1%
2004	3,107,000	$ 36,681,000	19.8%	19.8%
2005	2,584,000	$ 36,811,000	19.8%	19.8%
2006	1,719,000	$ 26,370,000	14.2%	14.2%
Thereafter	2,556,000	$ 40,736,000	22.0%	22.0%
	13,813,000	$ 185,473,000	100.0%	100.0%

Lease Expirations (Large Tenant Portfolio) as of September 30, 2002 ($ in millions)



Lease Expirations (Small Tenant Portfolio) as of September 30, 2002 ($ in millions)



Lease Expirations (Entire Portfolio) as of September 30, 2002 ($ in millions)