



PSBUSINESSPARKS

**Analysis of Operating Results
and Financial Condition**

December 31, 2005

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE THREE MONTHS AND TWELVE MONTHS ENDED DECEMBER 31, 2005**

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

OPERATING DATA							
	FOR THE THREE MONTHS ENDED			FOR THE YEARS ENDED			
	12/31/05	12/31/04	% Change	12/31/05	12/31/04	% Change	
Total operating revenues	\$ 55,943	\$ 54,606	2.4%	\$ 220,248	\$ 211,626	4.1%	
Net income allocable to common shareholders	\$ 4,923	\$ 16,912	(70.9%)	\$ 32,283	\$ 29,123	10.9%	
Net income per common share - diluted:							
Continuing operations	\$ 0.17	\$ 0.21	(19.0%)	\$ 0.75	\$ 0.61	23.0%	
Discontinued operations	\$ 0.05	\$ 0.55	(90.9%)	\$ 0.71	\$ 0.71	0.0%	
Net income per common share - diluted	\$ 0.22	\$ 0.77	(71.4%)	\$ 1.47	\$ 1.33	10.5%	
Weighted average common shares outstanding - basic	21,704	21,830	(0.6%)	21,826	21,767	0.3%	
Weighted average common shares outstanding - diluted	21,920	21,993	(0.3%)	22,018	21,960	0.3%	
Weighted average common OP units outstanding	7,305	7,305	0.0%	7,305	7,305	0.0%	
Total fully-converted diluted shares	29,225	29,298	(0.2%)	29,323	29,265	0.2%	

FUNDS FROM OPERATIONS							
	FOR THE THREE MONTHS ENDED			FOR THE YEARS ENDED			
	12/31/05	12/31/04	% Change	12/31/05	12/31/04	% Change	
FFO allocable to common shareholders before adjustments	\$ 25,052	\$ 26,030	(3.8%)	\$ 102,764	\$ 102,219	0.5%	
EITF Topic D-42	-	-	0.0%	(301)	(5,005)	(94.0%)	
FFO allocable to common shareholders, reported	\$ 25,052	\$ 26,030	(3.8%)	\$ 102,463	\$ 97,214	5.4%	
Diluted FFO per common share and units - before adjustments	\$ 0.86	\$ 0.89	(3.4%)	\$ 3.50	\$ 3.49	0.3%	
Diluted FFO per common share and units - as reported	\$ 0.86	\$ 0.89	(3.4%)	\$ 3.49	\$ 3.32	5.1%	

PROPERTY INFORMATION							
	FOR THE THREE MONTHS ENDED			FOR THE YEARS ENDED			
	12/31/05	12/31/04	% Change	12/31/05	12/31/04	% Change	
Total Owned Portfolio							
(excluding discontinued operations)							
Net weighted rentable square footage	17,449	17,279	1.0%	17,322	17,213	0.6%	
Weighted average occupancy	93.0%	89.9%	3.4%	92.2%	89.0%	3.6%	
Annualized realized rent per sq. ft. (1)	\$ 13.75	\$ 14.03	(2.0%)	\$ 13.76	\$ 13.77	(0.1%)	
REVPAR (2)	\$ 12.79	\$ 12.62	1.3%	\$ 12.68	\$ 12.26	3.4%	
Same Park Portfolio							
Net rentable square footage at period end	17,114	17,114	0.0%	17,114	17,114	0.0%	
Weighted average occupancy	93.0%	89.9%	3.4%	92.2%	89.1%	3.5%	
Annualized realized rent per sq. ft. (1)	\$ 13.65	\$ 13.94	(2.1%)	\$ 13.73	\$ 13.76	(0.2%)	
REVPAR (2)	\$ 12.69	\$ 12.53	1.3%	\$ 12.66	\$ 12.26	3.3%	

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

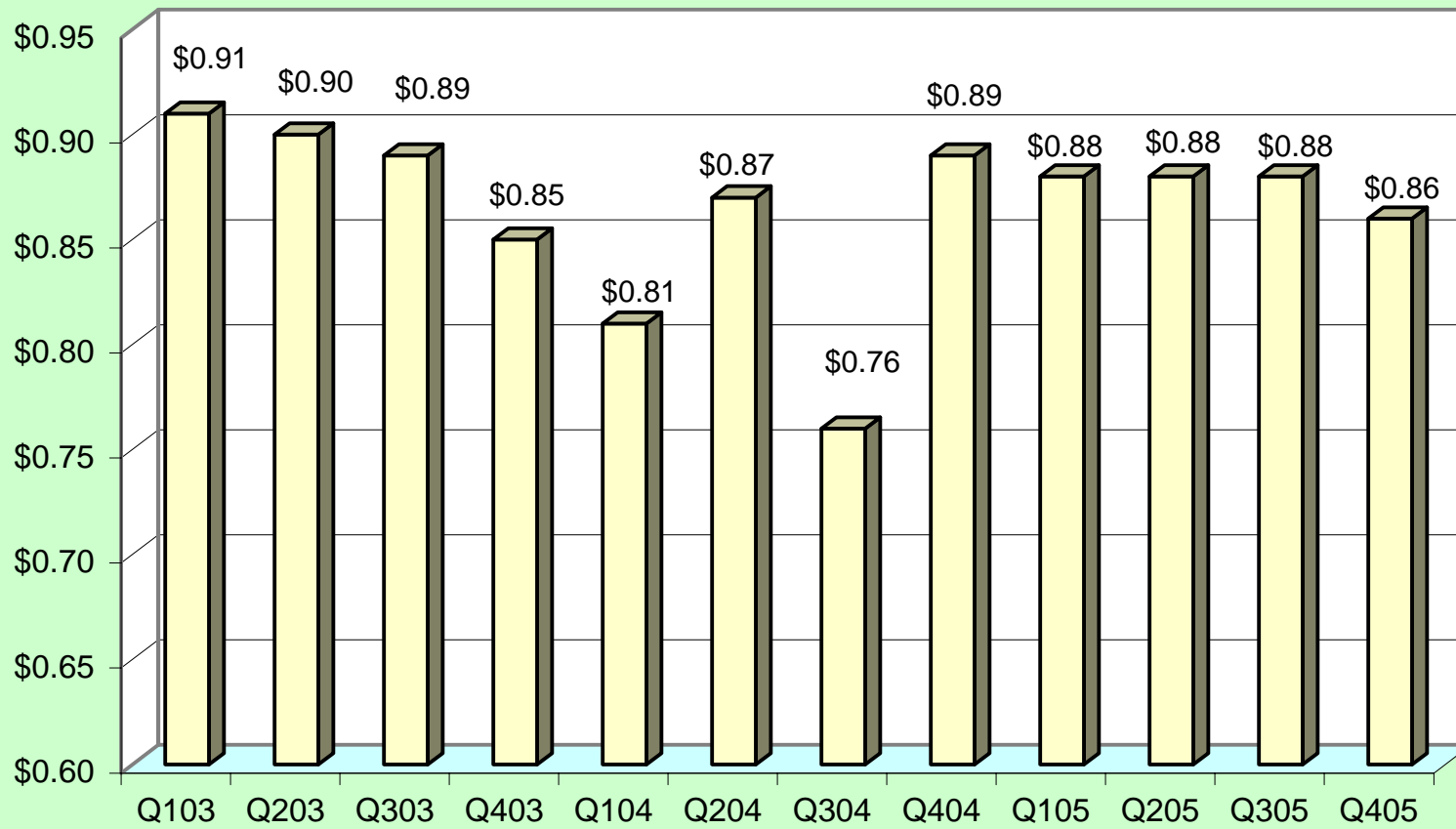
BALANCE SHEET DATA			
	12/31/05	12/31/04	% Change
Total assets	\$ 1,463,678	\$ 1,366,052	7.1%
Minority interest - preferred	\$ 135,750	\$ 127,750	6.3%
Minority interest - common	\$ 169,451	\$ 169,295	0.1%
Perpetual preferred stock	\$ 593,350	\$ 510,850	16.1%
Common shareholders' equity	\$ 500,108	\$ 506,114	(1.2%)
Total common shares outstanding at period end	21,561	21,840	(1.3%)
Book value per common share	\$ 23.20	\$ 23.17	0.1%

MARKET VALUE INFORMATION			
	12/31/05	12/31/04	% Change
Market value of common stock and common OP units	\$ 1,420,204	\$ 1,314,441	8.0%
Total debt	25,893	11,367	127.8%
Total preferred stock and preferred OP units	729,100	638,600	14.2%
Total market capitalization	\$ 2,175,197	\$ 1,964,408	10.7%
Stock price at the end of the period	\$ 49.20	\$ 45.10	9.1%

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

	FOR THE THREE MONTHS ENDED		Increase (Decrease)	% Change	FOR THE YEARS ENDED		Increase (Decrease)	% Change
	12/31/05	12/31/04			12/31/05	12/31/04		
Funds from operations (FFO):								
Net income allocable to common shareholders	\$ 4,923	\$ 16,912	\$ (11,989)	(70.9%)	\$ 32,283	\$ 29,123	\$ 3,160	10.9%
Adjustments:								
Gain on disposition of real estate	(1,580)	(15,317)	(13,737)	(89.7%)	(18,109)	(15,462)	2,647	17.1%
Depreciation and amortization	20,002	18,777	1,225	6.5%	77,420	73,793	3,627	4.9%
Minority interest in income - common units	1,707	5,658	(3,951)	(69.8%)	10,869	9,760	1,109	11.4%
FFO allocable to common shareholders/unitholders	\$ 25,052	\$ 26,030	\$ (978)	(3.8%)	\$ 102,463	\$ 97,214	\$ 5,249	5.4%
Weighted average common shares outstanding	21,704	21,830	(126)	(0.6%)	21,826	21,767	59	0.3%
Weighted average common OP units outstanding	7,305	7,305	-	0.0%	7,305	7,305	-	0.0%
Weighted average common stock equivalents outstanding	216	163	53	32.5%	192	193	(1)	(0.5%)
Total pro forma fully-converted shares	29,225	29,298	(73)	(0.2%)	29,323	29,265	58	0.2%
Diluted FFO per common share/OP unit	\$ 0.86	\$ 0.89	\$ (0.03)	(3.4%)	3.49	3.32	\$ 0.17	5.1%
Funds available for distribution (FAD):								
Funds from operations	\$ 25,052	\$ 26,030	\$ (978)	(3.8%)	\$ 102,463	\$ 97,214	\$ 5,249	5.4%
Adjustments:								
Maintenance capital expenditures	(3,187)	(3,852)	(665)	(17.3%)	(8,075)	(8,760)	(685)	(7.8%)
Tenant improvements	(2,918)	(8,428)	(5,510)	(65.4%)	(19,179)	(27,388)	(8,209)	(30.0%)
Lease commissions	(3,577)	(1,951)	1,626	83.3%	(8,567)	(7,465)	1,102	14.8%
Straight-line rent	(361)	(901)	(540)	(59.9%)	(3,635)	(3,143)	492	15.7%
Stock compensation expense	311	65	246	378.5%	1,060	914	146	16.0%
In-place rents adjustment (SFAS 141)	38	39	(1)	(2.6%)	155	156	(1)	(0.6%)
Lease incentives	122	-	122	100%	144	-	144	100%
Redemption amount over carrying amount related to redeemed preferred equity	-	-	-	0.0%	301	5,005	(4,704)	(94.0%)
FAD	\$ 15,480	\$ 11,002	\$ 4,478	40.7%	\$ 64,667	\$ 56,533	\$ 8,134	14.4%
Diluted FAD per common share/OP unit	\$ 0.53	\$ 0.38	\$ 0.15	39.5%	\$ 2.21	\$ 1.93	\$ 0.28	14.5%
Cash available for debt repayments and reinvestments:								
FAD	\$ 15,480	\$ 11,002	\$ 4,478	40.7%	\$ 64,667	\$ 56,533	\$ 8,134	14.4%
Distributions to common shareholders	(6,294)	(6,334)	(40)	(0.6%)	(25,315)	(25,274)	41	0.2%
Distributions to common OP unit holders	(2,118)	(2,118)	-	0.0%	(8,474)	(8,474)	-	0.0%
Cash available for debt repayments and reinvestments	\$ 7,068	\$ 2,550	\$ 4,518	177.2%	\$ 30,878	\$ 22,785	\$ 8,093	35.5%
FAD payout ratio	54.3%	76.8%	(22.5%)	(29.3%)	52.3%	59.7%	(7.4%)	(12.4%)

Reported Diluted FFO Per Common Share/OP Unit



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

	As of December 31, 2005			As of December 31, 2004		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
Long-Term Debt:						
8.190% mortgage note, secured by one commercial property, due March 2007	\$ 5,302			\$ 5,578		
7.290% mortgage note, secured by one commercial property, due February 2009	5,645			5,789		
5.730% mortgage note, secured by one commercial property, due March 2013	14,946			-		
Total mortgage notes payable (1)	<u>25,893</u>	<u>1.2%</u>	<u>6.57%</u>	<u>11,367</u>	<u>0.6%</u>	<u>7.73%</u>
Short-Term Debt:						
\$100 million unsecured line of credit	-			-		
Total short-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt	<u>25,893</u>	<u>1.2%</u>	<u>6.57%</u>	<u>11,367</u>	<u>0.6%</u>	<u>7.73%</u>
Preferred Equity						
9.500% Series D preferred stock (2,634,000 depositary 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 depositary shares 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 (8,200,000 depositary shares outstanding) callable 1/30/09	205,000			205,000		
6.875% Series I preferred stock (3,000,000 depositary share outstanding) callable 4/21/09	75,000			75,000		
7.500% Series J preferred operating partnership units (1,710,000 units outstanding) callable 5/27/09	42,750			42,750		
7.950% Series K preferred stock (2,300,000 depositary shares outstanding) callable 6/30/09	57,500			57,500		
7.600% Series L preferred stock (2,300,000 depositary shares outstanding) callable 8/31/09	57,500			57,500		
7.200% Series M preferred stock (3,300,000 depositary shares outstanding) callable 5/2/10	82,500			-		
7.125% Series N preferred operating partnership units (800,000 units outstanding) callable 12/12/10	20,000			-		
8.875% Series Y preferred operating partnership units (480,000 units outstanding) called 7/12/05	-			12,000		
Total preferred equity	<u>729,100</u>	<u>33.5%</u>	<u>7.70%</u>	<u>638,600</u>	<u>32.5%</u>	<u>7.80%</u>
Total debt and preferred equity	<u>754,993</u>	<u>34.7%</u>	<u>7.66%</u>	<u>649,967</u>	<u>33.1%</u>	<u>7.80%</u>
Common stock (21,560,593 and 21,839,667 shares outstanding in December 31, 2005 and December 31, 2004 respectively)	1,060,781			\$ 984,969		
Common operating partnership units (7,305,355 units outstanding as of December 31, 2005 and December 31, 2004)	359,423			329,472		
Total common equity (2)	<u>1,420,204</u>	<u>65.3%</u>		<u>1,314,441</u>	<u>66.9%</u>	
Total market capitalization	<u>\$ 2,175,197</u>	<u>100%</u>		<u>\$ 1,964,408</u>	<u>100%</u>	

(1) Principal maturity dates are represented by the following chart:

	Principal Maturity Dates						
	2006	2007	2008	2009	2010	Thereafter	Total
Park East I & II	\$300	\$5,002		-	-	-	\$5,302
Park East III	155	167	\$179	\$5,144	-	-	5,645
Rose Canyon	203	233	244	261	\$277	\$13,728	14,946
\$	<u>658</u>	<u>\$ 5,402</u>	<u>\$ 423</u>	<u>\$ 5,405</u>	<u>\$ 277</u>	<u>\$ 13,728</u>	<u>\$ 25,893</u>

(2) Closing stock price was \$49.20 and \$45.10 as of December 31, 2005 and December 31, 2004, respectively.

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

	12/31/05	12/31/04	Increase (Decrease)	% Change
<u>ASSETS</u>				
Cash and cash equivalents	\$ 200,447	\$ 39,688	\$ 160,759	(a) 405.1%
Real estate facilities, at cost:				
Land	383,684	368,764	14,920	4.0%
Buildings and equipment	1,193,223	1,135,772	57,451	5.1%
	<u>1,576,907</u>	<u>1,504,536</u>	<u>72,371</u>	(b) 4.8%
Accumulated depreciation	(356,623)	(280,215)	76,408	27.3%
	<u>1,220,284</u>	<u>1,224,321</u>	<u>(4,037)</u>	(0.3%)
Properties held for disposition, net	3,433	67,632	(64,199)	(c) (94.9%)
Land held for development	9,011	11,583	(2,572)	(d) (22.2%)
	<u>1,232,728</u>	<u>1,303,536</u>	<u>(70,808)</u>	(5.4%)
Rent receivable	2,678	2,079	599	28.8%
Deferred rent receivables	18,650	15,470	3,180	20.6%
Other assets	9,175	5,279	3,896	(e) 73.8%
Total assets	<u>\$ 1,463,678</u>	<u>\$ 1,366,052</u>	<u>\$ 97,626</u>	<u>7.1%</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Accrued and other liabilities	\$ 39,126	\$ 40,676	\$ (1,550)	(f) (3.8%)
Mortgage notes payable	<u>25,893</u>	<u>11,367</u>	<u>14,526</u>	<u>127.8%</u>
Total liabilities	65,019	52,043	12,976	24.9%
Minority interests:				
Preferred units	135,750	127,750	8,000	6.3%
Common units	169,451	169,295	156	0.1%
Shareholders' equity:				
Preferred stock	593,350	510,850	82,500	16.1%
Common stock	215	218	(3)	(1.4%)
Paid-in capital	407,380	420,351	(12,971)	(g) (3.1%)
Cumulative net income	418,823	343,529	75,294	21.9%
Cumulative distributions	(326,310)	(257,984)	68,326	(h) 26.5%
Total shareholders' equity	<u>1,093,458</u>	<u>1,016,964</u>	<u>76,494</u>	<u>7.5%</u>
Total liabilities and shareholders' equity	<u>\$ 1,463,678</u>	<u>\$ 1,366,052</u>	<u>\$ 97,626</u>	<u>7.1%</u>

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

(a) Change in cash and cash equivalents			
Beginning cash balance			\$ 39,688
Net cash provided by operating activities			149,428
Net cash provided by investing activities			24,389
Net cash used in financing activities			(12,523)
Ending cash balance			<u>\$ 200,982</u>
(b) Change in real estate facilities, at cost:			
Property acquisition			\$ 35,183
Property renovations			4,313
Maintenance capital expenditures			8,075
Tenant improvements			19,179
Lease commissions			8,567
Asset impairment due to casualty loss			(1,135)
Capital expenditures, properties held for sale			(1,811)
			<u>\$ 72,371</u>
(c) Change in discontinued operations, net:			
Disposition of real estate			\$ (64,484)
Held for disposition			285
			<u>\$ (64,199)</u>
(d) Rent receivable consists of the following:			
	<u>12/31/05</u>	<u>12/31/04</u>	
U.S. Government Tenants	\$ 1,479	\$ 1,132	
Other	1,499	1,497	
Allowance for bad debt	(300)	(550)	
	<u>\$ 2,678</u>	<u>\$ 2,079</u>	
(e) Change in other assets:			
Due from properties sold			(1,438)
Insurance receivable			1,591
Prepaid Insurance			(128)
Due from affiliate			709
Prepaid acquisition costs			51
Prepaid taxes			58
Expense recovery adjustment			211
Lease Incentives			2,423
Impound balances			407
Other			12
			<u>\$ 3,896</u>
(f) Accrued and other liabilities consists of:			
	<u>12/31/05</u>	<u>12/31/04</u>	<u>Change</u>
Prepaid Rent	\$ 6,272	\$ 6,778	\$ (506)
Property taxes	5,095	5,024	71
Security deposits	15,964	15,220	744
Reserves for acquisition costs	3,820	5,051	(1,231)
Other	7,975	8,603	(628)
	<u>\$ 39,126</u>	<u>\$ 40,676</u>	<u>\$ (1,550)</u>
(g) Change in paid-in capital:			
Beginning paid-in capital			\$ 420,351
Preferred stock issuance costs			(2,873)
Preferred unit issuance costs			(535)
Redemption of preferred units (EITF Topic D-42)			301
Repurchase of common stock			(16,628)
Exercise of stock options			1,936
Stock option amortization			406
Restricted stock amortization			2,182
Change in minority interest, common			2,240
Ending paid in capital			<u>\$ 407,380</u>
(h) Change in cumulative distributions:			
Distributions to preferred shareholders			\$ 43,011
Distributions to common shareholders			25,315
			<u>\$ 68,326</u>

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

	12/31/05	12/31/04	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 55,798	\$ 54,497	\$ 1,301 (a)	2.4%
Facility management fees	145	109	36	33.0%
Total operating revenues	<u>55,943</u>	<u>54,606</u>	<u>1,337</u>	<u>2.4%</u>
Expenses:				
Property operations	17,060	16,142	918 (b)	5.7%
Depreciation and amortization	20,002	18,224	1,778	9.8%
General and administrative	1,580	1,379	201 (c)	14.6%
Total operating expenses	<u>38,642</u>	<u>35,745</u>	<u>2,897</u>	<u>8.1%</u>
Other income and expenses:				
Interest and other income	2,108	194	1,914	986.6%
Interest expense	(464)	(442)	22 (d)	5.0%
Total other income and expenses	<u>1,644</u>	<u>(248)</u>	<u>1,892</u>	<u>762.9%</u>
Asset impairment due to casualty loss	72	-	72	100.0%
Income from continuing operations before minority interests	<u>18,873</u>	<u>18,613</u>	<u>260</u>	<u>1.4%</u>
Minority interests in continuing operations:				
Minority interest in income - preferred units				
Distributions paid to preferred unit holders	(2,508)	(2,697)	(189)	(7.0%)
Minority interest in income - common units	(1,296)	(1,577)	(281)	(17.8%)
Total minority interests in continuing operations	<u>(3,804)</u>	<u>(4,274)</u>	<u>(470)</u>	<u>(11.0%)</u>
Income from continuing operations	<u>15,069</u>	<u>14,339</u>	<u>730</u>	<u>5.1%</u>
Discontinued operations:				
(Loss) income from discontinued operations	(61)	949	(1,010) (e)	(106.4%)
Gain on disposition of real estate	1,580	15,317	(13,737)	(89.7%)
Minority interest in earnings attributable to discontinued operations - common units	(411)	(4,081)	(3,670)	(89.9%)
Income from discontinued operations	<u>1,108</u>	<u>12,185</u>	<u>(11,077)</u>	<u>(91.0%)</u>
Net Income	<u>16,177</u>	<u>26,524</u>	<u>(10,347)</u>	<u>(39.0%)</u>
Net Income allocable to preferred shareholders				
Preferred distributions				
Preferred distributions paid	11,254	9,612	1,642 (f)	17.1%
Total preferred distributions	<u>11,254</u>	<u>9,612</u>	<u>1,642</u>	<u>17.1%</u>
Net Income allocable to common shareholders	<u>\$ 4,923</u>	<u>\$ 16,912</u>	<u>\$ (11,989)</u>	<u>(70.9%)</u>
Net income per common share - basic:				
Continuing operations	\$ 0.18	\$ 0.22	\$ (0.04)	(18.2%)
Discontinued operations	\$ 0.05	\$ 0.56	\$ (0.51)	(91.1%)
Net Income	\$ 0.23	\$ 0.77	\$ (0.54)	(70.1%)
Net income per common share - diluted				
Continuing operations	\$ 0.17	\$ 0.21	\$ (0.04)	(19.0%)
Discontinued operations	\$ 0.05	\$ 0.55	\$ (0.50)	(90.9%)
Net Income	\$ 0.22	\$ 0.77	\$ (0.55)	(71.4%)
Weighted average common shares outstanding:				
Basic	21,704	21,830	(126) (g)	(0.6%)
Diluted	<u>21,920</u>	<u>21,993</u>	<u>(73)</u>	<u>(0.3%)</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENT OF INCOME
VARIANCE EXPLANATIONS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2005
(in thousands)

(a) Rental income has increased due to the following:			
Same Park		\$	707
Acquisitions			594
		<u>\$</u>	<u>1,301</u>
(b) Cost of operations have increased due to the following:			
Same Park		\$	853
Acquisitions			65
		<u>\$</u>	<u>918</u>
(c) General and administrative expenses for the three months ended:			
	<u>December 31, 2005</u>	<u>December 31, 2004</u>	
Compensation expense	\$ 792	\$ 688	
Stock compensation expense	159	(237)	
Professional fees	152	527	
Other	477	401	
	<u>\$ 1,580</u>	<u>\$ 1,379</u>	
(d) Interest expense for the three months ended:			
	<u>December 31, 2005</u>	<u>December 31, 2004</u>	
Mortgage notes payable	\$ 375	\$ 326	
Credit facility fees	89	64	
Line of credit interest	-	52	
	<u>\$ 464</u>	<u>\$ 442</u>	
(e) Net operating (loss) income from discontinued operations for the three months ended:			
	<u>December 31, 2005</u>	<u>December 31, 2004</u>	
Rental revenue	\$ 6	\$ 2,727	
Operating expenses	(67)	(994)	
Depreciation expense	-	(553)	
Debt extinguishment costs	-	(231)	
	<u>\$ (61)</u>	<u>\$ 949</u>	
(f) Increase relates to issuance of additional preferred stock .			
(g) Net decrease relates to stock repurchases partially offset by stock option exercises and vesting of restricted stock units.			

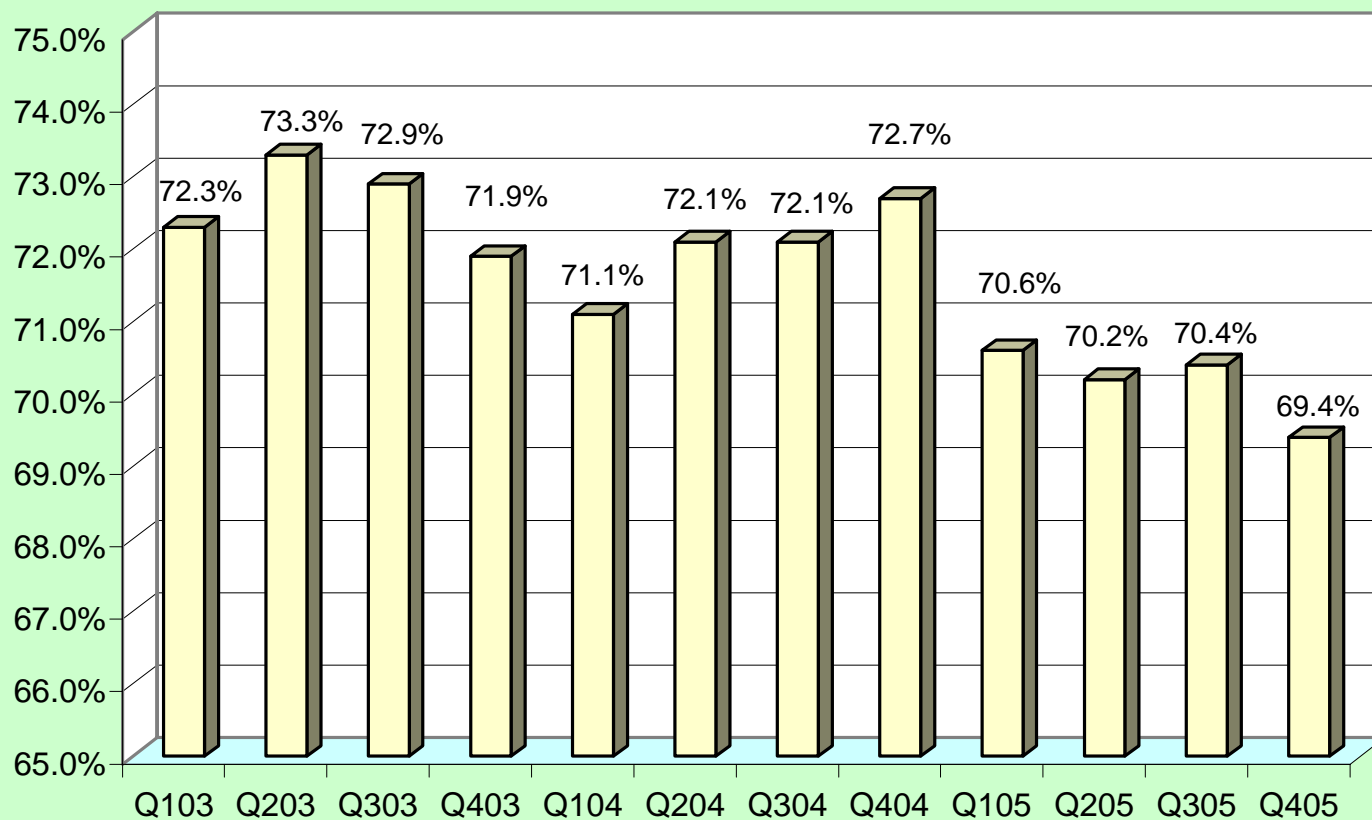
PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED
(in thousands, except per share amounts)

	12/31/05	12/31/04	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 219,669	\$ 211,002	\$ 8,667 (a)	4.1%
Facility management fees	579	624	(45)	(7.2%)
Total operating revenues	<u>\$ 220,248</u>	<u>\$ 211,626</u>	<u>8,622</u>	<u>4.1%</u>
Expenses:				
Property operations	65,808	63,069	2,739 (b)	4.3%
Depreciation and amortization	76,285	70,086	6,199	8.8%
General and administrative	5,843 (c)	4,628 (c)	1,215	26.3%
Total operating expenses	<u>147,936</u>	<u>137,783</u>	<u>10,153</u>	<u>7.4%</u>
Other income and expenses:				
Interest and other income	4,888	406	4,482	1103.9%
Interest expense	(1,330) (d)	(3,054) (d)	(1,724)	(56.5%)
Total other income and expenses	<u>3,558</u>	<u>(2,648)</u>	<u>6,206</u>	<u>234.4%</u>
Asset impairment due to casualty loss	72	-	72	100.0%
Income from continuing operations before minority interests	<u>75,798</u>	<u>71,195</u>	<u>4,603</u>	<u>6.5%</u>
Minority interests in continuing operations:				
Minority interest in income - preferred units				
Distributions paid to preferred unit holders	(10,350)	(17,106)	(6,756)	(39.5%)
Redemption of preferred operating partnership units	(301)	(3,139)	(2,838)	(90.4%)
Minority interest in income - common units	(5,576)	(4,501)	1,075	23.9%
Total minority interests in continuing operations	<u>(16,227)</u>	<u>(24,746)</u>	<u>(8,519)</u>	<u>(34.4%)</u>
Income from continuing operations	<u>59,571</u>	<u>46,449</u>	<u>13,122</u>	<u>28.3%</u>
Discontinued operations:				
Income from discontinued operations	2,907 (e)	5,491 (e)	(2,584)	(47.1%)
Gain on disposition of real estate	18,109	15,462	2,647	17.1%
Minority interest in earnings attributable to discontinued operations - common units	(5,293)	(5,259)	34	0.6%
Income from discontinued operations	<u>15,723</u>	<u>15,694</u>	<u>29</u>	<u>0.2%</u>
Net Income	<u>75,294</u>	<u>62,143</u>	<u>13,151</u>	<u>21.2%</u>
Net Income allocable to preferred shareholders				
Preferred distributions				
Preferred distributions paid	43,011	31,154	11,857	38.1%
Redemption of preferred stock	-	1,866	(1,866)	(100.0%)
Total preferred distributions	<u>43,011</u>	<u>33,020</u>	<u>9,991 (f)</u>	<u>30.3%</u>
Net Income allocable to common shareholders	<u>\$ 32,283</u>	<u>\$ 29,123</u>	<u>3,160</u>	<u>10.9%</u>
Net income per common share - basic:				
Continuing operations	\$ 0.76	\$ 0.62	\$ 0.14	22.6%
Discontinued operations	\$ 0.72	\$ 0.72	\$ 0.00	0.0%
	\$ 1.48	\$ 1.34	\$ 0.14	10.4%
Net income per common share - diluted				
Continuing operations	\$ 0.75	\$ 0.61	\$ 0.14	23.0%
Discontinued operations	\$ 0.71	\$ 0.71	\$ 0.00	0.0%
	\$ 1.47	\$ 1.33	\$ 0.14	10.5%
Weighted average common shares outstanding:				
Basic	<u>21,826</u>	<u>21,767</u>	<u>59 (g)</u>	<u>0.3%</u>
Diluted	<u>22,018</u>	<u>21,960</u>	<u>58</u>	<u>0.3%</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENT OF INCOME
VARIANCE EXPLANATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005
(in thousands)

(a) Rental income has increased due to the following:		
Same Park	\$	6,524
Acquisitions		2,143
		<u>\$ 8,667</u>
(b) Cost of operations have increased due to the following:		
Same Park	\$	2,049
Acquisitions		690
		<u>\$ 2,739</u>
(c) General and administrative expenses for the twelve months ended:		
	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Compensation expense	\$ 3,196	\$ 2,378
Stock compensation expense	572	93
Professional fees	586	895
Other	1,489	1,262
	<u>\$ 5,843</u>	<u>\$ 4,628</u>
(d) Interest expense for the twelve months ended:		
	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Mortgage notes payable	\$ 1,026	\$ 1,416
Credit facility fees	304	256
Line of credit interest	-	387
Interest Rate Swap Charges	-	557
Term Loan Interest	-	292
Affiliated Loan	-	146
	<u>\$ 1,330</u>	<u>\$ 3,054</u>
(e) Net operating income from discontinued operations for the twelve months ended:		
	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Rental revenue	\$ 5,764	\$ 13,408
Operating expenses	(1,722)	(3,979)
Depreciation expense	(1,135)	(3,707)
Debt extinguishment costs	-	(231)
	<u>\$ 2,907</u>	<u>\$ 5,491</u>
(f) Increase relates to issuance of additional preferred stock .		
(g) Net decrease relates to stock repurchases partially offset by stock option exercises and vesting of restricted stock units.		

Same Park Gross Operating Margin Percentage *



* Gross margin is computed by dividing property net operating income by rental income for Same Park properties owned in each period disclosed .

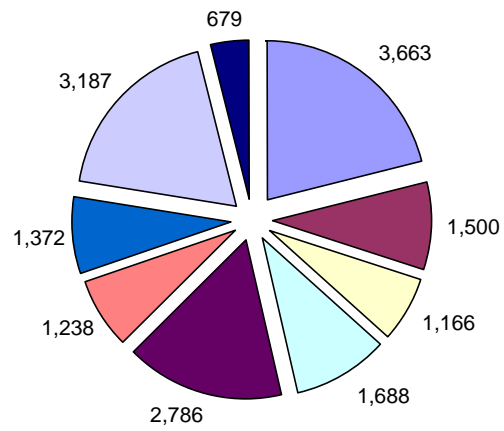
PS BUSINESS PARKS, INC.
Analysis of Capital Expenditures
(in thousands)

<u>Recurring capital expenditures (1)</u>	<u>Twelve Months Ended December 31, 2005 Costs</u>	<u>Cost per Weighted Average Square Foot</u>
Maintenance capital expenditures (2)	\$8,075	\$0.45
Tenant improvements	19,179	\$1.08
Leasing commissions	8,567	\$0.48
Total recurring capital expenditures	<u>\$35,821</u>	<u>\$2.01</u>
<u>Non-recurring capital expenditures</u>		
Property renovations	\$4,519	
Total non-recurring capital expenditures	<u>\$4,519</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 \$2,000 for maintenance capital expenditures with a useful life greater than 24 months are capitalized. It excludes deferred maintenance and leasing costs committed to by previous owners for acquired properties, 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 expenses were \$15.5 million or approximately \$0.87 per weighted average square foot for the twelve months ended December 31, 2005 compared to \$15.1 million or \$0.84 per weighted average square foot during the twelve months ended December 31, 2004.
- (2) Major costs include roof and HVAC replacement, parking lot replacement and other major repairs that extend the life of the respective component of the building.

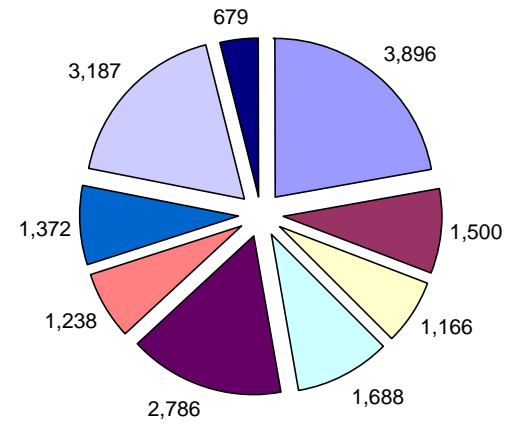
Total Owned Rentable Square Footage by Region *

December 31, 2004
(17,279 square feet, in thousands)



■ S. California (21%)
 ■ N. California (9%)
 ■ S. Texas (7%)
 ■ N. Texas (10%)
 ■ Virginia (16%)
■ Maryland (7%)
 ■ Oregon (8%)
 ■ Florida (18%)
 ■ Arizona (4%)

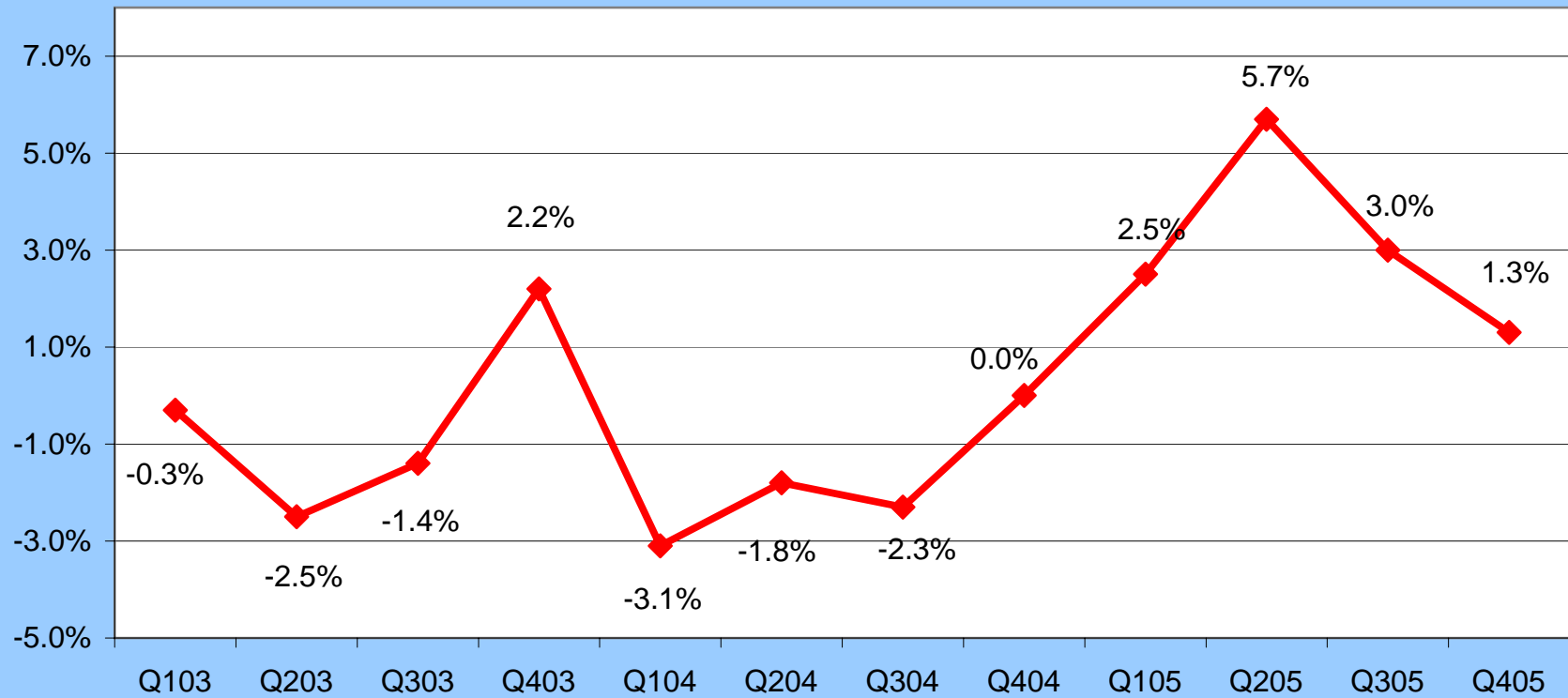
December 31, 2005
(17,512 square feet, in thousands)



■ S. California (21%)
 ■ N. California (9%)
 ■ S. Texas (7%)
 ■ N. Texas (10%)
 ■ Virginia (16%)
■ Maryland (7%)
 ■ Oregon (8%)
 ■ Florida (18%)
 ■ Arizona (4%)

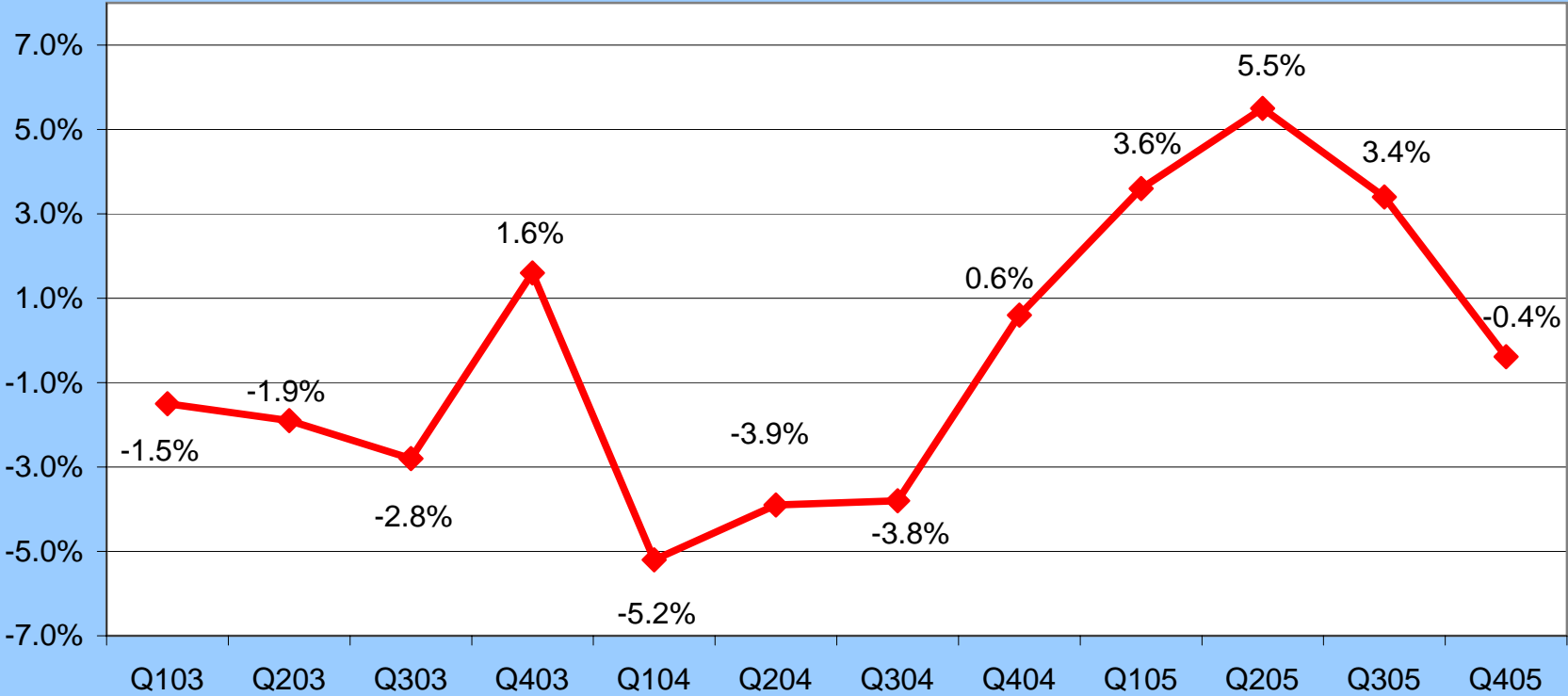
* Square footage excludes discontinued operations.

Change in Same Park Revenue *



* Percentage represents the change over the comparative period in the previous year based on Same Park operating assets as reported in each period disclosed.

Change in Same Park NOI *



* Percentage represents the change over the comparative period in the previous year based on Same Park operating assets as reported in each period disclosed.

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

Industry Concentration as of December 31, 2005

	<u>% of Total Rental Income</u>
Business services	12.7%
Government	11.7%
Contractors	9.9%
Computer Hardware, Software and Related Service	9.4%
Financial services	9.4%
Warehouse, Transportation and Logistics	9.3%
Retail	6.2%
Home furnishings	4.7%
Communications	4.1%
Electronics	3.0%
	<u>80.4%</u>

Top Ten Customers by Total Annual Rental Income as of December 31, 2005

<u>Tenant</u>	<u>Square Footage</u>	<u>Annualized Rental Income (1)</u>	<u>% of Total Annualized Rental Income</u>
U.S. Government	473	\$ 12,667	5.7%
Intel	214	3,524	1.6%
County of Santa Clara	97	3,069	1.4%
Axcelis Technologies	89	1,740	0.8%
Wells Fargo	102	1,571	0.7%
AARP	102	1,490	0.7%
Welch Allen Protocol, Inc	91	1,475	0.7%
TRW Systems	58	1,448	0.7%
CitiGroup	262	1,398	0.6%
MCI Worldcom	72	1,168	0.5%
	<u>1,560</u>	<u>\$ 29,550</u>	<u>13.4%</u>

(1) For leases expiring prior to December 31, 2006, annualized rental income represents income to be received under existing leases from December 31, 2005 through date of expiration.

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

Rentable Square Footage of Properties as of December 31, 2005

Primary Markets	Industrial	Office	Flex	Total	%
Miami	2,556	12	619	3,187	18.2%
Northern Virginia	-	948	1,839	2,787	15.9%
Portland	-	187	1,184	1,371	7.8%
Dallas	231	-	1,457	1,688	9.6%
Orange County	-	704	911	1,615	9.2%
Los Angeles County	712	31	770	1,513	8.6%
Northern California	407	430	663	1,500	8.6%
Maryland	-	717	521	1,238	7.1%
Austin	-	-	792	792	4.6%
Phoenix	-	-	679	679	3.9%
San Diego County	-	-	768	768	4.4%
Houston	-	131	243	374	2.1%
	<u>3,906</u>	<u>3,160</u>	<u>10,446</u>	<u>17,512</u>	<u>100.0%</u>

Average Occupancy Rates by Product Type for the Three Months Ended December 31, 2005

Primary Markets	Industrial	Office	Flex	Total
Miami	95.7%	100.0%	94.8%	95.6%
Northern Virginia	-	96.3%	95.4%	95.7%
Portland	-	85.0%	85.2%	85.2%
Dallas	100.0%	-	83.4%	85.7%
Orange County	-	86.1%	98.9%	93.3%
Los Angeles County	99.8%	98.8%	94.4%	97.0%
Northern California	83.2%	96.4%	97.5%	93.3%
Maryland	-	92.4%	98.3%	94.9%
Austin	-	-	88.0%	88.0%
Phoenix	-	-	94.5%	94.5%
San Diego County	-	-	95.8%	95.8%
Houston	-	100.0%	86.9%	91.5%
	<u>95.4%</u>	<u>92.7%</u>	<u>92.2%</u>	<u>93.0%</u>

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended December 31, 2005

Primary Markets	Large Tenant	Small Tenant	Total
Miami	95.6%	94.9%	95.6%
Northern Virginia	94.6%	97.6%	95.7%
Portland	86.5%	79.2%	85.2%
Dallas	87.7%	76.5%	85.7%
Orange County	89.6%	96.6%	93.3%
Los Angeles County	99.8%	94.6%	97.0%
Northern California	92.0%	95.4%	93.3%
Maryland	95.0%	90.9%	94.9%
Austin	87.0%	91.2%	88.0%
Phoenix	-	94.5%	94.5%
San Diego County	-	95.8%	95.8%
Houston	-	91.5%	91.5%
	<u>92.6%</u>	<u>93.8%</u>	<u>93.0%</u>

Note:

Includes all properties reported in continuing operations as of December 31, 2005.

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 December 31, 2005

Primary Markets	Industrial	Office	Flex	Total	%
Miami	2,556	12	619	3,187	18.7%
Northern Virginia	-	782	1,839	2,621	15.3%
Portland	-	187	1,185	1,372	8.0%
Dallas	231	-	1,457	1,688	9.9%
Orange County	-	704	911	1,615	9.4%
Los Angeles County	712	31	770	1,513	8.8%
Northern California	407	430	663	1,500	8.8%
Maryland	-	717	521	1,238	7.2%
Austin	-	-	792	792	4.6%
Phoenix	-	-	679	679	4.0%
San Diego County	-	-	535	535	3.1%
Houston	-	131	243	374	2.2%
	3,906	2,994	10,214	17,114	100.0%

Average Occupancy Rates by Product Type for the Three Months Ended December 31, 2005

Primary Markets	Industrial	Office	Flex	Total
Miami	95.7%	100.0%	94.8%	95.6%
Northern Virginia	-	97.1%	95.4%	95.9%
Portland	-	85.0%	85.2%	85.2%
Dallas	100.0%	-	83.4%	85.7%
Orange County	-	86.1%	98.9%	93.3%
Los Angeles County	99.8%	98.8%	94.4%	97.0%
Northern California	83.2%	96.4%	97.5%	93.3%
Maryland	-	92.4%	98.3%	94.9%
Austin	-	-	88.0%	88.0%
Phoenix	-	-	94.5%	94.5%
San Diego County	-	-	96.8%	96.8%
Houston	-	100.0%	86.9%	91.5%
	95.4%	92.7%	92.2%	93.0%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended December 31, 2005

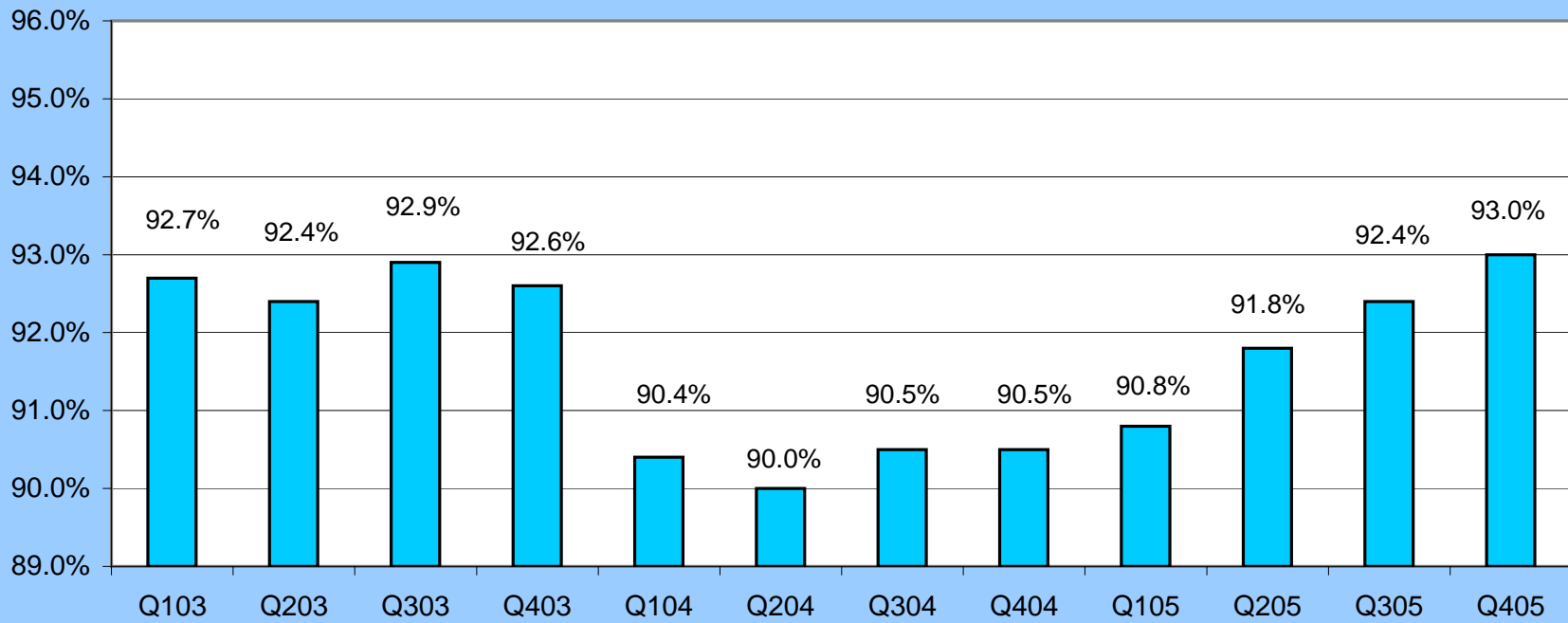
Primary Markets	Large Tenant	Small Tenant	Total
Miami	95.6%	94.9%	95.6%
Northern Virginia	94.6%	98.7%	95.9%
Portland	86.5%	79.2%	85.2%
Dallas	87.7%	76.5%	85.7%
Orange County	89.6%	96.6%	93.3%
Los Angeles County	99.8%	94.6%	97.0%
Northern California	92.0%	95.4%	93.3%
Maryland	95.0%	90.9%	94.9%
Austin	87.0%	91.2%	88.0%
Phoenix	-	94.5%	94.5%
San Diego County	-	96.8%	96.8%
Houston	-	91.5%	91.5%
	92.6%	93.9%	93.0%

Note:

Includes all properties included in continuing operations owned since January 1, 2004.

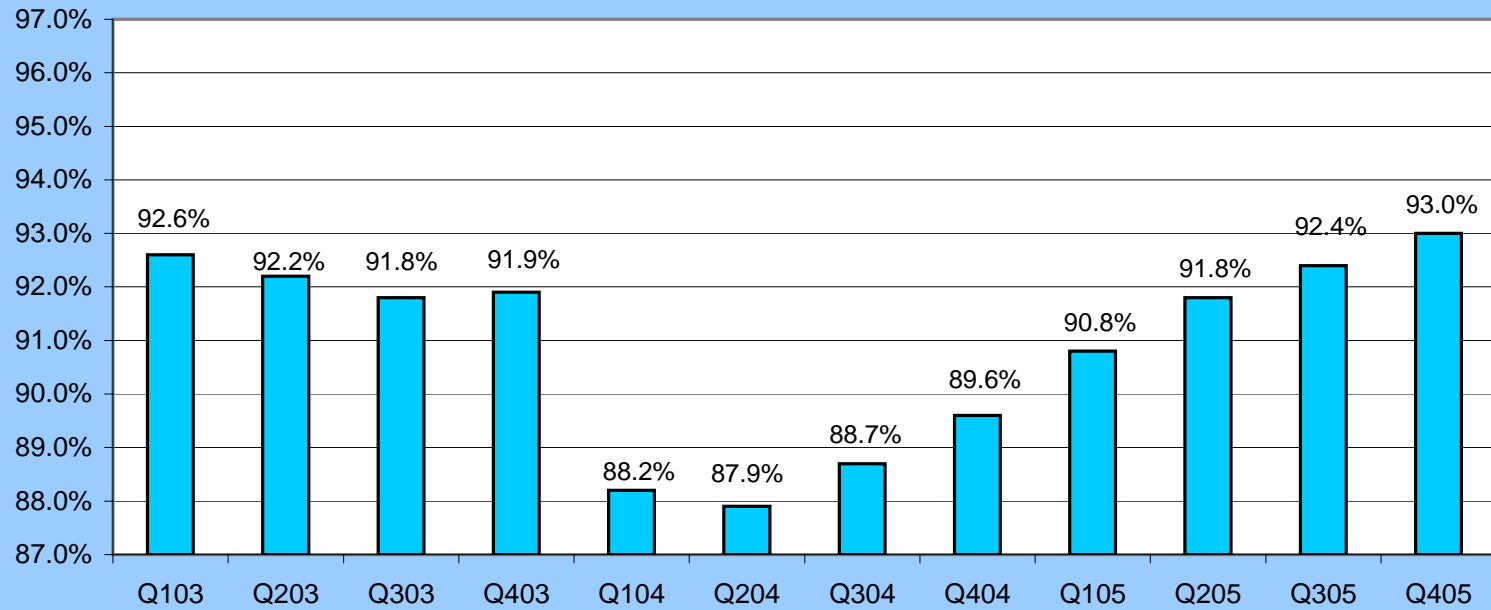
The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet while the "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

Same Park Weighted Average Occupancy *



Represents the Same Park weighted average occupancy as reported in each period disclosed.

Total Owned Portfolio Weighted Average Occupancy *



* Represents the weighted average occupancy for total owned portfolio held in continuing operations as reported in each period.

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of December 31, 2005

(in thousands)

Lease Expirations - Flex					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2006	2,241	\$ 25,491	21.2%	12.0%	
2007	2,234	26,661	22.2%	12.6%	
2008	1,829	24,014	20.0%	11.3%	
2009	1,098	12,139	10.1%	5.7%	
2010	702	8,612	7.2%	4.1%	
Thereafter	1,558	23,082	19.3%	10.9%	
	<u>9,662</u>	<u>\$ 119,999</u>	<u>100.0%</u>	<u>56.6%</u>	

Lease Expirations - Office					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2006	602	\$ 12,691	19.1%	6.0%	
2007	482	9,631	14.5%	4.5%	
2008	588	12,929	19.5%	6.1%	
2009	337	6,618	9.9%	3.1%	
2010	509	12,153	18.3%	5.7%	
Thereafter	497	12,437	18.7%	5.9%	
	<u>3,015</u>	<u>\$ 66,459</u>	<u>100.0%</u>	<u>31.3%</u>	

Lease Expirations - Industrial					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2006	675	\$ 4,515	17.6%	2.1%	
2007	706	4,907	19.2%	2.3%	
2008	902	6,444	25.2%	3.0%	
2009	465	3,004	11.8%	1.4%	
2010	649	4,620	18.1%	2.2%	
Thereafter	334	2,069	8.1%	1.0%	
	<u>3,731</u>	<u>\$ 25,559</u>	<u>100.0%</u>	<u>12.0%</u>	

Lease Expirations - Total					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2006	3,518	\$ 42,697	20.1%	20.1%	
2007	3,422	41,199	19.4%	19.4%	
2008	3,319	43,387	20.5%	20.5%	
2009	1,900	21,761	10.3%	10.3%	
2010	1,860	25,385	12.0%	12.0%	
Thereafter	2,389	37,588	17.7%	17.7%	
	<u>16,408</u>	<u>\$ 212,017</u>	<u>100.0%</u>	<u>100.0%</u>	

PS BUSINESS PARKS, INC.
Owned Portfolio Lease Expirations as of December 31, 2005
(in thousands)

Southern California					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2006	1,138	\$ 14,582	26.7%	6.8%	
2007	909	13,056	23.9%	6.2%	
2008	709	11,045	20.2%	5.2%	
2009	392	5,526	10.1%	2.6%	
2010	376	5,820	10.7%	2.7%	
Thereafter	223	4,558	8.4%	2.2%	
	<u>3,747</u>	<u>\$ 54,587</u>	<u>100.0%</u>	<u>25.7%</u>	

Northern California					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2006	282	\$ 3,129	17.9%	1.5%	
2007	295	3,376	19.3%	1.6%	
2008	346	6,046	34.6%	2.9%	
2009	150	1,429	8.2%	0.7%	
2010	126	978	5.6%	0.5%	
Thereafter	201	2,519	14.4%	1.0%	
	<u>1,400</u>	<u>\$ 17,477</u>	<u>100.0%</u>	<u>8.2%</u>	

Southern Texas					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2006	238	\$ 1,956	21.0%	0.9%	
2007	204	1,778	19.1%	0.8%	
2008	224	1,892	20.3%	0.9%	
2009	213	1,552	16.7%	0.7%	
2010	60	523	5.6%	0.3%	
Thereafter	127	1,598	17.3%	0.8%	
	<u>1,066</u>	<u>\$ 9,299</u>	<u>100.0%</u>	<u>4.4%</u>	

Northern Texas					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2006	302	\$ 3,304	28.0%	1.6%	
2007	199	1,567	13.3%	0.7%	
2008	111	934	7.9%	0.4%	
2009	166	773	6.6%	0.4%	
2010	141	879	7.4%	0.4%	
Thereafter	484	4,340	36.8%	2.1%	
	<u>1,403</u>	<u>\$ 11,797</u>	<u>100.0%</u>	<u>5.6%</u>	

PS BUSINESS PARKS, INC.
Owned Portfolio Lease Expirations as of December 31, 2005
(in thousands)

Florida					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2006	597	\$ 4,687	19.6%	2.2%	
2007	680	5,497	22.9%	2.6%	
2008	847	6,467	27.0%	3.1%	
2009	285	2,286	9.5%	1.1%	
2010	525	3,989	16.7%	1.9%	
Thereafter	120	1,036	4.3%	0.4%	
	<u>3,054</u>	<u>\$ 23,962</u>	<u>100.0%</u>	<u>11.3%</u>	

Northern Virginia					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2006	507	\$ 8,636	18.9%	4.1%	
2007	371	5,289	11.6%	2.5%	
2008	535	9,500	20.8%	4.5%	
2009	357	5,392	11.8%	2.5%	
2010	298	5,509	12.1%	2.6%	
Thereafter	606	11,332	24.8%	5.3%	
	<u>2,674</u>	<u>\$ 45,658</u>	<u>100.0%</u>	<u>21.5%</u>	

Maryland					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2006	132	\$ 2,971	11.6%	1.4%	
2007	199	4,133	16.1%	1.9%	
2008	165	3,371	13.1%	1.6%	
2009	164	2,325	9.1%	1.1%	
2010	235	5,806	22.6%	2.7%	
Thereafter	327	7,048	27.5%	3.4%	
	<u>1,222</u>	<u>\$ 25,654</u>	<u>100.0%</u>	<u>12.1%</u>	

Oregon					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2006	102	\$ 1,110	6.6%	0.5%	
2007	335	4,243	25.1%	2.0%	
2008	297	3,249	19.2%	1.5%	
2009	106	1,745	10.3%	0.8%	
2010	77	1,575	9.3%	0.8%	
Thereafter	291	4,979	29.5%	2.4%	
	<u>1,208</u>	<u>\$ 16,901</u>	<u>100.0%</u>	<u>8.0%</u>	

PS BUSINESS PARKS, INC.
Owned Portfolio Lease Expirations as of December 31, 2005
(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>
2006	220	\$ 2,322	34.7%		1.1%
2007	230	2,260	33.8%		1.1%
2008	85	883	13.2%		0.4%
2009	67	733	11.0%		0.4%
2010	22	306	4.6%		0.1%
Thereafter	10	178	2.7%		0.1%
	<u>634</u>	<u>\$ 6,682</u>	<u>100.0%</u>		<u>3.2%</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>
2006	3,518	\$ 42,697	20.1%		20.1%
2007	3,422	41,199	19.4%		19.4%
2008	3,319	43,387	20.5%		20.5%
2009	1,900	21,761	10.3%		10.3%
2010	1,860	25,385	12.0%		12.0%
Thereafter	2,389	37,588	17.7%		17.7%
	<u>16,408</u>	<u>\$ 212,017</u>	<u>100.0%</u>		<u>100.0%</u>

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of December 31, 2005

(in thousands)

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Rentable Square Footage		Annual Rents	%	% of Company Annual rents
2006	1,696	\$	19,191	15.1%	9.1%
2007	1,783		19,214	15.1%	9.1%
2008	2,208		26,389	20.7%	12.4%
2009	1,292		12,097	9.4%	5.7%
2010	1,468		18,863	14.8%	8.9%
Thereafter	2,098		31,687	24.9%	14.9%
Total	10,545	\$	127,441	100.0%	60.1%

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Rentable Square Footage		Annual Rents	%	% of Company Annual rents
2006	1,822	\$	23,506	27.8%	11.1%
2007	1,639		21,985	26.0%	10.4%
2008	1,111		16,998	20.1%	8.0%
2009	608		9,664	11.4%	4.5%
2010	392		6,522	7.7%	3.1%
Thereafter	291		5,901	7.0%	2.8%
Total	5,863	\$	84,576	100.0%	39.9%

Lease Expirations - Total					
Year of Lease Expiration	Rentable Square Footage		Annual Rents	%	% of Company Annual rents
2006	3,518	\$	42,697	20.1%	20.1%
2007	3,422		41,199	19.4%	19.4%
2008	3,319		43,387	20.5%	20.5%
2009	1,900		21,761	10.3%	10.3%
2010	1,860		25,385	12.0%	12.0%
Thereafter	2,389		37,588	17.7%	17.7%
Total	16,408	\$	212,017	100.0%	100.0%