



PS BUSINESS PARKS, INC.
Letter to Shareholders

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Enclosed is your copy of the Form 1099-DIV for the tax year ended December 31, 1999.

Distributions for the tax year ended December 31, 1999 were 100% ordinary income for the common stock and 9 1/4% Cumulative Preferred Stock, Series A. The amount of the ordinary distributions in Box 1 of Form 1099-DIV is reportable as ordinary income on Schedule B, Part II, Line 5 of Form 1040.

Your Company has elected to be taxed as a real estate investment trust; therefore, the dividends do not qualify for the dividends received deduction that generally applies to corporate shareholders.

Alternative minimum tax

Alternative minimum tax adjustments are to be apportioned between a real estate investment trust ("REIT") and its shareholders under Internal Revenue Code Section 59(d). Although regulations have not yet been issued under that provision, based on regulations issued pursuant to a similar provision of prior law and the legislative history of the current provision, it appears that such alternative minimum tax adjustments are to be apportioned to a REIT's shareholders to the extent that the REIT distributes its regular taxable income. It is the Company's policy to distribute all of its regular taxable income and accordingly, all of the Company's alternative minimum tax adjustments are being apportioned to the Company's shareholders.

The Company has determined that 18.2% of each distribution to its shareholders for the tax year ended December 31, 1999 consists of alternative minimum tax adjustments (*i.e.*, for each \$1 of ordinary dividend reportable by a shareholder, 18.2¢ represents an alternative minimum tax adjustment). To determine your share of the Company's alternative minimum tax adjustments, multiply the aggregate dollar amount of your reportable 1999 ordinary dividends from the Company (the sum of the amounts shown in Box 1 of all forms 1099-DIV provided to you with respect to the Company) times 18.2%.

If you are an individual, please refer to Internal Revenue Service Form 6251, Alternative Minimum Tax-Individuals. Your share of alternative minimum tax adjustments should be input as a positive amount in Part I, Line 8 (post-1986 depreciation; difference between regular tax and AMT depreciation). If you are a corporation, please refer to Internal Revenue Service Form 4626, Alternative Minimum Tax-Corporations. Your share of alternative minimum tax adjustments should be input as a positive amount in Line 2, letter "a" (depreciation of post-1986 property).

If you have questions, please consult your tax advisor for further guidance.

Ronald L. Havner, Jr.
Chairman of the Board
January 31, 2000

IMPORTANT TAX RETURN DOCUMENT ENCLOSED