



Analysis of Operating Results and Financial Condition

For the Quarter Ended March 31, 2001

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE QUARTER ENDED MARCH 31, 2001**

INDEX

	<u>Page</u>
Fact Sheet	1
Sources and Uses of Funds	2
Funds from Operations (FFO)	3 – 4
Gross Margins.....	5
Capital Structure	6
Consolidated Balance Sheets.....	7
Consolidated Income Statements.....	8
Rentable Square Footage by Region.....	9
Portfolio Analyses	10 – 15

PS BUSINESS PARKS, INC.
FIRST QUARTER FACT SHEET

OPERATING DATA

	Three Months Ended		
	03/31/01	03/31/00	Difference
Total revenues	\$ 39,475,000	\$ 35,864,000	10.1%
Net income allocable to common shareholders	\$ 10,193,000	\$ 9,471,000	7.6%
Net income per common share:			
Basic	\$ 0.44	\$ 0.40	10.0%
Diluted	\$ 0.44	\$ 0.40	10.0%
Weighted average common shares outstanding:			
Basic	23,021,000	23,592,000	(2.4%)
Diluted	23,097,000	23,643,000	(2.3%)

FUNDS FROM OPERATIONS

	Three Months Ended		
	03/31/01	03/31/00	Difference
FFO allocable to common shareholders	\$ 17,323,000	\$ 15,368,000	12.7%
Weighted average common shares outstanding - diluted	23,097,000	23,643,000	(2.3%)
FFO per common share - diluted	\$ 0.75	\$ 0.65	15.4%

PROPERTY INFORMATION

	Three Months Ended		
	03/31/01	03/31/00	Difference
Total number of properties at period end	140	126	11.1%
Net rentable square footage at period end	12,600,000	12,539,000	0.5%
<u>Same Park Facilities</u>			
Weighted average occupancy	96.2%	96.3%	(0.1%)
Annualized realized rent per sq. ft. (1)	\$ 12.46	\$ 11.42	9.1%

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

BALANCE SHEET DATA

	03/31/01	12/31/00	Difference
	Total assets	\$ 925,252,000	\$ 930,756,000
Minority interest - preferred	\$ 144,750,000	\$ 144,750,000	0.0%
Minority interest - common	\$ 161,951,000	\$ 161,728,000	0.1%
Perpetual preferred stock	\$ 55,000,000	\$ 55,000,000	0.0%
Common shareholders' equity	\$ 507,270,000	\$ 509,343,000	(0.4%)
Total common shares outstanding at period end	22,873,000	23,045,000	(0.7%)
Book value per common share	\$ 22.18	\$ 22.10	0.3%

MARKET VALUE INFORMATION

	03/31/01	12/31/00	Difference
	Market value of common stock and OP units	\$ 819,355,000	\$ 844,577,000
Total debt	30,769,000	30,971,000	(0.7%)
Total preferred stock and OP units	199,750,000	199,750,000	0.0%
Total market capitalization	\$ 1,049,874,000	\$ 1,075,298,000	(2.4%)
Stock price	\$ 27.15	\$ 27.80	(2.3%)

PS BUSINESS PARKS, INC.

Sources and Uses of Funds

For the Three Months Ended March 31, 2001

Q101

Sources of Funds:

Funds from operations	\$ 22,690,000
Exercise of stock options	1,234,000
Sale of PAG common stock	5,043,000
Total Sources of Funds	<u>28,967,000</u>

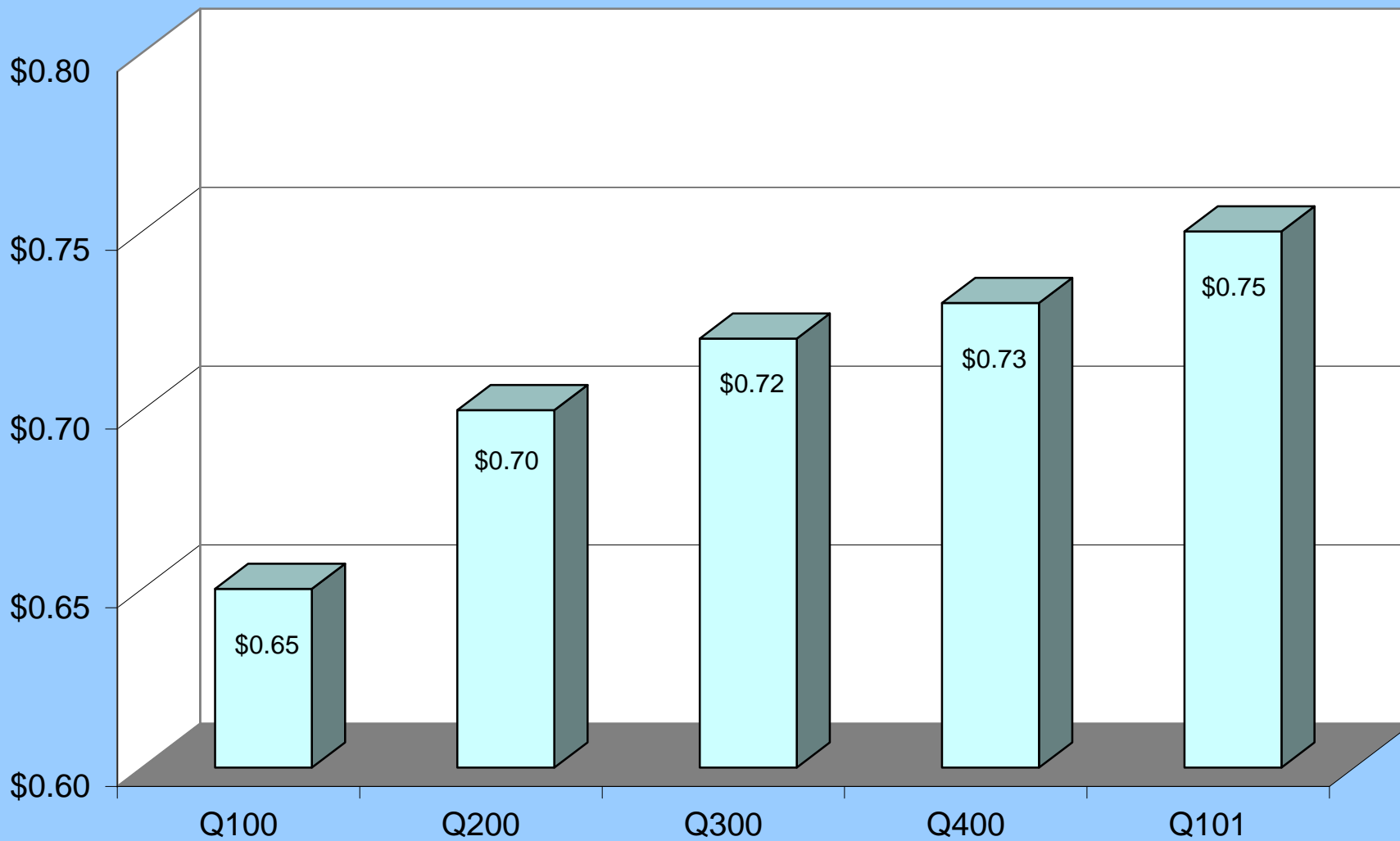
Uses of Funds:

Additional acquisition/development costs	(631,000)
Construction in progress	(2,835,000)
Recurring capital expenditures	(1,893,000)
Investment in marketable securities	(4,799,000)
Common dividends and OP distributions	(8,790,000)
Repurchase of common stock/OP units	(7,358,000)
Principal payments on mortgage notes payable	(202,000)
Change in working capital	(2,210,000)
Total Uses of Funds	<u>(28,718,000)</u>
Net increase in cash balance	<u>249,000</u>
Beginning cash balance	49,295,000
Ending cash balance	<u>\$ 49,544,000</u>

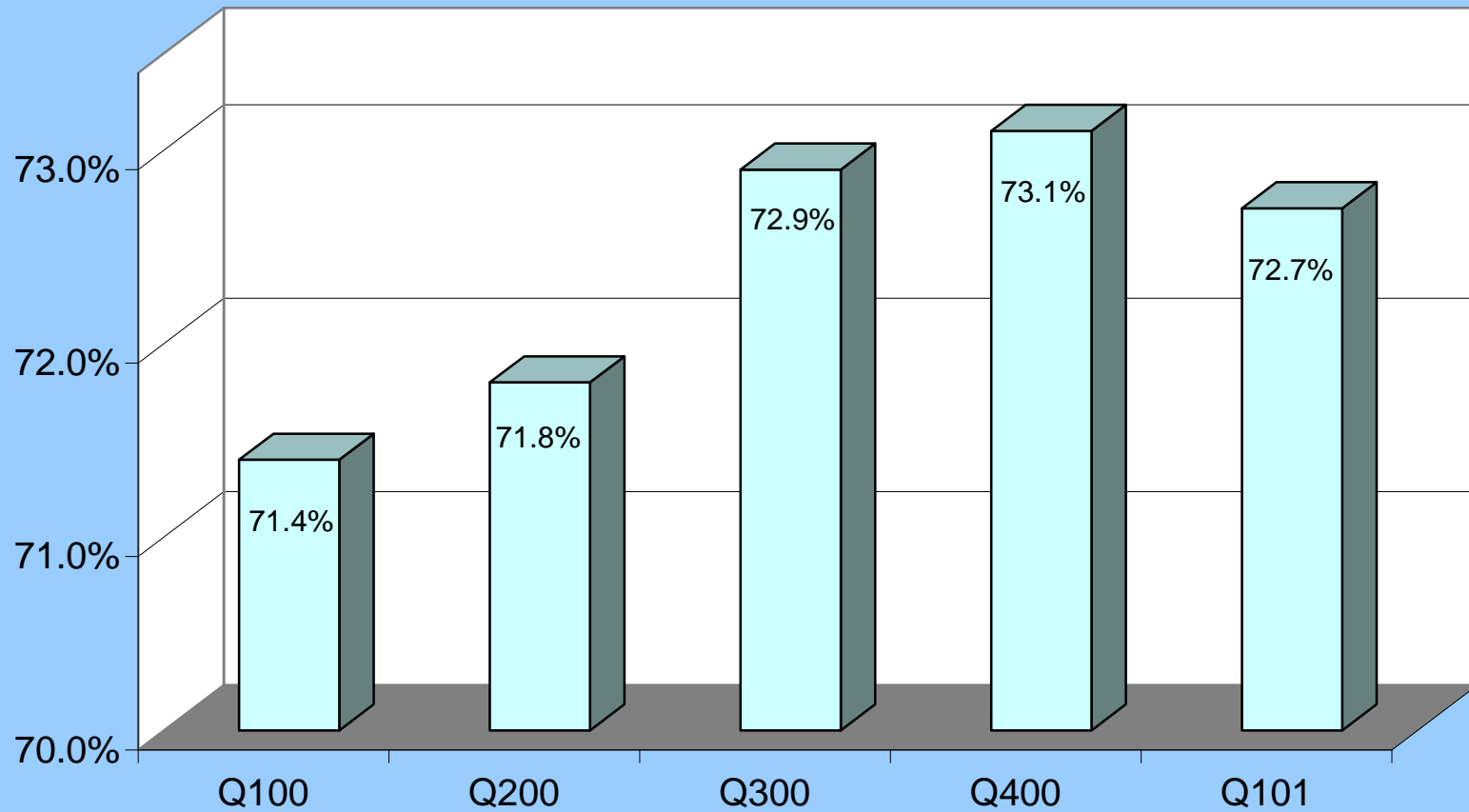
PS BUSINESS PARKS, INC.
ANALYSIS OF FUNDS FROM OPERATIONS

	Three Months Ended		Increase (Decrease)	% Change
	03/31/01	03/31/00		
<u>Funds from operations (FFO):</u>				
Net income allocable to common shareholders	\$ 10,193,000	\$ 9,471,000	\$ 722,000	7.6%
Less gain on investment in PAG	(15,000)	-	(15,000)	N/A
Depreciation and amortization	9,646,000	8,376,000	1,270,000	15.2%
Minority interest in income	3,236,000	2,991,000	245,000	8.2%
Less effects of straight line rents	(370,000)	(630,000)	260,000	(41.3%)
FFO allocable to common shareholders/unitholders	<u>\$ 22,690,000</u>	<u>\$ 20,208,000</u>	<u>\$ 2,482,000</u>	<u>12.3%</u>
Weighted average common shares outstanding	23,021,000	23,592,000	(571,000)	(2.4%)
Weighted average common OP units outstanding	7,309,000	7,443,000	(134,000)	(1.8%)
Weighted average dilutive stock options	76,000	51,000	25,000	49.0%
Total pro forma fully-converted shares	<u>30,406,000</u>	<u>31,086,000</u>	<u>(680,000)</u>	<u>(2.2%)</u>
FFO per common share/OP unit	<u>\$ 0.75</u>	<u>\$ 0.65</u>	<u>\$ 0.10</u>	<u>15.4%</u>
<u>Funds available for distribution (FAD):</u>				
Total funds from operations	\$ 22,690,000	\$ 20,208,000	\$ 2,482,000	12.3%
Less capitalized expenditures:				
Maintenance capital expenditures	(573,000)	(532,000)	(41,000)	7.7%
Tenant improvements	(929,000)	(1,030,000)	101,000	(9.8%)
Capitalized lease commissions	(391,000)	(665,000)	274,000	(41.2%)
Total capitalized expenditures	<u>(1,893,000)</u>	<u>(2,227,000)</u>	<u>334,000</u>	<u>(15.0%)</u>
FAD	<u>\$ 20,797,000</u>	<u>\$ 17,981,000</u>	<u>\$ 2,816,000</u>	<u>15.7%</u>
FAD per common share/OP unit	<u>\$ 0.68</u>	<u>\$ 0.58</u>	<u>\$ 0.10</u>	<u>17.2%</u>
<u>Cash available for debt repayments and reinvestments:</u>				
FAD	\$ 20,797,000	\$ 17,981,000	\$ 2,816,000	15.7%
Distributions to common shareholders	(6,671,000)	(5,877,000)	(794,000)	13.5%
Distributions to common OP unitholders	(2,119,000)	(1,861,000)	(258,000)	13.9%
Cash available for debt repayments and reinvestments	<u>\$ 12,007,000</u>	<u>\$ 10,243,000</u>	<u>\$ 1,764,000</u>	<u>17.2%</u>

Diluted FFO Per Common Share/OP Unit



Gross Operating Margin Percentage* (Entire Portfolio)



* 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 March 31, 2001 consists of the following:

	Total	2001	2002	2003	2004	2005	Thereafter
7.125% mortgage note, secured by one commercial property, due May 2006	8,523,000	146,000	207,000	223,000	239,000	257,000	7,451,000
8.190% mortgage note, secured by one commercial property, due March 2007	6,434,000	151,000	216,000	235,000	254,000	276,000	5,302,000
7.290% mortgage note, secured by one commercial property, due February 2009	6,245,000	81,000	116,000	125,000	134,000	144,000	5,645,000
7.280% mortgage note, secured by two commercial properties, due February 2003	4,155,000	96,000	137,000	3,922,000	-	-	-
8.000% mortgage note, secured by one commercial property, due April 2003	2,000,000	70,000	100,000	1,830,000	-	-	-
8.500% mortgage note, secured by one commercial property, due July 2007	1,837,000	40,000	58,000	63,000	69,000	75,000	1,532,000
8.000% mortgage note, secured by one commercial property, due April 2003	1,575,000	42,000	60,000	1,473,000	-	-	-
Total mortgage notes payable (1)	<u>30,769,000</u>	<u>626,000</u>	<u>894,000</u>	<u>7,871,000</u>	<u>696,000</u>	<u>752,000</u>	<u>19,930,000</u>

\$100 million unsecured line of credit

-

Total debt

30,769,000 3%

Equity at March 31, 2001 consists of the following:

9.250% Series A preferred stock (2,200,000 depository shares outstanding)	55,000,000	
8.875% Series B preferred operating partnership units (510,000 units outstanding)	12,750,000	
8.750% Series C preferred operating partnership units (3,200,000 units outstanding)	80,000,000	
8.875% Series X preferred operating partnership units (1,600,000 units outstanding)	40,000,000	
8.875% Series Y preferred operating partnership units (480,000 units outstanding)	12,000,000	
Total preferred equity (2)	<u>199,750,000</u>	19%
Common stock (22,873,482 shares outstanding)	621,015,000	(3)
Common operating partnership units (7,305,355 units outstanding)	198,340,000	(3)
Total common equity (3)	<u>819,355,000</u>	78%
Total market capitalization	<u>1,049,874,000</u>	100%

- (1) The weighted average interest rate and maturity was 7.59% and 5.2 years, respectively.
- (2) The weighted average dividend rate is 8.93%.
- (3) Value based on March 31, 2001 closing stock price of \$27.15.
- (4) Does not include 76,000 shares related to stock options for the three months ending March 31, 2001 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

	03/31/01	12/31/00	Increase (Decrease)	% Change
ASSETS				
Cash and cash equivalents	\$ 49,544,000	\$ 49,295,000	\$ 249,000	(a) 0.5%
Marketable securities	5,696,000	6,065,000	(369,000)	-6.1%
Real estate facilities, at cost:				
Land	214,020,000	214,020,000	-	0.0%
Buildings and equipment	711,264,000	709,328,000	1,936,000	0.3%
	925,284,000	923,348,000	1,936,000	(b) 0.2%
Accumulated depreciation	(93,411,000)	(83,841,000)	(9,570,000)	11.4%
	831,873,000	839,507,000	(7,634,000)	-0.9%
Land held for development	5,768,000	5,737,000	31,000	0.5%
Construction in progress	22,271,000	19,467,000	2,804,000	14.4%
	859,912,000	864,711,000	(4,799,000)	-0.6%
Receivables	487,000	461,000	26,000	5.6%
Deferred rent receivables	8,067,000	7,697,000	370,000	4.8%
Intangible assets, net	905,000	981,000	(76,000)	-7.7%
Other assets	641,000	1,546,000	(905,000)	-58.5%
Total assets	<u>\$ 925,252,000</u>	<u>\$ 930,756,000</u>	<u>\$ (5,504,000)</u>	<u>-0.6%</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accrued and other liabilities	\$ 25,512,000	(d) \$ 28,964,000	\$ (3,452,000)	-11.9%
Mortgage notes payable	30,769,000	30,971,000	(202,000)	-0.7%
Total liabilities	56,281,000	59,935,000	(3,654,000)	-6.1%
Minority interest:				
Preferred units	144,750,000	144,750,000	-	0.0%
Common units	161,951,000	161,728,000	223,000	0.1%
Shareholders' equity:				
Preferred stock	55,000,000	55,000,000	-	0.0%
Common stock	229,000	230,000	(1,000)	-0.4%
Paid-in capital	459,401,000	464,855,000	(5,454,000)	(e) -1.2%
Comprehensive income	(140,000)	-	(140,000)	N/A
Cumulative net income	136,455,000	124,990,000	11,465,000	(f) 9.2%
Cumulative distributions	(88,675,000)	(80,732,000)	(7,943,000)	(g) 9.8%
Total shareholders' equity	562,270,000	564,343,000	(2,073,000)	-0.4%
Total liabilities and shareholders' equity	<u>\$ 925,252,000</u>	<u>\$ 930,756,000</u>	<u>\$ (5,504,000)</u>	<u>-0.6%</u>

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

(b) Additional acquisition costs	\$ 43,000
Maintenance capital expenditures	573,000
Tenant improvements	929,000
Lease commissions	391,000
	<u>\$ 1,936,000</u>

(c) The Company has three projects under development in:	
Beaverton, OR (Greystone II/III)	\$ 6,614,000
Chantilly, VA (Lafayette)	7,896,000
Irving, TX (Royal Tech 17)	7,761,000
	<u>\$ 22,271,000</u>

(d) Accrued and other liabilities at March 31, 2001 consists of:	
Deferred rental revenue	\$ 2,553,000
Accounts payable	2,523,000
Property taxes	2,211,000
Security deposits	9,115,000
Other	2,009,000
Reserves for acquisition costs	7,101,000
	<u>\$ 25,512,000</u>

(e) Paid-in capital decreased due to the following:	
Repurchased shares	\$ (6,548,000)
Exercise of stock options	1,233,000
Minority interest adjustment	(139,000)
	<u>\$ (5,454,000)</u>

(f) Represents net income for the three months ended March 31, 2001

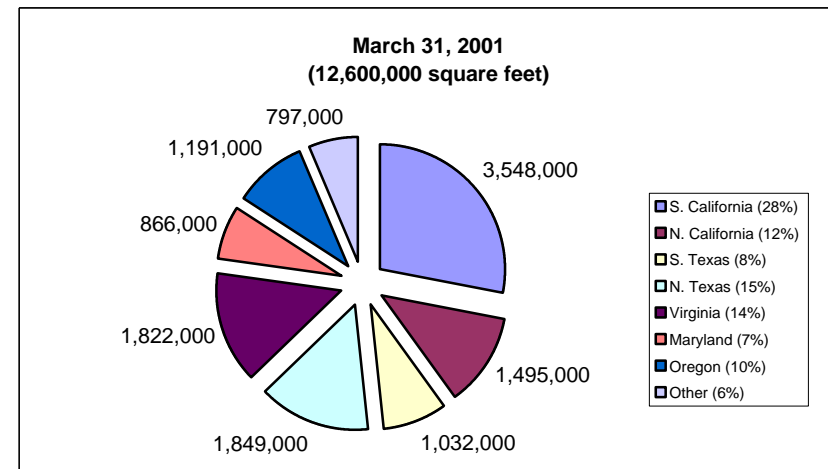
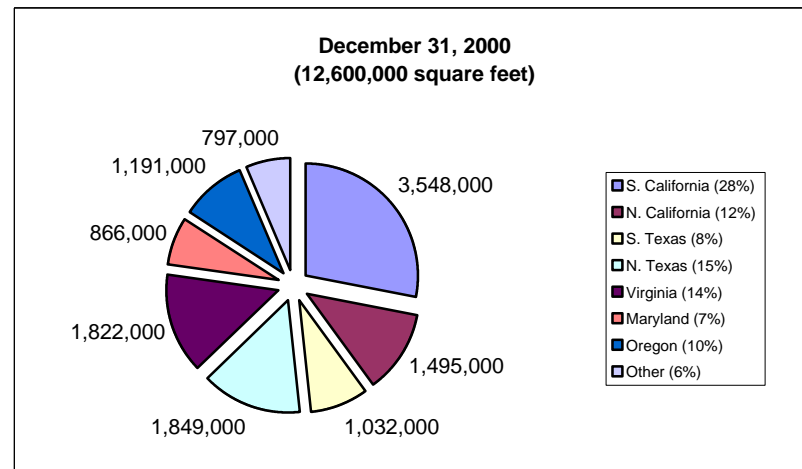
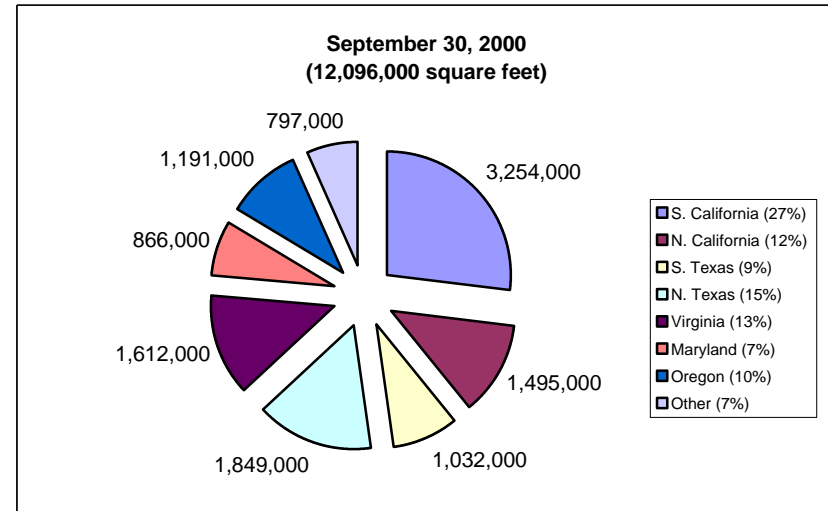
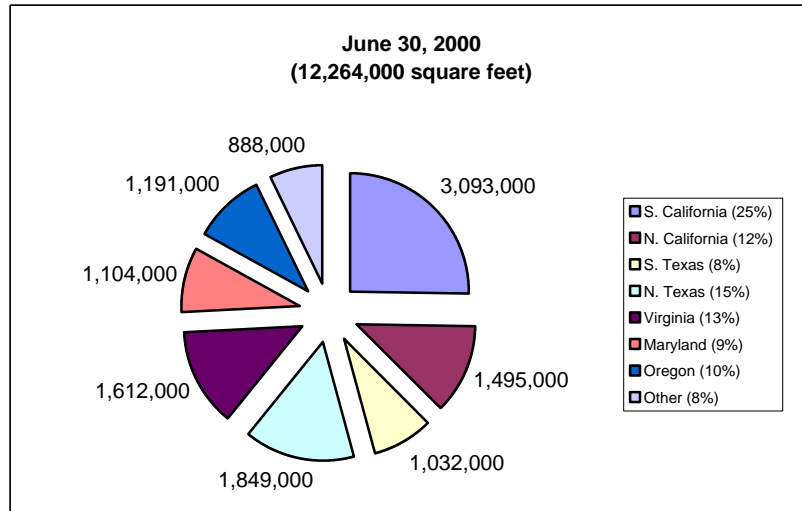
(g) Distributions to preferred shareholders	\$ (1,272,000)
Distributions to common shareholders	(6,671,000)
	<u>\$ (7,943,000)</u>

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

	03/31/01	03/31/00	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 38,393,000	\$ 34,053,000	\$ 4,340,000 (a)	12.7%
Facility management fees primarily from affiliates	161,000	123,000	38,000	30.9%
Business services	157,000	-	157,000 (b)	N/A
Interest income	760,000	1,270,000	(510,000) (c)	(40.2%)
Dividend income	4,000	418,000	(414,000) (d)	(99.0%)
	<u>39,475,000</u>	<u>35,864,000</u>	<u>3,611,000</u>	<u>10.1%</u>
Expenses:				
Cost of operations	10,371,000	9,552,000	819,000 (e)	8.6%
Cost of facility management	36,000	25,000	11,000	44.0%
Cost of business services	184,000	-	184,000	N/A
Depreciation and amortization	9,646,000	8,376,000	1,270,000	15.2%
General and administrative	1,128,000 (f)	883,000	245,000	27.7%
Interest expense	237,000 (g)	374,000	(137,000)	(36.6%)
	<u>21,602,000</u>	<u>19,210,000</u>	<u>2,392,000</u>	<u>12.5%</u>
Income before gain on investment and minority interest	17,873,000	16,654,000	1,219,000	7.3%
Gain on investment in PAG	15,000	-	15,000	N/A
Income before minority interest	17,888,000	16,654,000	1,234,000	7.4%
Minority interest in income - preferred units	(3,187,000)	(2,920,000)	(267,000)	9.1%
Minority interest in income - common units	(3,236,000)	(2,991,000)	(245,000)	8.2%
Net income	<u>\$ 11,465,000</u>	<u>\$ 10,743,000</u>	<u>\$ 722,000</u>	<u>6.7%</u>
Net income allocation:				
Allocable to preferred shareholders	\$ 1,272,000	\$ 1,272,000	\$ -	0.0%
Allocable to common shareholders	10,193,000	9,471,000	722,000	7.6%
	<u>\$ 11,465,000</u>	<u>\$ 10,743,000</u>	<u>\$ 722,000</u>	<u>6.7%</u>
Net income per common share:				
Basic	\$ 0.44	\$ 0.40	\$ 0.04	10.0%
Diluted	\$ 0.44	\$ 0.40	\$ 0.04	10.0%
Weighted average common shares outstanding:				
Basic	23,021,000	23,592,000	(571,000) (h)	(2.4%)
Diluted	<u>23,097,000</u>	<u>23,643,000</u>	<u>(546,000) (h)</u>	<u>(2.3%)</u>

(a) Rental income has increased due to the following:		
Newly acquired/developed facilities, net of dispositions	\$	1,737,000
"Same Park" facilities		2,863,000
Straight line rent adjustment		(260,000)
	<u>\$</u>	<u>4,340,000</u>
(b) Business services include licensing fees from telecommunication service providers.		
(c) Interest income decreased as a result of lower average cash balances and interest rates.		
(d) No dividend income was received from Pacific Gulf Properties Inc. ("PAG") during the three months ended March 31, 2001.		
(e) Cost of operations have increased due to the following:		
Newly acquired/developed facilities, net of dispositions	\$	160,000
"Same Park" facilities		659,000
	<u>\$</u>	<u>819,000</u>
(f) General and administrative expenses for the three months ended March 31, 2001 consists of:		
Professional fees	\$	145,000
Salaries		334,000
General administrative costs		202,000
Internal acquisition costs		203,000
Abandoned projects		2,000
Other		242,000
	<u>\$</u>	<u>1,128,000</u>
(g) Interest expense for the three months ended March 31, 2001 consists of:		
Mortgage notes payable	\$	586,000
Line of credit facility fees		63,000
Capitalized interest		(412,000)
	<u>\$</u>	<u>237,000</u>
(h) Decrease relates to the repurchase of common shares		

Rentable Square Footage by Region



PS BUSINESS PARKS, INC.
PORTFOLIO OVERVIEW

Rentable Square Footage of Properties as of March 31, 2001					
Primary Markets	Industrial	Office	Flex	Total	%
Los Angeles County	1,006,000	88,000	770,000	1,864,000	14.8%
Northern Virginia	-	233,000	1,589,000	1,822,000	14.5%
Northern California	405,000	64,000	1,026,000	1,495,000	11.9%
Dallas	-	-	1,475,000	1,475,000	11.7%
Portland	-	187,000	1,004,000	1,191,000	9.5%
Maryland	-	29,000	837,000	866,000	6.9%
Orange County	-	161,000	911,000	1,072,000	8.5%
Austin	-	-	833,000	833,000	6.6%
San Diego County	-	234,000	378,000	612,000	4.9%
Phoenix	-	-	569,000	569,000	4.5%
Other	-	331,000	470,000	801,000	6.2%
	1,411,000	1,327,000	9,862,000	12,600,000	100.0%

Average Occupancy Rates for the Quarter Ending March 31, 2001				
Primary Markets	Industrial	Office	Flex	Total
Los Angeles County	97.7%	93.3%	95.5%	96.3%
Northern Virginia	-	95.3%	98.1%	97.7%
Northern California	99.6%	93.7%	94.8%	96.0%
Dallas	-	-	96.1%	96.1%
Portland	-	100.0%	99.1%	99.3%
Maryland	-	100.0%	98.7%	98.7%
Orange County	-	-	94.9%	94.9%
Austin	-	-	96.0%	96.0%
San Diego County	-	97.9%	97.8%	98.2%
Phoenix	-	-	93.0%	93.0%
Other	-	89.4%	91.9%	88.6%
	98.2%	93.4%	96.3%	96.2%

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS

Industry Concentration as of March 31, 2001

Computer hardware, software and related service	12.0%
Business services	11.4%
Financial services	7.9%
Home furnishings	7.0%
Retail	6.9%
Manufacturing and assembly	5.2%
Electronics	5.2%
Communications	4.9%
Government	4.0%
General Contractors	3.6%
	<u>68.1%</u>

Top Ten Customers by Annual Rent as of March 31, 2001

<u>Tenant</u>	<u>Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
IBM	313,000	4,297,000	2.9%
Citigroup	262,000	3,389,000	2.2%
Pycon, Inc.	134,000	1,963,000	1.3%
U.S. Government	127,000	1,835,000	1.2%
Footstar	116,000	1,570,000	1.0%
County of Santa Clara	97,000	1,528,000	1.0%
Sun Microsystems	86,000	1,469,000	1.0%
Protocol Systems, Inc.	95,000	1,329,000	0.9%
Allstate Insurance	67,000	1,169,000	0.8%
AARP	102,000	1,160,000	0.8%
	<u>1,399,000</u>	<u>\$ 19,709,000</u>	<u>13.1%</u>

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF MARCH 31, 2001

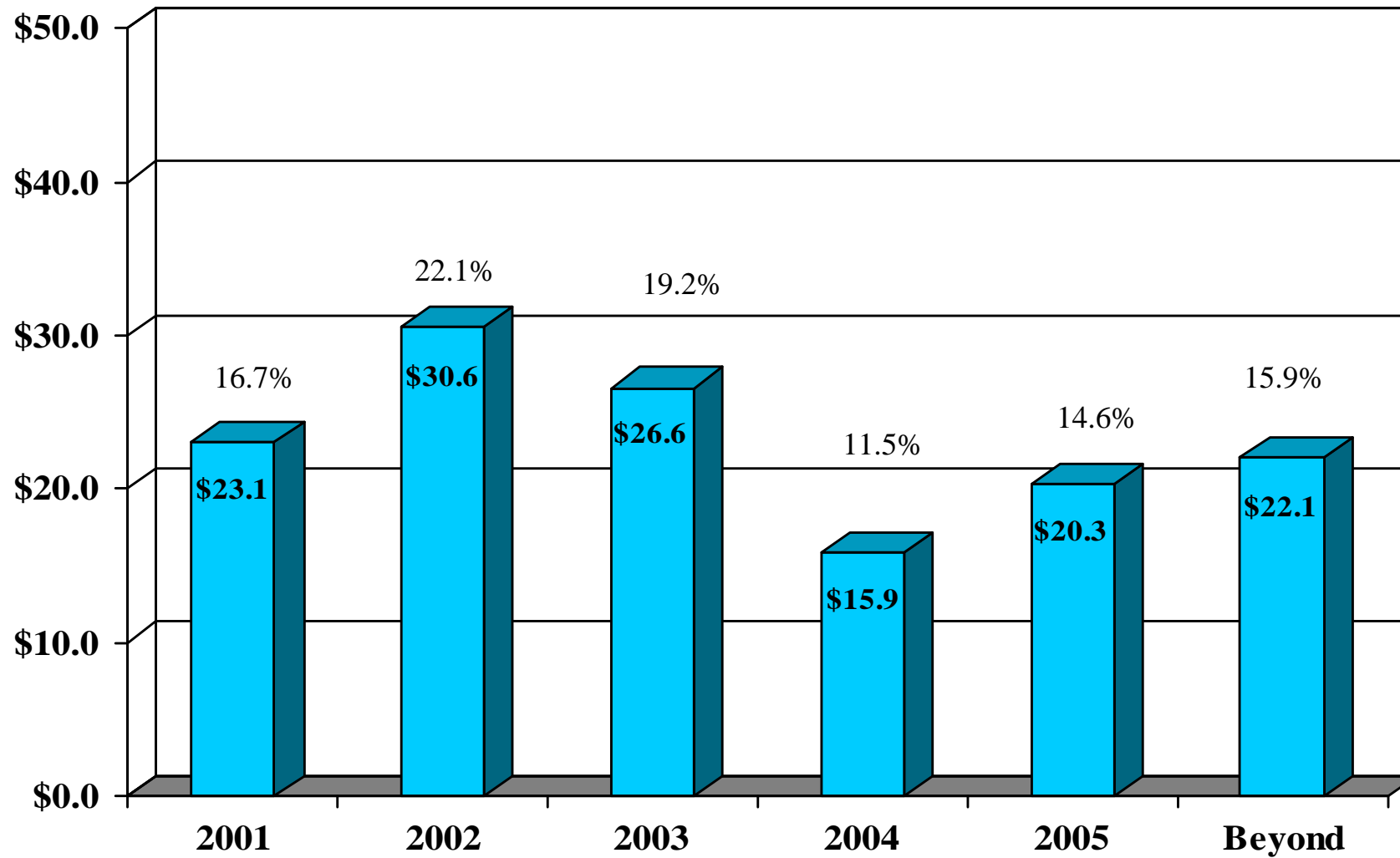
Lease Expirations - Flex			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2001	1,671,000	17,607,000	16.4%
2002	2,310,000	23,922,000	22.3%
2003	1,691,000	19,975,000	18.6%
2004	1,158,000	12,984,000	12.1%
2005	1,092,000	14,519,000	13.5%
Thereafter	1,454,000	18,425,000	17.1%
	<u>9,376,000</u>	<u>\$ 107,432,000</u>	<u>100.0%</u>

Lease Expirations - Office			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2001	240,000	4,059,000	17.0%
2002	288,000	5,068,000	21.3%
2003	291,000	5,596,000	23.5%
2004	86,000	1,833,000	7.7%
2005	197,000	4,168,000	17.5%
Thereafter	132,000	3,091,000	13.0%
	<u>1,234,000</u>	<u>\$ 23,815,000</u>	<u>100.0%</u>

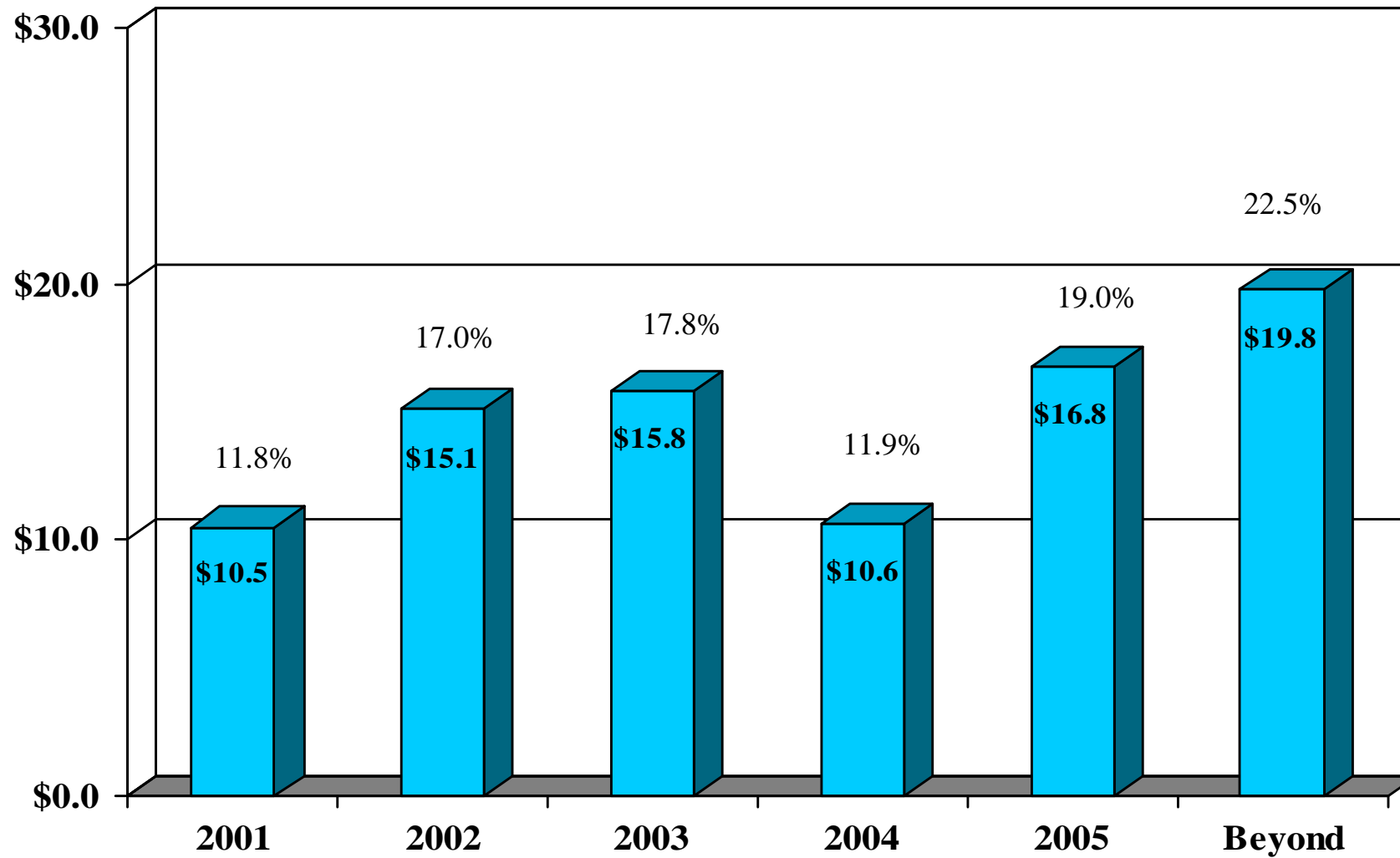
Lease Expirations - Industrial			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2001	275,000	1,455,000	19.8%
2002	391,000	1,625,000	22.1%
2003	178,000	1,002,000	13.6%
2004	200,000	1,081,000	14.7%
2005	252,000	1,575,000	21.4%
Thereafter	95,000	608,000	8.4%
	<u>1,391,000</u>	<u>\$ 7,346,000</u>	<u>100.0%</u>

Lease Expirations - Total			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2001	2,186,000	23,121,000	16.7%
2002	2,989,000	30,615,000	22.1%
2003	2,160,000	26,573,000	19.2%
2004	1,444,000	15,898,000	11.5%
2005	1,541,000	20,262,000	14.6%
Thereafter	1,681,000	22,124,000	15.9%
	<u>12,001,000</u>	<u>\$ 138,593,000</u>	<u>100.0%</u>

Lease Expirations (Entire Portfolio) as of March 31, 2001 (\$ in millions)



Lease Expirations (Large Tenant Portfolio) as of March 31, 2001 (\$ in millions)



Lease Expirations (Small Tenant Portfolio) as of March 31, 2001 (\$ in millions)

