



**PSBUSINESSPARKS**

**Analysis of Operating Results  
and Financial Condition**

**September 30, 2004**

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2004**

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

OPERATING DATA							
	Three Months Ended			Nine Months ended			
	09/30/04	09/30/03	Difference	09/30/04	09/30/03	Difference	
Total operating revenues	\$ 55,179	\$ 48,897	12.8%	\$ 162,920	\$ 144,677	12.6%	
Net income allocable to common shareholders	\$ 11,343	\$ 11,844	(4.2%)	\$ 35,619	\$ 38,490	(7.5%)	
Net income per common share - diluted:							
Continuing operations	\$ 0.10	\$ 0.33	(70.0%)	\$ 0.50	\$ 1.25	(60.0%)	
Discontinued operations	\$ 0.03	\$ 0.03	0.0%	\$ 0.06	\$ (0.01)	700.0%	
	\$ 0.13	\$ 0.36	(63.8%)	\$ 0.56	\$ 1.24	(54.8%)	
Weighted average common shares outstanding - Basic	21,813	21,417	1.8%	21,744	21,368	1.8%	
Weighted average common shares outstanding - Diluted	21,977	21,617	1.7%	21,919	21,514	1.9%	
Weighted average common OP units outstanding	7,305	7,305	0.0%	7,305	7,305	0.0%	
Total pro forma fully-converted shares	29,282	28,922	1.2%	29,224	28,819	1.4%	

FUNDS FROM OPERATIONS							
	Three Months Ended			Nine Months ended			
	09/30/04	09/30/03	Difference	09/30/04	09/30/03	Difference	
FFO allocable to common shareholders before adjustments	\$ 25,161	\$ 29,865	(15.8%)	\$ 76,190	\$ 89,781	(15.1%)	
EITF Topic D-42	(2,872)	-	(100.0%)	(5,005)	-	(100.0%)	
Impairment provision	-	-	-	-	(5,907)	100.0%	
FFO allocable to common shareholders	\$ 22,289	\$ 29,865	(25.4%)	\$ 71,185	\$ 83,874	(15.1%)	
FFO per common share and units - before adjustments	\$ 0.86	\$ 0.89	(3.5%)	\$ 2.61	\$ 2.70	(3.4%)	
FFO per common share and units - as reported	\$ 0.76	\$ 1.03	(26.2%)	\$ 2.44	\$ 2.91	(16.2%)	

PROPERTY INFORMATION							
	Three Months Ended			Nine Months ended			
	09/30/04	09/30/03	Difference	09/30/04	09/30/03	Difference	
<b>Total Owned Portfolio</b>							
Net rentable square footage at period end	18,408	14,784	24.5%	18,338	14,535	26.2%	
Weighted average occupancy	88.7%	91.8%	(3.4%)	88.2%	91.5%	(3.6%)	
Annualized realized rent per sq. ft. (1)	\$ 13.52	\$ 14.41	(6.2%)	\$ 13.43	\$ 14.50	(7.4%)	
REVPAR (2)	\$ 11.99	\$ 13.23	(9.4%)	\$ 11.85	\$ 13.27	(10.7%)	
<b>Same Park Facilities</b>							
Net rentable square footage	13,726	13,726	0.0%	13,726	13,726	0.0%	
Weighted average occupancy	90.5%	92.9%	(2.6%)	90.4%	92.9%	(2.7%)	
Annualized realized rent per sq. ft. (1)	\$ 14.75	\$ 14.77	(0.1%)	\$ 14.70	\$ 14.72	(0.1%)	
REVPAR (2)	\$ 13.35	\$ 13.72	(2.7%)	\$ 13.29	\$ 13.67	(2.8%)	

(1) Represents the actual revenues earned per occupied square foot.  
(2) Represents the actual revenues earned per total square foot.

BALANCE SHEET DATA			
	09/30/04	12/31/03	Difference
Total assets	\$ 1,358,646	\$ 1,358,861	(0.0%)
Minority interest - preferred	\$ 127,374	\$ 217,750	(41.5%)
Minority interest - common	\$ 165,945	\$ 169,888	(2.3%)
Perpetual preferred stock	\$ 478,350	\$ 168,673	183.6%
Common shareholders' equity	\$ 496,080	\$ 502,155	(1.2%)
Total common shares outstanding at period end	21,819	21,566	1.2%
Book value per common share	\$ 22.74	\$ 23.28	(2.4%)

MARKET VALUE INFORMATION			
	09/30/04	12/31/03	Difference
Market value of common stock and common OP units	\$ 1,160,586	\$ 1,191,213	(2.6%)
Total debt	49,225	264,694	(81.4%)
Total preferred stock and preferred OP units	605,724	386,423	56.8%
Total market capitalization	\$ 1,815,535	\$ 1,842,330	(1.5%)
Stock price at the end of the period	\$ 39.85	\$ 41.26	(3.4%)

**PS BUSINESS PARKS, INC.**

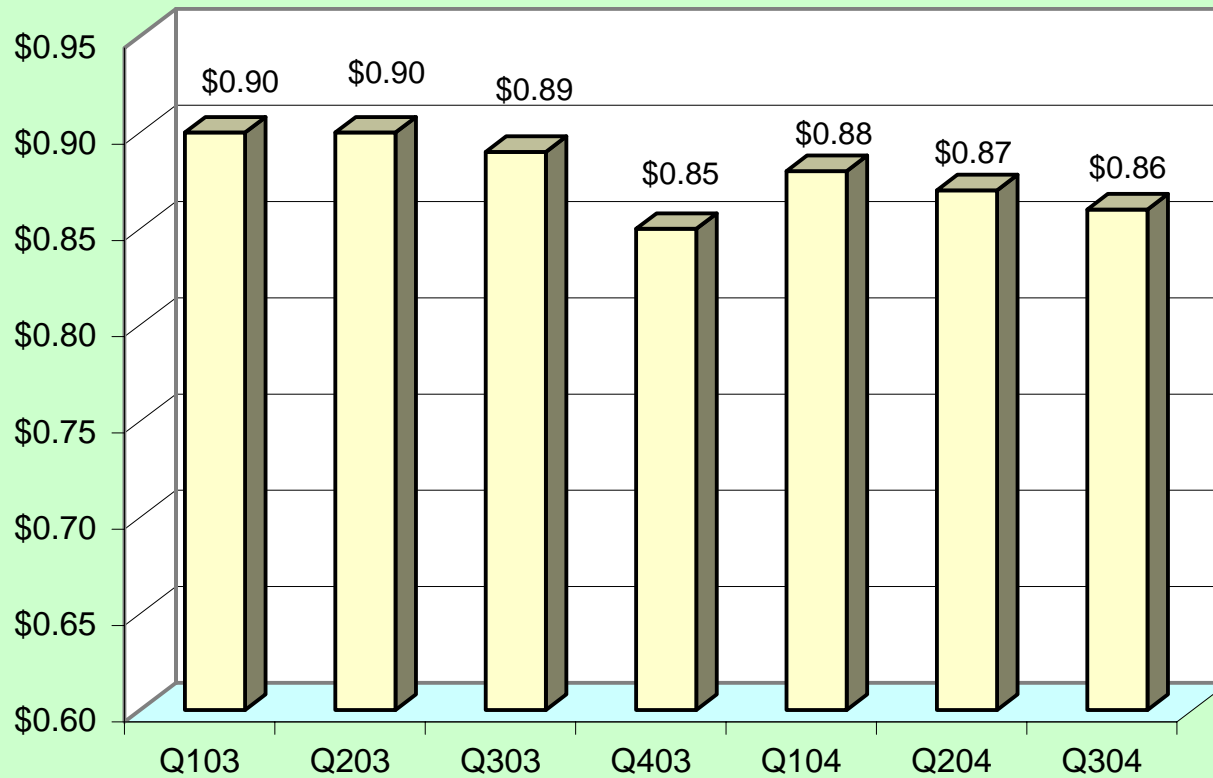
Sources and Uses of Funds (in thousands)

	Nine Months Ended <u>September 30, 2004</u>
<b><u>Sources of Funds:</u></b>	
Funds from operations, before EITF Topic D-42	\$ 76,189
Proceeds from disposition of real estate	5,066
Proceeds from placement of preferred units, net	Series J 41,533
Issuance of preferred stock, net	Series H, I, K, L 351,082
Exercise of stock options	6,550
Borrowings on line of credit	138,000
Total Sources of Funds	618,420
<b><u>Uses of Funds:</u></b>	
Property renovations	(6,400)
Land Held for Development	(234)
Recurring capital expenditures	(29,381)
Acquisition of real estate	(22,375)
Common dividends and OP distributions	(25,296)
Principal payments on mortgage notes payable	(469)
Redemption of preferred stock	(185,573)
Repayments on line of credit	(203,000)
Repayment of borrowings from an affiliate	(100,000)
Repayment of unsecured note payable	(50,000)
Preferred stock shelf registration	(101)
Change in working capital	1,703
Total Uses of Funds	(621,126)
Net (decrease) increase in cash balance	(2,706)
Beginning cash balance	5,809
Ending cash balance	\$ 3,103

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

	Three Months Ended		Increase (Decrease)	% Change	Nine Months Ended		Increase (Decrease)	% Change
	09/30/04	09/30/03			09/30/04	09/30/03		
<b>Funds from operations (FFO):</b>								
Net income allocable to common shareholders, before effect of EITF Topic D-42	\$ 2,846	\$ 7,792	\$ (4,946)	(63.5%)	\$ 12,211	\$ 26,586	\$ (14,375)	(54.1%)
Adjustments:								
Gain on sale of marketable securities	-	-	-	0.0%	-	(2,043)	2,043	(100.0%)
(Gain) loss on disposition of real estate	(313)	(14)	(299)	2135.7%	(145)	(3,498)	3,353	(95.9%)
Equity income from gain on sale of joint venture properties	-	-	-	0.0%	-	(1,376)	1,376	(100.0%)
Depreciation and amortization	18,802	15,382	3,420	22.2%	55,016	43,237	11,779	27.2%
Minority interest in income - common units	954	2,653	(1,699)	(64.0%)	4,103	9,064	(4,961)	(54.7%)
FFO allocable to common shareholders/unitholders	\$ 22,289	\$ 25,813	\$ (3,524)	(13.7%)	\$ 71,185	\$ 71,970	\$ (785)	(1.1%)
Weighted average common shares outstanding	21,813	21,417	396	1.8%	21,745	21,368	377	1.8%
Weighted average common OP units outstanding	7,305	7,305	-	0.0%	7,305	7,305	-	0.0%
Weighted average dilutive stock options	164	200	(36)	(18.0%)	175	146	29	19.9%
Total pro forma fully-converted shares	29,282	28,922	360	1.2%	29,225	28,819	406	1.4%
Fully diluted FFO per common share/OP unit	\$ 0.76	\$ 0.89	\$ (0.13)	(14.6%)	\$ 2.44	\$ 2.50	\$ (0.06)	(2.4%)
<b>Funds available for distribution (FAD):</b>								
Funds from operations	\$ 22,289	\$ 25,813	\$ (3,524)	(13.7%)	\$ 71,185	\$ 71,970	\$ (785)	(1.1%)
Adjustments:								
Maintenance capital expenditures	(3,226)	(1,614)	(1,612)	99.9%	(4,908)	(2,798)	(2,110)	75.4%
Tenant improvements	(9,573)	(2,835)	(6,738)	237.7%	(18,960)	(9,236)	(9,724)	105.3%
Lease commissions	(1,780)	(1,420)	(360)	25.4%	(5,514)	(3,577)	(1,937)	54.2%
Straight-line rent	(863)	(793)	(70)	8.8%	(2,242)	(1,352)	(890)	65.8%
Stock compensation expense	276	270	6	2.2%	892	723	169	23.4%
In-place rents adjustment (SFAS 141)	39	-	39	100%	117	-	117	100%
Impairment charge on properties held for sale	-	-	-	0.0%	-	5,907	(5,907)	(100.0%)
Redemption amount over carrying amount related to preferred equity called for redemption	2,872	-	2,872	100.0%	5,004	-	5,004	100.0%
FAD	\$ 10,034	\$ 19,421	\$ (9,387)	(48.3%)	\$ 45,574	\$ 61,637	\$ (16,063)	(26.1%)
FAD per common share/OP unit	\$ 0.34	\$ 0.67	\$ (0.33)	(49.3%)	\$ 1.56	\$ 2.14	\$ (0.58)	(27.1%)
<b>Cash available for debt repayments and reinvestments:</b>								
FAD	\$ 10,034	\$ 19,421	\$ (9,387)	(48.3%)	\$ 45,574	\$ 61,637	\$ (16,063)	(26.1%)
Distributions to common shareholders	(6,327)	(6,192)	(135)	2.2%	(18,930)	(18,582)	(348)	1.9%
Distributions to common OP unitholders	(2,119)	(2,119)	-	0.0%	(6,357)	(6,357)	-	0.0%
Non-recurring capital expenditures	(3,269)	(3,899)	630	(16.2%)	(6,400)	(5,060)	(1,340)	26.5%
Cash available for debt repayments and reinvestments	\$ (1,681)	\$ 7,211	\$ (8,892)	(123.3%)	\$ 13,887	\$ 31,638	\$ (17,751)	(56.1%)

### Diluted FFO Per Common Share/OP Unit \*



\* Amounts before adjustments for ETIF Topic D-42 costs and impairment charges.

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

	As of September 30, 2004			As of December 31, 2003		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
Long-Term Debt:						
7.050% mortgage note, secured by one commercial property, due May 2006	\$ 7,757			\$ 7,938		
8.190% mortgage note, secured by one commercial property, due March 2007	5,644			5,832		
7.290% mortgage note, secured by one commercial property, due February 2009	5,824			5,924		
Total mortgage notes payable (1)	19,225	1%	7.46%	19,694	1%	7.46%
Term facility Loan (4.46% @ 12/31/03)	-			50,000		
Total Long-Term Debt	-	-	-	69,694	4%	5.31%
Short-Term Debt:						
\$100 million unsecured line of credit (2.575% @ 9/30/04) (2)	30,000			95,000		
Notes Payable affiliate	-			100,000		
Total Short-Term Debt	30,000	2%	1.89%	195,000	11%	1.64%
Total debt	49,225	3%	4.06%	264,694	14%	2.60%
9.250% Series A preferred stock (2,112,900 depository shares outstanding) called 4/30/04	-			52,823		
8.875% Series B preferred operating partnership units (510,000 units outstanding) called 4/23/04	-			12,750		
8.750% Series C preferred operating partnership units (3,200,000 units outstanding) callable 9/3/04	-			80,000		
8.875% Series X preferred operating partnership units (1,600,000 units outstanding) callable 9/23/04	-			40,000		
8.875% Series Y preferred operating partnership units (480,000 units outstanding) callable 7/12/05	12,000			12,000		
9.500% Series D preferred stock (2,634,000 depository shares outstanding) callable 5/10/06	65,850			65,850		
9.250% Series E preferred operating partnership units (2,120,000 units outstanding) callable 9/21/06	53,000			53,000		
8.750% Series F preferred stock (2,000,000 units outstanding) callable 1/28/07	50,000			50,000		
7.950% Series G preferred operating partnership units (800,000 units outstanding) callable 10/30/07	20,000			20,000		
7.000% Series H preferred stock (6,900,000 units outstanding) callable 1/30/09	172,500			-		
6.875% Series I preferred stock (3,000,000 units outstanding) callable 4/21/09	75,000			-		
7.500% Series J preferred operating partnership units (1,710,000 units outstanding) callable 5/27/09	42,750			-		
7.950% Series K preferred stock (2,300,000 units outstanding) callable 6/30/09	57,500			-		
7.600% Series L preferred stock (2,300,000 units outstanding) callable 8/31/09	57,500			-		
Total preferred equity	606,100	33%	7.85%	386,423	21%	8.99%
Total debt and preferred equity	655,325	36%	7.56%	651,117	35%	6.40%
Common stock (21,818,529 and 21,565,528 shares outstanding in September 30, 2004 and December 31, 2003 respectively)	869,468			\$ 889,794		
Common operating partnership units (7,305,355 units outstanding as of September 30, 2004 and December 31, 2003 )	291,118			301,419		
Total common equity (3)	1,160,586	64%		1,191,213	65%	
Total market capitalization	\$ 1,815,911	100%		\$ 1,842,330	100%	

(1) Principal Maturity Dates are represented by the following chart:

Principal Maturity Dates						
2004	2005	2006	2007	2008	Thereafter	
\$ 62	\$ 260	\$ 7,435	\$ -	\$ -	\$ -	
66	276	300	5,002		-	
34	144	155	167	179	5,145	
\$ 162	\$ 680	\$ 7,890	\$ 5,169	\$ 179	\$ 5,145	

(2) The outstanding balance on the line of credit was repaid in full subsequent to September 30, 2004.

(3) Closing stock price was \$39.85 and \$41.26 as of September 30, 2004 and December 31, 2003, respectively.

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

	09/30/04	12/31/03	Increase (Decrease)	% Change
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 3,103	\$ 5,809	\$ (2,706) (a)	(46.6%)
Real estate facilities, at cost:				
Land	385,077	379,268	5,809	1.5%
Buildings and equipment	1,170,370	1,116,750	53,620	4.8%
	<u>1,555,447</u>	<u>1,496,018</u>	<u>59,429</u> (b)	<u>4.0%</u>
Accumulated depreciation	(278,843)	(223,786)	(55,057)	24.6%
	<u>1,276,604</u>	<u>1,272,232</u>	<u>4,372</u>	<u>0.3%</u>
Properties held for disposition, net	47,038	51,957	(4,919) (c)	(9.5%)
Land held for development	11,633	11,399	234	2.1%
	<u>1,335,275</u>	<u>1,335,588</u>	<u>(313)</u>	<u>(0.0%)</u>
Rent receivable	1,821 (d)	1,885 (d)	(64)	(3.4%)
Deferred rent receivables	15,171	13,626	1,545	11.3%
Intangible assets, net	-	76	(76)	(100.0%)
Other assets	3,276	1,877	1,399 (e)	74.5%
Total assets	<u>\$ 1,358,646</u>	<u>\$ 1,358,861</u>	<u>\$ (215)</u>	<u>(0.0%)</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>				
Accrued and other liabilities	\$ 41,672 (f)	\$ 35,701	\$ 5,971	16.7%
Line of credit	30,000	95,000	(65,000)	(68.4%)
Mortgage notes payable	11,468	11,756	(288)	(2.4%)
Mortgage on asset held for sale	7,757	7,938	(181)	(2.3%)
Notes payable to affiliate	-	100,000	(100,000)	(100.0%)
Unsecured term loan	-	50,000	(50,000)	(100.0%)
Total liabilities	<u>90,897</u>	<u>300,395</u>	<u>(209,498)</u>	<u>(69.7%)</u>
Minority interest:				
Preferred units	127,374	217,750	(90,376) (g)	(41.5%)
Common units	165,945	169,888	(3,943)	(2.3%)
Shareholders' equity:				
Preferred stock	478,350	168,673	309,677 (h)	183.6%
Common stock	218	216	2	0.9%
Paid-in capital	420,895	420,778	117 (i)	0.0%
Cumulative net income	317,006	281,386	35,620	12.7%
Comprehensive gain (loss)	-	(535)	535 (j)	(100.0%)
Cumulative distributions	(242,039)	(199,690)	(42,349) (k)	21.2%
Total shareholders' equity	<u>974,430</u>	<u>670,828</u>	<u>303,602</u>	<u>45.3%</u>
Total liabilities and shareholders' equity	<u>\$ 1,358,646</u>	<u>\$ 1,358,861</u>	<u>\$ (215)</u>	<u>(0.0%)</u>



**PS BUSINESS PARKS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**VARIANCE EXPLANATIONS**

(a)	See sources and uses of funds on page 2			
(b)	Change in real estate facilities, at cost is due to the following:			
	Property acquisition (includes capitalized acquisition costs)			24,140
	Property dispositions			(6,301)
	Property renovations			12,208
	Maintenance capital expenditures			4,908
	Tenant improvements			18,960
	Lease commissions			5,514
				<u>\$ 59,429</u>
(c)	Discontinued operations includes assets identified for sale located in the Company's Miami and Maryland portfolios.			
(d)	Rent receivable consists of the following:	09/30/04	12/31/03	
	U.S. Government	\$ 1,064	\$ 1,175	
	Acquisitions	441	14	
	Same Park	566	696	
	Additional allowance for bad debt (Q204)	(250)	-	
		<u>\$ 1,821</u>	<u>\$ 1,885</u>	
(e)	Change in other assets is due to the following:			
	Prepayment of insurance premiums			\$ 1,200
	Other			199
				<u>\$ 1,399</u>
(f)	Accrued and other liabilities at September 30, 2004 consists of:	9/30/2004	12/31/2003	Change
	Deferred rental revenue	\$ 6,227	8,290	\$ (2,063)
	Accounts payable	2,657	927	1,730
	Property taxes	8,965	3,427	5,538
	Security deposits	14,494	14,056	438
	Accrued interest	-	112	(112)
	Reserves for acquisition costs	5,579	4,920	659
	Unrealized loss on interest rate swap	-	534	(534)
	Other (Professional fees - \$360,000, accrued bonus - \$856,000, restricted stock - \$1.2 million and restricted stock - \$1.5 million)	3,750	3,435	315
		<u>\$ 41,672</u>	<u>35,701</u>	<u>\$ 5,971</u>
(g)	Change in minority interest - preferred units:			
	Redemption of Series B			(12,750)
	Issuance of Series J			42,374
	Redemption of Series C and X			(120,000)
				<u>\$ (90,376)</u>
(h)	Change in preferred stock:			
	Redemption of Series A			(52,823)
	Issuance of Series H			172,500
	Issuance of Series I			75,000
	Issuance of Series K			57,500
	Issuance of Series L			57,500
				<u>\$ 309,677</u>
(i)	Change in paid-in capital:			
	Beginning paid-in capital			\$ 420,778
	Preferred stock issuance costs			(12,129)
	Shelf registration costs			(101)
	Redemption of preferred stock (application of EITF Topic D-42)			5,004
	Exercise of stock options			6,550
	Stock option amortization			270
	Restricted stock amortization			623
	Change in minority interest, common, due to repurchase of shares			(100)
	Ending paid in capital			<u>\$ 420,895</u>
(j)	Change in unrealized loss is due to the following:			
	Decrease in liability related to interest rate SWAP			535
				<u>\$ 535</u>
(k)	Change in cumulative distributions:			
	Distributions to preferred shareholders			\$ (23,002)
	Distributions to common shareholders			(19,347)
				<u>\$ (42,349)</u>

**PS BUSINESS PARKS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED**  
(in thousands, except per share amounts)

	09/30/04	09/30/03	Increase (Decrease)	% Change
<b>Revenues:</b>				
Rental income	\$ 54,979	\$ 48,719	\$ 6,260 (a)	12.8%
Facility management fees primarily from affiliates	200	178	22	12.4%
Total operating revenues	<u>\$ 55,179</u>	<u>\$ 48,897</u>	<u>6,282</u>	<u>12.8%</u>
<b>Expenses:</b>				
Property operation:	16,342	13,403	2,939 (b)	21.9%
Depreciation and amortization	18,310	15,015	3,295	21.9%
General and administrative	1,155 (c)	1,055 (c)	100	9.5%
Total operating expenses	<u>35,807</u>	<u>29,473</u>	<u>6,334</u>	<u>21.5%</u>
<b>Other income and expenses</b>				
Gain on sale of marketable securities	-	-	-	-
Interest and other income	136	145	(9)	(6.2%)
Interest expense	(513) (d)	(1,013) (d)	500	(49.4%)
Total other income and expenses	<u>(377)</u>	<u>(868)</u>	<u>491</u>	<u>(56.6%)</u>
Income from continuing operations before minority interests and equity in income of liquidated joint venture	<u>18,995</u>	<u>18,556</u>	<u>439</u>	<u>2.4%</u>
Equity in income of liquidated joint venture	-	-	-	-
<b>Minority interests in continuing operations:</b>				
Minority interest in income - preferred units	-	-	-	-
Distributions paid to preferred unit holders	(4,794)	(4,810)	16	(0.3%)
Redemption of preferred operating partnership unit	(2,872)	-	(2,872)	(100.0%)
Minority interest in income - common units	(714)	(2,462)	1,748	(71.0%)
Total minority interests in continuing operations	<u>(8,380)</u>	<u>(7,272)</u>	<u>(1,108)</u>	<u>15.2%</u>
Income from continuing operations	<u>10,615</u>	<u>11,284</u>	<u>(669)</u>	<u>(5.9%)</u>
<b>Discontinued operations:</b>				
Income from discontinued operations	655 (e)	737 (e)	(82)	(11.1%)
Impairment charge on properties held for sale	-	-	-	-
Gain (loss) on disposition of real estate	313	14	299	2135.7%
Minority interest in earnings (loss) attributable to discontinued operations - common units	(240)	(191)	(49)	25.8%
Income (loss) from discontinued operations	<u>728</u>	<u>560</u>	<u>168</u>	<u>30.0%</u>
Net Income	<u>11,343</u>	<u>11,844</u>	<u>(501)</u>	<u>(4.2%)</u>
<b>Net Income allocable to preferred shareholder</b>				
<b>Preferred distributions</b>				
Preferred distributions paid	8,497	4,052	4,445 (f)	109.7%
Redemptions of preferred stock	-	-	-	-
Total preferred distributions	<u>8,497</u>	<u>4,052</u>	<u>4,445</u>	<u>109.7%</u>
Net Income allocable to common shareholder	<u>\$ 2,846</u>	<u>\$ 7,792</u>	<u>\$ (4,946)</u>	<u>(63.5%)</u>
<b>Net income per common share - basic:</b>				
Continuing operations	\$ 0.10	\$ 0.33	\$ (0.23)	(70.0%)
Discontinued operations	\$ 0.03	\$ 0.03	-	0.0%
	<u>\$ 0.13</u>	<u>\$ 0.36</u>	<u>\$ (0.23)</u>	<u>(63.8%)</u>
<b>Net income per common share - diluted</b>				
Continuing operations	\$ 0.10	\$ 0.33	\$ (0.23)	(70.5%)
Discontinued operations	\$ 0.03	\$ 0.03	-	0.0%
	<u>\$ 0.13</u>	<u>\$ 0.36</u>	<u>\$ (0.23)</u>	<u>(63.8%)</u>
<b>Weighted average common shares outstanding:</b>				
Basic	<u>21,813</u>	<u>21,417</u>	<u>396 (g)</u>	<u>1.8%</u>
Diluted	<u>21,977</u>	<u>21,617</u>	<u>360</u>	<u>1.7%</u>

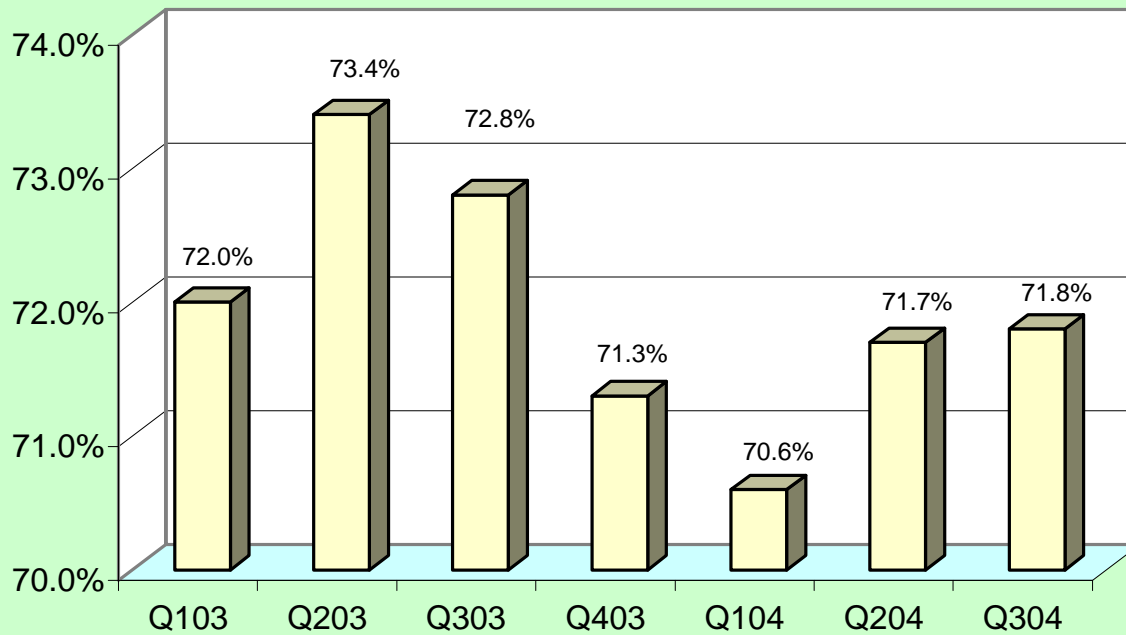
(a)	Rental income has increased due to the following:		
	Same Park facilities	\$	(836)
	Acquisitions		7,026
	Straight-line rent		70
		<u>\$</u>	<u>6,260</u>
(b)	Cost of operations have increased due to the following:		
	Same Park facilities	\$	230
	Acquisitions		2,709
		<u>\$</u>	<u>2,939</u>
(c)	General and administrative expenses for the three months ended:	September 30, 2004	September 30, 2003
	Salaries	\$ 317	\$ 327
	Bonus Accrual	180	180
	Stock option and stock compensation expense	125	121
	Professional fees	252	121
	Investor services	140	50
	Internal acquisition costs	17	68
	Other	124	188
		<u>\$ 1,155</u>	<u>\$ 1,055</u>
(d)	Interest expense for the three months ended:	September 30, 2004	September 30, 2003
	Mortgage notes payable	\$ 360	\$ 371
	Facilities fees & other charges	63	70
	Line of Credit interest (Wells Fargo)	90	-
	Term Loan Interest (Fleet)	-	572
		<u>\$ 513</u>	<u>\$ 1,013</u>
(e)	Net operating income from discontinued operations for the three months ended:	September 30, 2004	September 30, 2003
	Rental revenue	\$ 1,624	1,576
	Operating expenses	(477)	(472)
	Depreciation expense	(492)	(367)
		<u>\$ 655</u>	<u>\$ 737</u>
(f)	Increase relates to issuance of additional preferred stock .		
(g)	Net increase relates to stock option exercises.		

**PS BUSINESS PARKS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE NINE MONTHS ENDED**  
(in thousands, except per share amounts)

	09/30/04	09/30/03	Increase (Decrease)	% Change
<b>Revenues:</b>				
Rental income	\$ 162,405	\$ 144,124	\$ 18,281 (a)	12.7%
Facility management fees primarily from affiliate	515	553	(38)	(6.9%)
Total operating revenues	<u>\$ 162,920</u>	<u>\$ 144,677</u>	<u>18,243</u>	<u>12.6%</u>
<b>Expenses:</b>				
Property operations	48,270	39,038	9,232 (b)	23.6%
Depreciation and amortization	53,559	41,972	11,587	27.6%
General and administrative	3,249 (c)	3,509 (c)	(260)	(7.4%)
Total operating expenses	<u>105,078</u>	<u>84,519</u>	<u>20,559</u>	<u>24.3%</u>
<b>Other income and expenses:</b>				
Gain on sale of marketable securities:	-	2,043	(2,043)	(100.0%)
Interest and other income	212	970	(758)	(78.1%)
Interest expense	(2,612) (d)	(3,013) (d)	401	(13.3%)
Total other income and expenses	<u>(2,400)</u>	<u>0</u>	<u>(2,400)</u>	<u>(100.0%)</u>
Income from continuing operations before minority interest and equity in income of liquidated joint venture	<u>55,442</u>	<u>60,158</u>	<u>(4,716)</u>	<u>(7.8%)</u>
Equity in income of liquidated joint venture	-	2,296	(2,296)	(100.0%)
Minority interests in continuing operations				
Minority interest in income - preferred unit:				
Distributions paid to preferred unit holders	(14,409)	(14,430)	21	(0.1%)
Redemption of preferred operating partnership units	(3,139)	-	(3,139)	100.0%
Minority interest in income - common unit	(3,643)	(9,183)	5,540	(60.3%)
Total minority interests in continuing operation:	<u>(21,191)</u>	<u>(23,613)</u>	<u>2,422</u>	<u>(10.3%)</u>
Income from continuing operations	<u>34,251</u>	<u>38,841</u>	<u>(4,590)</u>	<u>(11.8%)</u>
<b>Discontinued operations:</b>				
Income from discontinued operation:	1,682 (e)	1,939 (e)	(257)	(13.3%)
Impairment charge on properties held for sale	-	(5,907)	5,907	(100.0%)
Gain (loss) on disposition of real estate	145	3,498	(3,353)	(95.9%)
Minority interest in earnings (loss) attributable to discontinued operations - common units	(459)	119	(578)	(485.7%)
Income (loss) from discontinued operation:	<u>1,368</u>	<u>(351)</u>	<u>1,719</u>	<u>(489.7%)</u>
Net Income	<u>\$ 35,619</u>	<u>\$ 38,490</u>	<u>\$ (2,212)</u>	<u>(5.7%)</u>
<b>Net Income allocable to preferred shareholder</b>				
<b>Preferred distributions</b>				
Preferred distributions paid	21,542	11,904	9,638	81.0%
Redemptions of preferred stock	1,866	-	1,866	100.0%
Total preferred distributions	<u>23,408</u>	<u>11,904</u>	<u>11,504 (f)</u>	<u>96.6%</u>
Net Income allocable to common shareholders	<u>\$ 12,211</u>	<u>\$ 26,586</u>	<u>\$ (14,375)</u>	<u>(54.1%)</u>
<b>Net income per common share - basic</b>				
Continuing operations	\$ 0.50	\$ 1.26	\$ (0.76)	(60.4%)
Discontinued operations	\$ 0.06	\$ (0.02)	\$ 0.08	400.0%
	<u>\$ 0.56</u>	<u>\$ 1.24</u>	<u>\$ (0.68)</u>	<u>(54.9%)</u>
<b>Net income per common share - dilute</b>				
Continuing operations	\$ 0.50	\$ 1.25	\$ (0.75)	(60.0%)
Discontinued operations	\$ 0.06	\$ (0.01)	\$ 0.07	700.0%
	<u>\$ 0.56</u>	<u>\$ 1.24</u>	<u>\$ (0.68)</u>	<u>(54.9%)</u>
<b>Weighted average common shares outstanding</b>				
Basic	21,744	21,368	376 (g)	1.8%
Diluted	<u>21,919</u>	<u>21,514</u>	<u>405</u>	<u>1.9%</u>

(a)	Rental income has increased due to the following		
	Same Park facilities	\$	(3,832)
	Acquisitions		21,223
	Straight-line rent		890
		<u>\$</u>	<u>18,281</u>
(b)	Cost of operations have increased due to the following		
	Same Park facilities	\$	1,031
	Acquisitions		8,201
		<u>\$</u>	<u>9,232</u>
(c)	General and administrative expenses for the year ended	September 30, 2004	September 30, 2003
	Salaries	\$ 1,150	\$ 1,123
	Bonuses	540	721
	Stock option and stock compensation expense	330	369
	Professional fees	368	340
	Investor services	334	253
	Internal acquisition costs	97	145
	Other	430	558
		<u>\$ 3,249</u>	<u>\$ 3,509</u>
(d)	Interest expense for the year ended	September 30, 2004	September 30, 2003
	Mortgage notes payable	\$ 1,092	\$ 1,129
	Line of credit interest	335	-
	Interest rate swap charges	557	-
	Facilities fees & other charges	191	196
	Loan from Affiliate (PSI)	145	-
	Term loan interest	292	1,688
		<u>\$ 2,612</u>	<u>\$ 3,013</u>
(e)	Net operating income from discontinued operations for the nine months ended	September 30, 2004	September 30, 2003
	Rental revenue	\$ 4,780	\$ 4,829
	Operating expenses	(1,638)	(1,625)
	Depreciation	(1,460)	(1,265)
	Operating income from discontinued property	<u>\$ 1,682</u>	<u>\$ 1,939</u>
(f)	Increase relates to the issuance of additional preferred equity as well as \$1,866,000 related to the redemption of the Series A preferred stock		
(g)	Net increase relates to stock option exercises		

## Gross Operating Margin Percentage\* (Same Park)



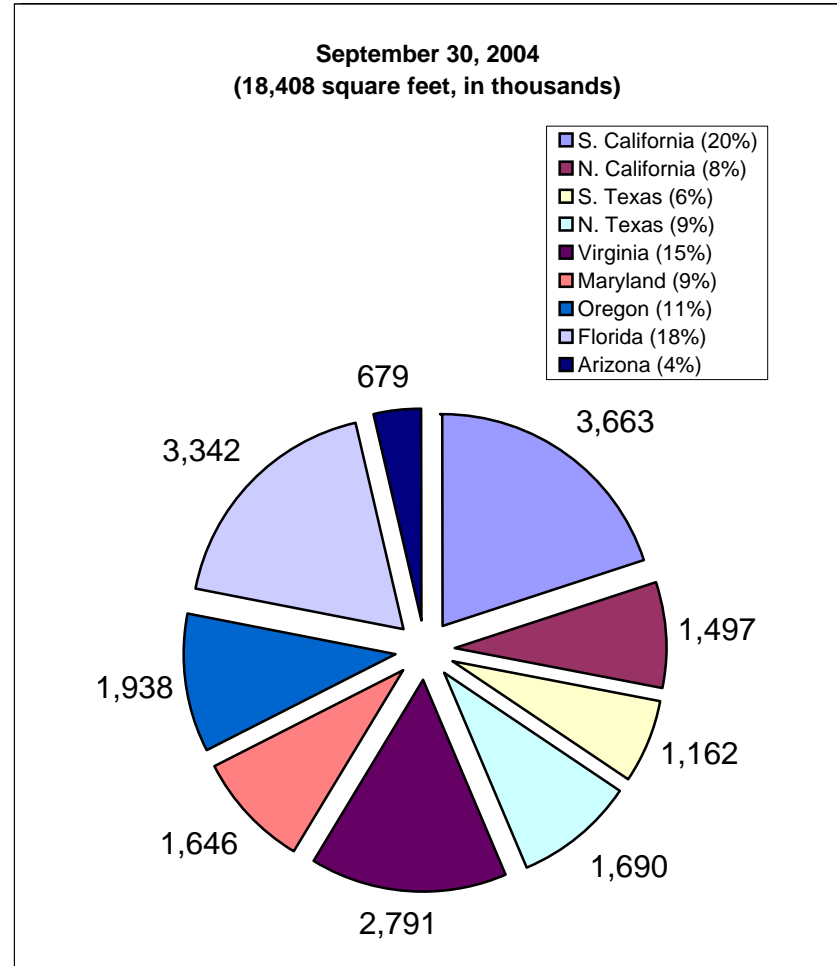
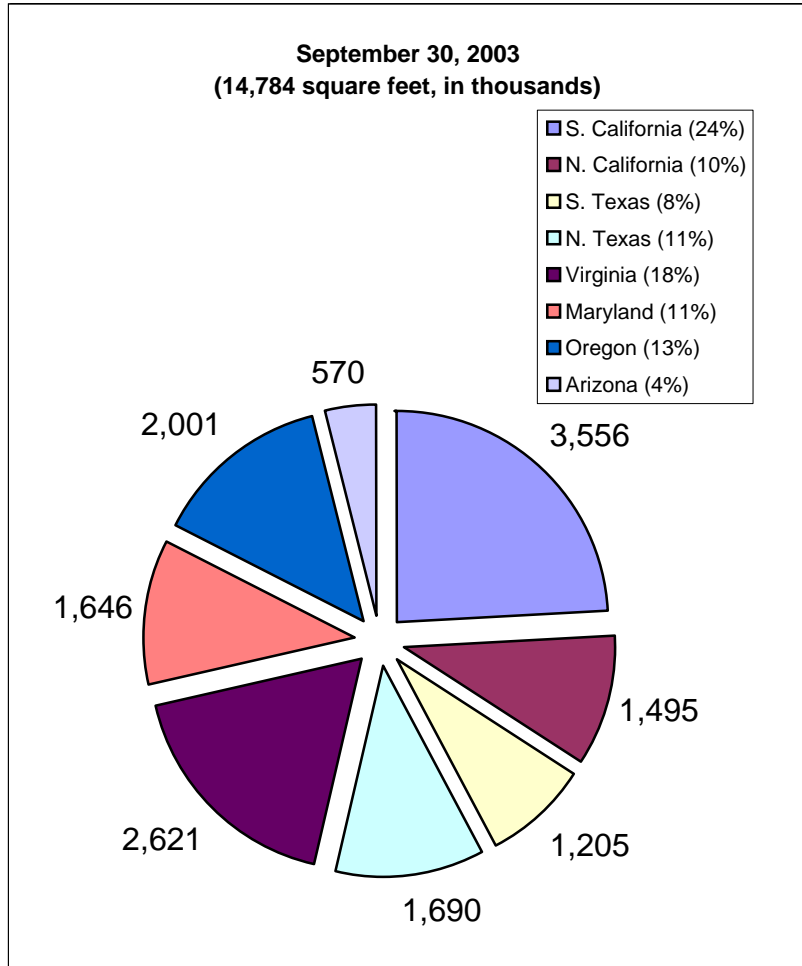
\* Gross margin is computed by dividing property net operating income by rental income (excluding straight-line rent adjustment).

**PS BUSINESS PARKS, INC.**  
**Analysis of Capital Expenditures**  
**(in thousands)**

<u>Recurring capital expenditures (1)</u>	<u>Nine Months Ended September 30, 2004 Costs</u>	<u>Cost per Weighted Average Square Foot</u>
Maintenance capital expenditures (2)	\$4,908	\$0.27
Tenant improvements (3)	18,960	1.04
Leasing commissions	5,514	0.30
Total recurring capital expenditures	<u>\$29,382</u>	<u>\$1.61</u>
<u>Non-recurring capital expenditures</u>		
Property renovations	\$6,634	
Acquisition costs	22,375	
Total non-recurring capital expenditures	<u>\$29,009</u>	

- (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 \$10.6 million or approximately \$0.58 per weighted average square foot for the nine months ended September 30, 2004 compared to \$9.1 million or \$0.63 per square foot during the nine months ended September 30, 2003.
- (2) Major costs include roofing, HVAC replacement, parking lot replacement and other major repairs that extend the life of the respective component of the building.
- (3) Tenant improvements less than \$1,000 or for leases of two years or less are expensed and included in cost of operations (\$593,000 for the nine months ended September 30, 2004 as compared to \$478,000 for the nine months ended September 30, 2003).

## Total Owned Rentable Square Footage by Region



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

Rentable Square Footage of Properties as of September 30, 2004

Primary Markets	Industrial	Office	Flex	Total	%
Miami	2,617	12	713	3,342	18.2%
Northern Virginia	-	572	2,219	2,791	15.2%
Portland	-	346	1,592	1,938	10.5%
Maryland	-	720	926	1,646	8.9%
Dallas	231	-	1,459	1,690	9.2%
Los Angeles County	712	31	770	1,513	8.2%
Northern California	407	430	660	1,497	8.1%
Orange County	-	704	911	1,615	8.8%
Austin	-	-	788	788	4.3%
Phoenix	-	-	679	679	3.7%
San Diego County	-	-	535	535	2.9%
Houston	-	131	243	374	2.0%
	<u>3,967</u>	<u>2,946</u>	<u>11,495</u>	<u>18,408</u>	<u>100.0%</u>

Average Occupancy Rates by Product Type for the Quarter Ending September 30, 2004

Primary Markets	Industrial	Office	Flex	Total
Miami	83.0%	90.5%	86.7%	83.9%
Northern Virginia	-	92.0%	96.9%	95.9%
Portland	-	67.8%	81.2%	78.8%
Maryland	-	96.2%	87.7%	91.4%
Dallas	100.0%	-	81.3%	83.8%
Los Angeles County	99.7%	96.4%	94.3%	96.9%
Northern California	98.9%	90.3%	93.8%	94.2%
Orange County	-	83.3%	93.0%	88.8%
Austin	-	-	81.0%	81.0%
Phoenix	-	-	91.0%	91.0%
San Diego County	-	-	96.1%	96.1%
Houston	-	79.5%	90.4%	86.6%
	<u>88.6%</u>	<u>87.4%</u>	<u>89.1%</u>	<u>88.7%</u>

Weighted Average Occupancy Rates by Portfolio Type for the Quarter Ending September 30, 2004

Primary Markets	Large Tenant	Small Tenant	Total
Miami	83.0%	89.7%	83.9%
Northern Virginia	96.4%	94.1%	95.9%
Portland	78.3%	85.3%	78.8%
Maryland	91.4%	94.2%	91.4%
Dallas	84.3%	81.2%	83.8%
Los Angeles County	99.7%	94.4%	96.9%
Northern California	94.5%	93.7%	94.2%
Orange County	88.1%	90.7%	88.8%
Austin	81.3%	79.8%	81.0%
Phoenix	98.0%	90.1%	91.0%
San Diego County	-	96.1%	96.1%
Houston	79.5%	90.4%	86.6%
	<u>87.7%</u>	<u>91.6%</u>	<u>88.7%</u>

**Note:**

Includes all properties owned as of September 30, 2004.

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.**  
**SAME PARK PORTFOLIO OVERVIEW**  
(in thousands)

Rentable Square Footage of Properties as of September 30, 2004					
Primary Markets	Industrial	Office	Flex	Total	%
Northern Virginia	-	406	2,215	2,621	19.1%
Portland	-	347	1,592	1,939	14.1%
Maryland	-	720	522	1,242	9.1%
Dallas	231	-	1,345	1,576	11.5%
Los Angeles County	712	31	770	1,513	11.0%
Northern California	407	430	660	1,497	10.9%
Orange County	-	161	911	1,072	7.8%
Austin	-	-	788	788	5.7%
Phoenix	-	-	569	569	4.1%
San Diego County	-	-	535	535	3.9%
Houston	-	131	243	374	2.8%
	1,350	2,226	10,150	13,726	100.0%

Average Occupancy Rates by Product Type for the Quarter Ending September 30, 2004				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	95.5%	96.9%	96.7%
Portland	-	67.8%	81.2%	78.8%
Maryland	-	96.2%	88.7%	93.1%
Dallas	100.0%	-	80.9%	83.7%
Los Angeles County	99.7%	96.4%	94.3%	96.9%
Northern California	98.9%	90.3%	93.8%	94.2%
Orange County	-	99.3%	93.0%	93.9%
Austin	-	-	81.0%	81.0%
Phoenix	-	-	93.4%	93.4%
San Diego County	-	-	96.1%	96.1%
Houston	-	79.5%	90.4%	86.6%
	99.5%	89.8%	89.5%	90.5%

Weighted Average Occupancy Rates by Portfolio Type for the Quarter Ending September 30, 2004			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	96.4%	98.1%	96.7%
Portland	78.3%	85.3%	78.8%
Maryland	93.1%	94.2%	93.1%
Dallas	84.2%	81.2%	83.7%
Los Angeles County	99.7%	94.4%	96.9%
Northern California	94.5%	93.7%	94.2%
Orange County	95.8%	90.7%	93.9%
Austin	81.3%	79.8%	81.0%
Phoenix	98.0%	92.6%	93.4%
San Diego County	-	96.1%	96.1%
Houston	79.5%	90.4%	86.6%
	89.8%	92.5%	90.5%

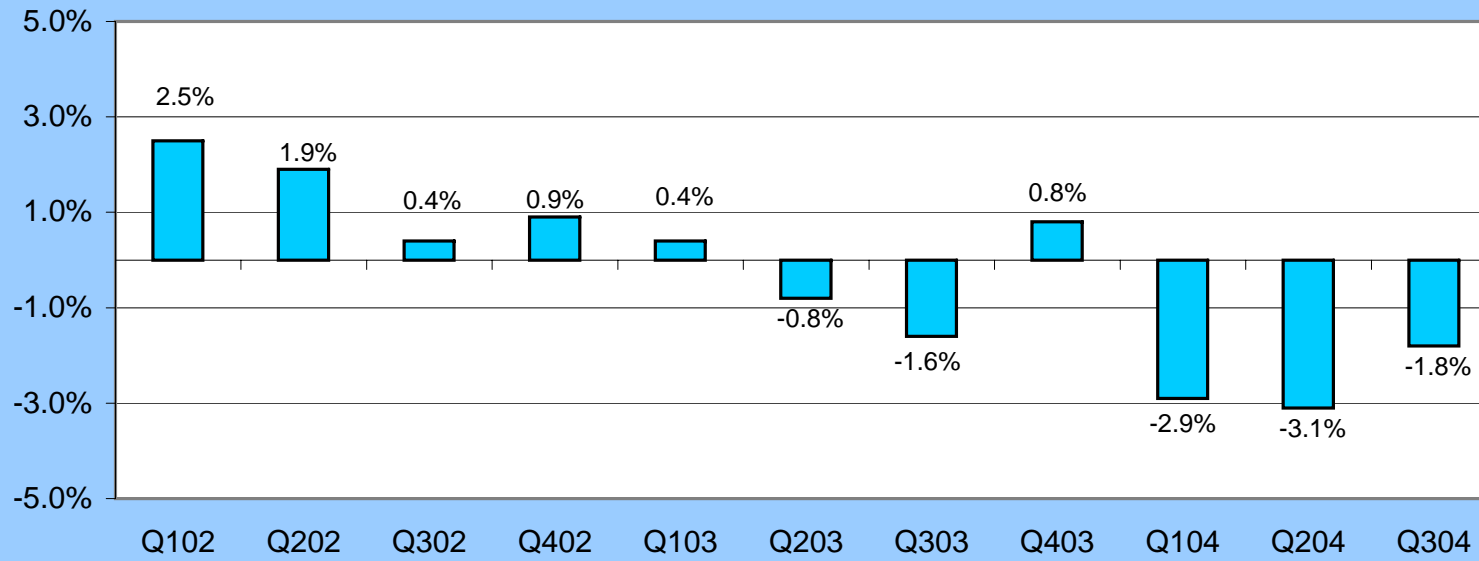
**Note:**

Includes all properties included in continuing operations owned since January 1, 2003.

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.

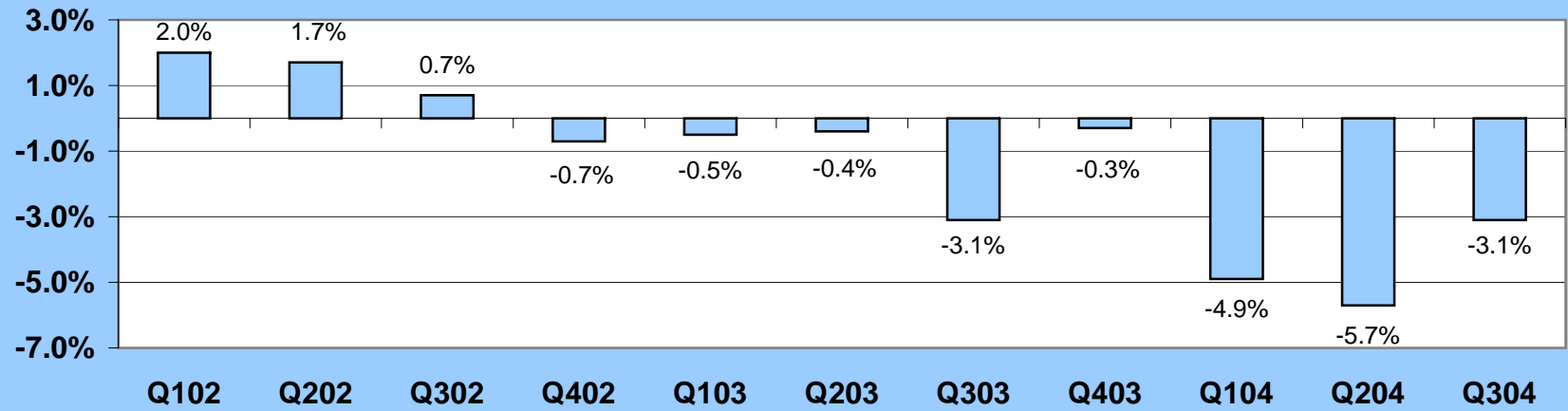


## Change in Same Park Revenue \*



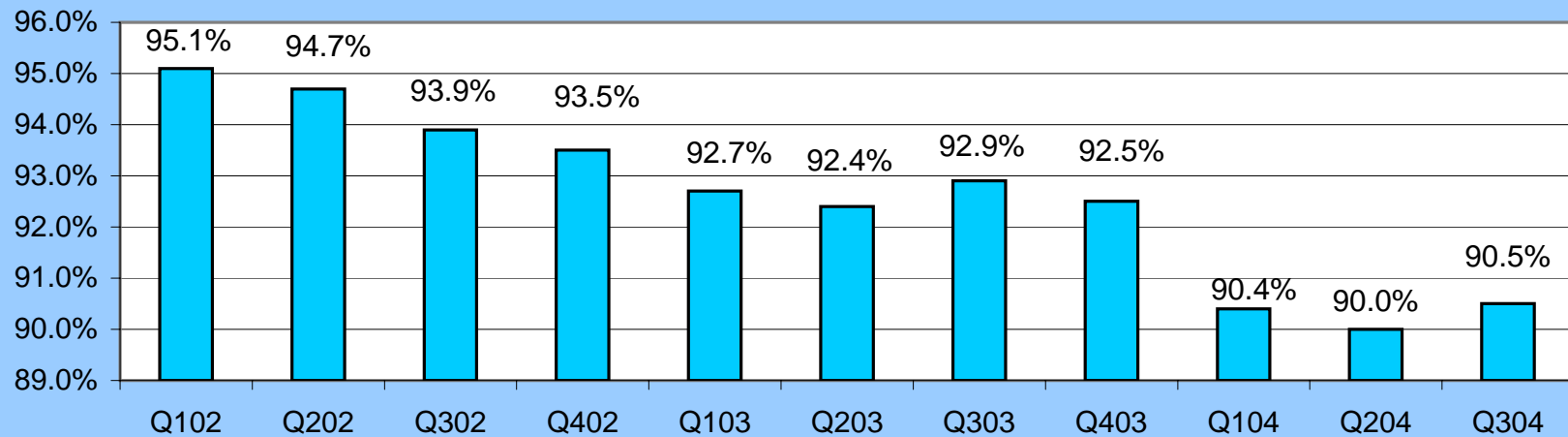
\* Percentage represents the change from the same period in the prior year.

### Change in Same Park NOI before Straight Line Rent \*



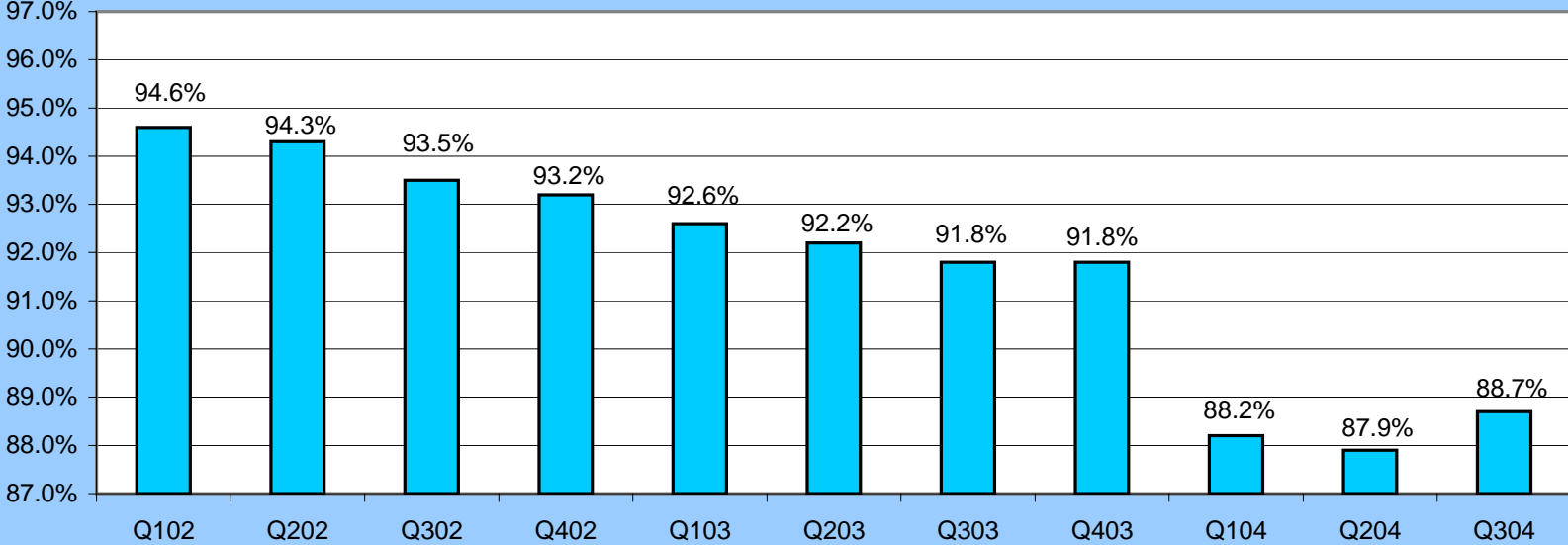
\* Percentage represents the change from the same period in the prior year.

## Same Park Weighted Average Occupancy



**Note: Same Park is defined as all properties included in continuing operations since January 1 , 2003.**

# Total Owned Portfolio Weighted Average Occupancy



**PS BUSINESS PARKS, INC.**  
**OWNED PORTFOLIO ANALYSIS**  
(in thousands)

Industry Concentration as of September 30, 2004

	<u>% of Total Rents</u>
Computer Hardware, software and related service	11.5%
Business services	11.7%
Government	10.9%
Warehouse / Logistics	8.6%
Contractors	9.3%
Financial services	8.1%
Retail	5.6%
Electronics	4.5%
Home furnishings	4.5%
Communications	3.9%
	<u>78.6%</u>

Top Ten Customers by Total Annual Revenues as of September 30, 2004

<u>Tenant</u>	<u>Square Footage</u>	<u>Total Annual Revenues</u>	<u>%</u>
U.S. Government	536	\$ 12,459	5.7%
Citigroup	262	4,255	1.9%
Intel	214	3,647	1.7%
IBM	180	2,961	1.3%
County of Santa Clara	97	2,935	1.3%
Hughes Network Systems **	106	2,669	1.2%
Axcelis Technologies	89	1,609	0.7%
Symantec Corporation Inc	81	1,576	0.7%
Welch Allyn Protocol, Inc	95	1,511	0.7%
MCI Worldcom	88	1,414	0.6%
	<u>1,748</u>	<u>\$ 35,036</u>	<u>15.8%</u>

\*\* Electronics subsidiary of Hughes Aircraft

**PS BUSINESS PARKS, INC.**

**Owned Portfolio Lease Expirations as of September 30, 2004**

(in thousands)

Lease Expirations - Flex					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company Annual rents</u>	
2004	579	\$ 7,247	5.6%	3.4%	
2005	2,542	29,813	22.9%	13.9%	
2006	2,151	26,756	20.6%	12.5%	
2007	1,373	17,735	13.6%	8.3%	
2008	1,082	16,548	12.7%	7.7%	
Thereafter	2,556	31,964	24.6%	14.9%	
	<u>10,283</u>	<u>\$ 130,063</u>	<u>100.0%</u>	<u>60.5%</u>	

Lease Expirations - Office					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company Annual rents</u>	
2004	79	\$ 2,047	3.4%	1.0%	
2005	710	15,183	25.3%	7.1%	
2006	493	10,539	17.6%	4.9%	
2007	373	7,945	13.3%	3.7%	
2008	354	8,381	14.0%	3.9%	
Thereafter	697	15,835	26.4%	7.4%	
	<u>2,706</u>	<u>\$ 59,930</u>	<u>100.0%</u>	<u>27.9%</u>	

Lease Expirations - Industrial					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company Annual rents</u>	
2004	188	\$ 1,423	5.7%	0.7%	
2005	953	6,483	26.1%	3.0%	
2006	1,038	6,650	26.7%	3.1%	
2007	654	4,245	17.1%	2.0%	
2008	233	1,794	7.2%	0.8%	
Thereafter	677	4,281	17.2%	2.0%	
	<u>3,743</u>	<u>\$ 24,876</u>	<u>100.0%</u>	<u>11.6%</u>	

Lease Expirations - Total					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company Annual rents</u>	
2004	846	\$ 10,717	5.0%	5.0%	
2005	4,205	51,479	24.0%	24.0%	
2006	3,682	43,945	20.5%	20.5%	
2007	2,400	29,925	13.9%	13.9%	
2008	1,669	26,723	12.4%	12.4%	
Thereafter	3,930	52,080	24.2%	24.2%	
	<u>16,732</u>	<u>\$ 214,869</u>	<u>100.0%</u>	<u>100.0%</u>	

**PS BUSINESS PARKS, INC.**  
**Owned Portfolio Lease Expirations as of September 30, 2004**  
(in thousands)

Southern California					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2004	254	\$ 3,291	6.7%	1.5%	
2005	1,017	14,395	29.2%	6.7%	
2006	1,041	12,132	24.7%	5.6%	
2007	486	7,284	14.8%	3.4%	
2008	250	4,852	9.9%	2.3%	
Thereafter	446	7,206	14.7%	3.4%	
	<u>3,494</u>	<u>\$ 49,160</u>	<u>100.0%</u>	<u>22.9%</u>	

Northern California					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2004	70	\$ 967	5.1%	0.5%	
2005	274	3,143	16.7%	1.5%	
2006	306	3,523	18.8%	1.6%	
2007	278	3,312	17.6%	1.5%	
2008	214	4,773	25.4%	2.2%	
Thereafter	264	3,059	16.4%	1.3%	
	<u>1,406</u>	<u>\$ 18,777</u>	<u>100.0%</u>	<u>8.6%</u>	

Southern Texas					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2004	77	\$ 728	8.7%	0.3%	
2005	294	2,752	32.8%	1.3%	
2006	160	1,655	19.8%	0.9%	
2007	96	892	10.6%	0.4%	
2008	71	661	7.9%	0.3%	
Thereafter	226	1,691	20.2%	0.8%	
	<u>924</u>	<u>\$ 8,379</u>	<u>100.0%</u>	<u>4.0%</u>	

Northern Texas					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2004	67	\$ 585	4.7%	0.3%	
2005	287	2,871	23.2%	1.4%	
2006	284	2,845	23.0%	1.3%	
2007	137	1,024	8.3%	0.5%	
2008	115	1,300	10.5%	0.6%	
Thereafter	533	3,755	30.3%	1.6%	
	<u>1,423</u>	<u>\$ 12,380</u>	<u>100.0%</u>	<u>5.7%</u>	

**PS BUSINESS PARKS, INC.**  
**Owned Portfolio Lease Expirations as of September 30, 2004**  
(in thousands)

Florida					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2004	133	\$ 1,373	6.0%	0.6%	
2005	884	6,707	29.2%	3.1%	
2006	832	6,019	26.2%	2.8%	
2007	532	3,907	17.0%	1.8%	
2008	253	1,911	8.3%	0.9%	
Thereafter	404	3,053	13.3%	1.4%	
	<u>3,038</u>	<u>\$ 22,970</u>	<u>100.0%</u>	<u>10.6%</u>	

Northern Virginia					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2004	105	\$ 2,015	4.6%	1.0%	
2005	439	6,123	13.9%	2.8%	
2006	477	8,772	19.9%	4.1%	
2007	311	4,605	10.4%	2.1%	
2008	402	7,287	16.5%	3.4%	
Thereafter	969	15,329	34.7%	7.1%	
	<u>2,703</u>	<u>\$ 44,131</u>	<u>100.0%</u>	<u>20.5%</u>	

Maryland					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2004	20	\$ 481	1.6%	0.2%	
2005	359	7,708	26.4%	3.6%	
2006	194	3,520	12.1%	1.6%	
2007	240	4,859	16.7%	2.3%	
2008	163	3,314	11.4%	1.5%	
Thereafter	560	9,256	31.8%	4.4%	
	<u>1,536</u>	<u>\$ 29,138</u>	<u>100.0%</u>	<u>13.6%</u>	

Oregon					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2004	72	\$ 620	2.6%	0.3%	
2005	449	5,687	24.2%	2.6%	
2006	285	4,457	18.9%	2.1%	
2007	160	2,478	10.5%	1.2%	
2008	177	2,374	10.1%	1.1%	
Thereafter	448	7,916	33.7%	3.7%	
	<u>1,591</u>	<u>\$ 23,532</u>	<u>100.0%</u>	<u>11.0%</u>	



**PS BUSINESS PARKS, INC.**  
**Owned Portfolio Lease Expirations as of September 30, 2004**  
(in thousands)

Arizona					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2004	48	\$ 657	10.3%	0.3%	
2005	202	2,093	32.7%	1.0%	
2006	103	1,022	16.0%	0.5%	
2007	160	1,564	24.4%	0.7%	
2008	24	251	3.9%	0.1%	
Thereafter	80	815	12.7%	0.5%	
	<u>617</u>	<u>\$ 6,402</u>	<u>100.0%</u>	<u>3.1%</u>	

Total					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2004	846	\$ 10,717	5.0%	5.0%	
2005	4,205	\$ 51,479	24.0%	24.0%	
2006	3,682	\$ 43,945	20.5%	20.5%	
2007	2,400	\$ 29,925	13.9%	13.9%	
2008	1,669	\$ 26,723	12.4%	12.4%	
Thereafter	3,930	\$ 52,080	24.2%	24.2%	
	<u>16,732</u>	<u>\$ 214,869</u>	<u>100.0%</u>	<u>100.0%</u>	

**PS BUSINESS PARKS, INC.**

**Owned Portfolio Lease Expirations as of September 30, 2004**

(in thousands)

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2004	568	\$ 6,937	4.3%	3.2%	
2005	2,871	35,761	22.0%	16.6%	
2006	2,512	29,649	18.3%	13.8%	
2007	1,685	21,323	13.1%	9.9%	
2008	1,386	22,781	14.0%	10.6%	
Thereafter	3,435	45,895	28.3%	21.5%	
Total	12,457	\$ 162,346	100.0%	75.6%	

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2004	278	\$ 3,780	7.2%	1.8%	
2005	1,334	15,718	29.9%	7.3%	
2006	1,170	14,296	27.2%	6.7%	
2007	715	8,602	16.4%	4.0%	
2008	283	3,942	7.5%	1.8%	
Thereafter	495	6,185	11.8%	2.9%	
Total	4,275	\$ 52,523	100.0%	24.4%	

Lease Expirations - Total					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2004	846	\$ 10,717	5.0%	5.0%	
2005	4,205	51,479	24.0%	24.0%	
2006	3,682	43,945	20.5%	20.5%	
2007	2,400	29,925	13.9%	13.9%	
2008	1,669	26,723	12.4%	12.4%	
Thereafter	3,930	52,080	24.2%	24.2%	
Total	16,732	\$ 214,869	100.0%	100.0%	