



PSBUSINESSPARKS.

**701 Western Avenue  
Glendale, California 91201-2349**

March 23, 2018

Dear PS Business Parks, Inc. Shareholder:

On behalf of the Board of Directors of PS Business Parks, Inc., I am pleased to invite you to our 2018 Annual Meeting of Shareholders on Tuesday, April 24, 2018, at 10:45 a.m., Pacific Daylight Time, at the Hilton Los Angeles North/Glendale, 100 West Glenoaks Blvd., Glendale, California 91202.

We have included the official notice of meeting, proxy statement and form of proxy with this letter. The proxy statement describes in detail the matters listed in the notice of meeting.

Your vote is important. Whether or not you plan to attend the annual meeting, we hope you will vote as soon as possible. You may vote your shares over the Internet, by telephone or, if you elect to receive printed proxy materials, by mail by following the instructions on the proxy card or the voting instruction card. Of course, even if you vote your shares ahead of time, you may still attend the meeting.

Thank you for your continued support of PS Business Parks. We look forward to seeing you at our 2018 Annual Meeting.

Sincerely,

Maria R. Hawthorne  
*President and Chief Executive Officer*

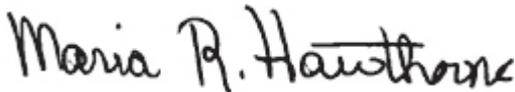
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## Notice of the 2018 Annual Meeting of Shareholders

- Date:** Tuesday, April 24, 2018
- Time:** 10:45 a.m., Pacific Daylight Time
- Place:** Hilton Los Angeles North/Glendale  
100 West Glenoaks Boulevard  
Glendale, California 91202
- Matters to be Voted On:**
- Election of Directors
  - Advisory vote to approve executive compensation
  - Ratification of Ernst & Young LLP as our independent registered public accounting firm for 2018
  - Any other matters that may properly be brought before the meeting

By order of the Board of Directors,



Maria R. Hawthorne  
President and Chief Executive Officer

March 23, 2018

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Please vote promptly.

If you hold your shares in street name and do not provide voting instructions, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote. See “How proxies will be voted” on page 59 of this proxy statement.

We sent a Proxy Statement to shareholders of record at the close of business on March 1, 2018, together with an accompanying form of proxy card and Annual Report, on or about March 23, 2018.

The shareholders of record of PS Business Parks, Inc. common stock at the close of business on March 1, 2018 will be entitled to vote at the meeting or any postponement or adjournments thereof.

Whether or not you expect to attend, we urge you to sign, date and promptly return the enclosed proxy card in the enclosed postage prepaid envelope or vote via telephone or the Internet in accordance with the instructions on the enclosed proxy card. If you attend the meeting, you may vote your shares in person, which will revoke any prior vote.

**Important Notice Regarding Availability of Proxy Materials for the 2018 Annual Meeting: This proxy statement and our 2017 Annual Report are available at the Investor Relations section of our website [psbusinessparks.com](http://psbusinessparks.com).**

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## 2018 Proxy Summary

*This summary highlights information contained elsewhere in this proxy statement and does not contain all the information you should consider. You should carefully read the entire proxy statement before voting.*

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### Proxy statement

Your vote is very important. The Board of Directors (the Board) of PS Business Parks, Inc. (the Company, PS Business Parks or PSB) is requesting that you allow your PS Business Parks shares of Common Stock (the Common Stock) to be represented at the annual meeting by the proxies named on the proxy card.

This proxy statement is being sent or made available to you in connection with this request and has been prepared for the Board by our management. This proxy statement is being sent and made available to our shareholders on or about March 23, 2018.

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### Annual meeting overview

#### Matters to be voted on:

- |  |    |
|--|----|
| 1. Election of directors   | 9  |
| 2. Advisory vote to approve executive compensation   | 26 |
| 3. Ratification of Ernst & Young LLP as our independent registered public accounting firm for 2018 | 55 |
| 5. Any other matters that may properly be brought before the meeting                               |    |

The Board recommends you vote:

**FOR** each director nominee (Proposal 1),

**FOR** advisory approval of executive compensation (Proposal 2), and

**FOR** ratification of the independent accounting firm appointed by our Audit Committee (Proposal 3).

*(For more information, see pages referenced above.)*

## 2018 Proxy Summary

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### Election of Directors

The Board has nominated the nine incumbent directors listed on page 11 for re-election. Six are independent. If re-elected by shareholders at our annual meeting, they have agreed to serve until next year's annual meeting.

### Governance Highlights

**The Company follows the corporate governance best practices highlighted below. For a detailed discussion of our corporate governance, please see page 17.**

- ✓ *Majority voting for Directors*
- ✓ *Active shareholder engagement*
- ✓ *Substantial majority of independent Directors*
- ✓ *Diverse Board and senior management*
- ✓ *No classified board*
- ✓ *Independent Presiding Director*
- ✓ *Executive sessions of non-management Directors*
- ✓ *Robust stock ownership guidelines*
- ✓ *Clawback provision in our equity plan*
- ✓ *Annual Board and Committee self-evaluations*
- ✓ *Oversight of risk by the full Board*
- ✓ *No poison pill*

## Performance and Compensation Highlights

PS Business Parks continued its strong performance in 2017 under the leadership of Maria R. Hawthorne and the Company's senior management, supported by the oversight of our Board. Below are highlights relating to the Company's performance and compensation program.

### Strong 2017 performance continues to support sustained shareholder value

- We delivered 10.3% in total shareholder return (TSR) in 2017. Since 2002, our TSR has averaged 13.0% per year vs. 9.9% for the Standard & Poor's (S&P) 500 index.
- We increased our annual dividends to \$3.40 per share, up from \$3.00 in 2016 and \$2.20 in 2015.
- Total rental income grew by \$15.3 million, or 4.0%.
- Same park adjusted rental income<sup>1</sup> grew by 4.6%.
- FAD<sup>2</sup> per share grew by 2.2%.

### We maintain a conservative balance sheet with a focus on low leverage and cash flow

- We continued to maintain a conservative balance sheet, which is structured with minimal traditional bank debt and the use of permanent preferred equity.
- We have one of the lowest leverage levels in the real estate investment trust (REIT) industry.
- By virtue of historically low leverage, a consistently conservative financial posture and robust earnings capability, we maintained our S&P corporate credit rating of "A-."
- We continue to be one of only a handful of REITs to earn this excellent credit rating.

### Our compensation program is rigorous and long-term focused

- Our compensation program reflects the Board's philosophy of paying for performance and incentivizing our executive officers to create long-term shareholder value.
- Over 70% of the realized compensation for our named executive officers (named executive officers or NEOs) is "at risk" and tied to the achievement of performance goals that are key drivers to the success of our business.
- Equity award grants to NEOs vest in equal installments over four years.
- We have robust stock ownership guidelines for NEOs and directors.

### CEO pay directly tied to performance

- Our CEO and the other NEOs delivered strong results for the Company as a whole and across all of our business segments.
- A significant portion (87%) of total CEO realized compensation in 2017 was performance-based.
- Our CEO's compensation package has generally remained unchanged from 2013 through 2017, except to reflect the transition from Joseph D. Russell, Jr. to Maria Hawthorne in mid-2016.

### We have a strong governance structure

- Our Independent Presiding Director provides many of the governance checks and balances that would be performed by an independent Chairman of the Board.
- Our Board and its committees maintained strong oversight over our management and business in holding a total of 18 meetings and calls on financial and operational results, governance, compensation and other topics.

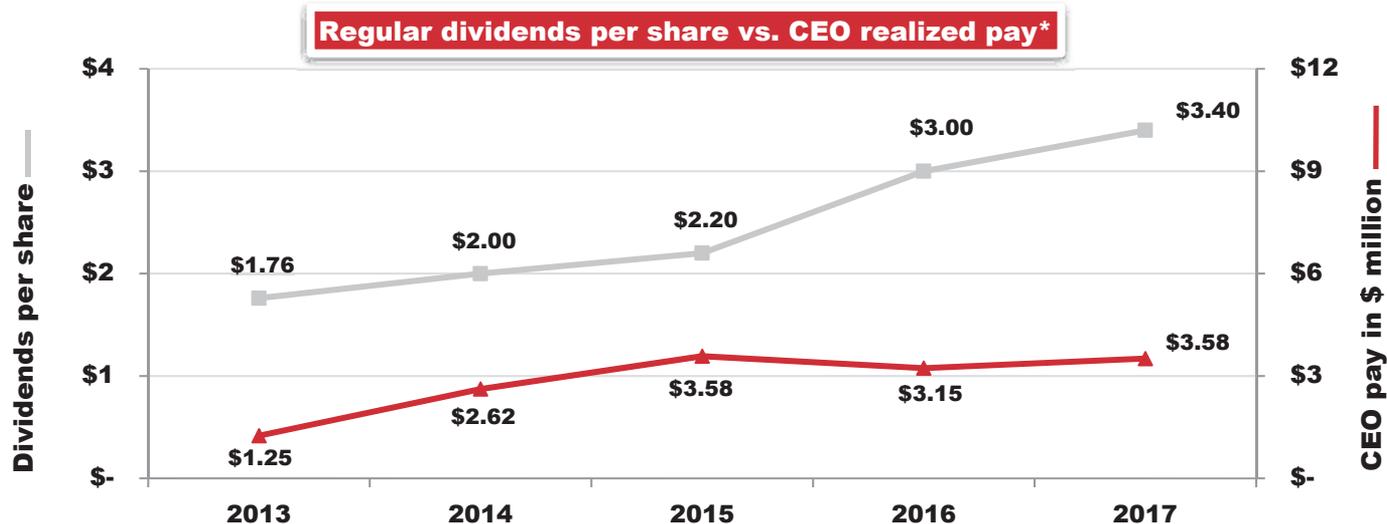
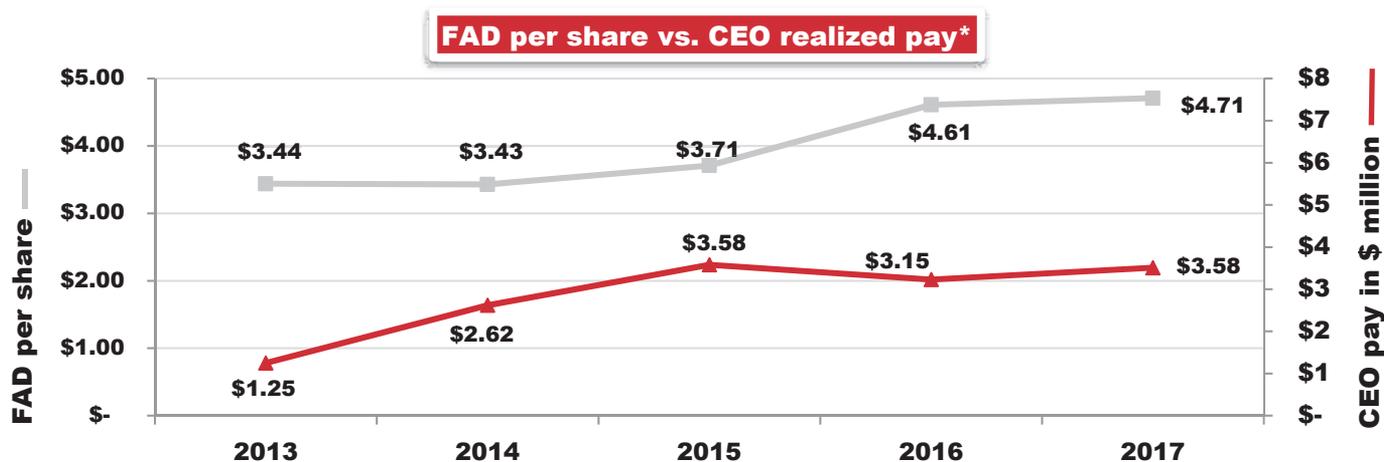
<sup>1</sup> Same Park rental income is a non-GAAP financial measure. Refer to our 2017 Annual Report on Form 10-K for reconciliation and other information on this non-GAAP measure.

<sup>2</sup> FAD is a non-GAAP financial measure. Refer to Appendix A to this Proxy Statement for reconciliation and other information on this non-GAAP measure.

## 2018 Proxy Summary

As illustrated in the following charts, the increase in our total CEO compensation over the last five years is supported by growth in our funds available for distribution (FAD) per share, which we consider to be the key driver of our business, and dividends per share, an important component of shareholder return. Over the last five years:

- FAD per share increased by 36.9%;
- Regular dividends per share increased each year since 2013, and since 2013 increased by an aggregate of \$1.64;
- Except for a decrease from 2013 to 2014 resulting from the sale of 1.9 million square feet of non-strategic assets and a common stock issuance in late 2013, FAD per share increased each year; and
- No long-term incentive compensation was paid to our CEO in 2013, as annual targeted returns under the Company's predecessor compensation plan were not achieved. The Company's 2014-2017 long-term equity incentive program (the LTEIP) was adopted in March 2014.

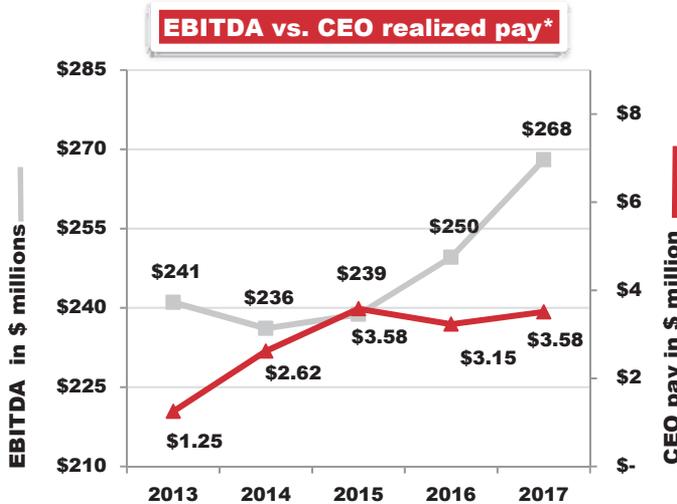
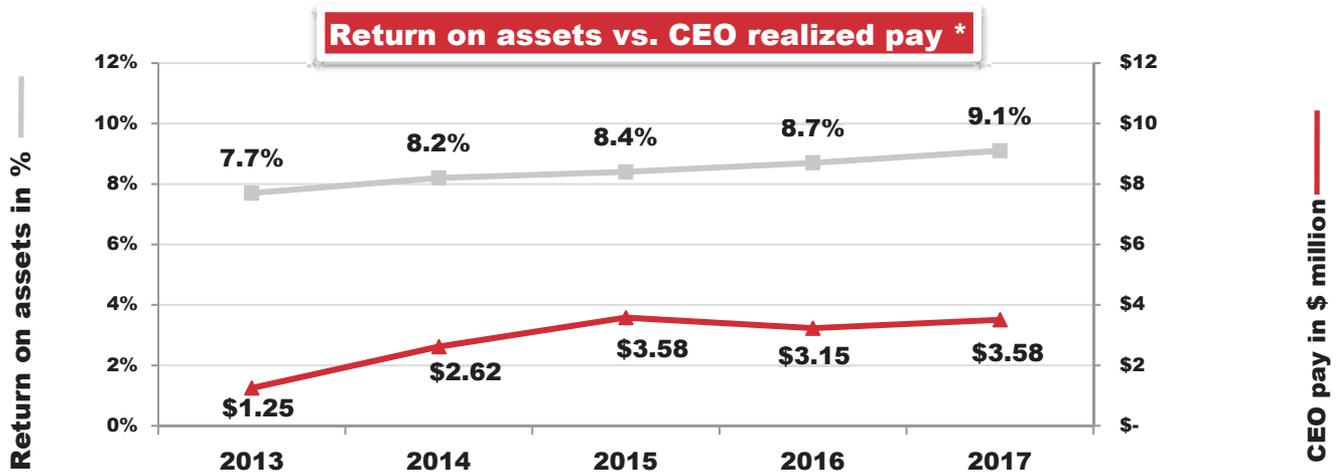


\*See the Realized Compensation Table in footnote 7 of the Summary Compensation Table section of this proxy statement. Refer to Appendix A to this proxy statement for reconciliations and other information regarding FAD. Refer to Appendix B to this proxy statement for a calculation of 2016 CEO realized compensation for purposes of year-over-year comparisons and analyses.

As further illustrated in the following charts, the increase in our CEO compensation over the last five years is also supported by growth over the same period in our internal calculations of:

- Return on assets\*, which increased by 4.6% during the period;
- Rental income, which increased by 4.0% during the period; and
- EBITDA\*, which increased by 7.4% during the period.

These are consistent with metrics a leading proxy advisory firm uses to standardize comparisons of public company CEO pay and financial performance:



\* Refer to Appendix A to this proxy statement for reconciliations and other information regarding return on assets and EBITDA. Net operating income (rental income less cost of operations, which excludes depreciation) divided by pre-depreciation cost of real estate facilities. EBITDA is a non-GAAP financial measure. See the Realized Compensation Table in footnote 7 of the Summary Compensation Table section of this proxy statement. Refer to Appendix B to this proxy statement for a calculation of 2016 CEO compensation for purposes of year-over-year comparisons and analyses.

## 2018 Proxy Summary

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### Our Commitment to Diversity

PS Business Parks strives to create diversity of background, experience and influence in its workplaces and at our governance level. Our people are our core strength and we are committed to fostering an environment of inclusion. By hiring employees and nominating Board directors with diverse backgrounds and perspectives, we fuel insight, success and shareholder value.

*Below are highlights of this commitment.*

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#### Gender and Race Diversity

- Our workforce is 38% diverse based on ethnicity and 28% of our diverse work pool is in a supervisory role.
  - Women make up 56% of our workforce and 38% of that pool work in a supervisory role.
  - We are a U.S. Affirmative Action Plan Employer.
  - Our President and CEO is a woman and diverse.
- 

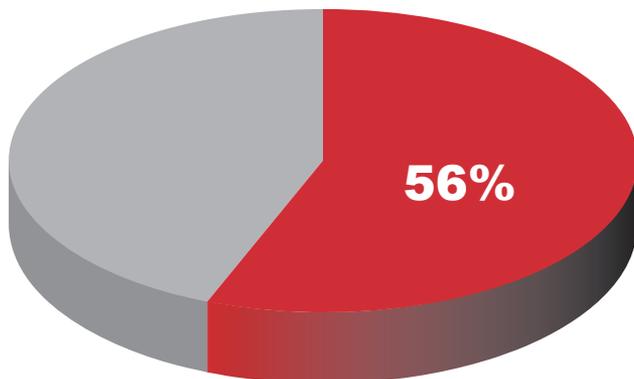
#### Generational Diversity

- Our workforce has diversity of generational perspective.
  - We are:
    - ✓ 34% Millennials (employees aged 18-34)
    - ✓ 41% Generation X (employees aged 35-50)
    - ✓ 25% Baby Boomers (employees aged 51-69)
- 

#### Governance Diversity

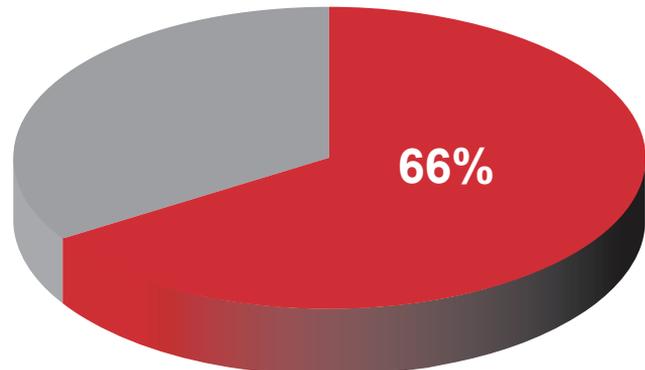
- Our Board members have diverse experiences that collectively lend broad governing perspectives. Their fields of specialty include finance, real estate, executive recruitment, banking, talent management and governance.
    - ✓ 33% of our directors are women
    - ✓ 44% of our directors are under the age of 60
    - ✓ 67% of our directors are independent
- 

**Gender Diversity of Workforce**



**More than Half of our Workforce are Women**

**Overall Diversity of Board**



**6 of 9 Director Nominees are Women, Independent and/or Diverse**

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## Our Commitment to Environmental Stewardship and Sustainability

PS Business Parks has a number of energy efficiency and sustainability initiatives. Below are highlights of our primary areas of focus.

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### Reducing energy consumption through the use of efficient lighting technologies

- We employ “on demand” controls, including occupancy sensors, photo cell sensors, dimmers, and timers to maximize energy efficiency.
- When we renovate space (Office, Flex or Industrial), we upgrade inefficient lighting and ballasts to T-5, T-8, or LED fixtures.
- We use real-time energy management programs to collect energy consumption data, identify energy reduction opportunities, and incorporate “quick solutions” to inefficiently programmed systems.
- Three of our properties hold a LEED or Energy Star designation.
- In new offices we install 18 inch sidelights that promote natural light and reduce lighting needs.
- We use Energy Management Systems in the majority of our office buildings to maximize lighting efficiencies.

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### Partnering with our civil engineers, vendors, and construction contractors to maximize recycling efforts and green building policies

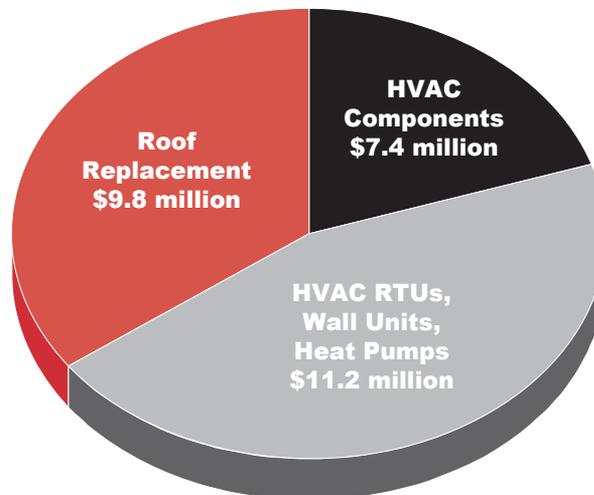
- We use trash compactors to reduce recycling pickups and train staff on facility protocols that simplify and maximize waste segregation and safe disposal, including the safe disposal of electronics.
- During construction, we reuse existing material when possible and use ultra-low or no VOC paint.
- We use carpet and flooring glues that are water (not solvent) based.
- For new parking lots or parking lot replacements, when possible, we use synthetic material instead of less environmentally friendly, traditional tar.
- We reduce water consumption with efficient low flow and motion sensor plumbing devices, efficient irrigation systems, and the conversion of retention ponds to ecofriendly environments and systems.
- We minimize energy wasted by leaks in “building envelopes” by using environmentally safe sealant, tinting windows to maximum efficiency, and replacing the large majority of roofs with reflective “cool roofs” that have the potential to reduce building energy consumption by up to 20%. Since 2010, we invested almost \$9.8 million to replace 52 roofs.

**Reducing heating and air-conditioning expenses by tightly controlling temperatures and by replacing older equipment with energy efficient systems**

- For new and replacement HVAC installations we purchase equipment with high Seasonal Energy Efficiency Ratio ratings and economizers.
  - Since 2010, we invested almost \$7.4 million to replace over 190 major HVAC components, such as chillers, air handler units, cooling towers and compressors with high efficiency equipment.
  - Since 2010, we invested almost \$11.2 million to replace approximately 940 HVAC Roof Top Units (RTUs), wall units or heat pumps.
  - We employ Optimum Start/Stop programs to achieve temperature setbacks and increases during the night, weekends and holidays.
- 

### Energy Efficient Capital Replacements (2010 to 2017)

Since 2010, we spent in excess of \$28.4 million on energy efficient capital replacements



# Proposal 1:

## Election of Directors

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Our Board has nominated nine directors, who, if elected by shareholders at our annual meeting, have agreed to serve until next year's annual meeting. All nominees are currently directors of the Company.

**RECOMMENDATION:**  
**Vote FOR all nominees**

## Proposal 1

### Proposal 1 – Election of Directors

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#### *Executive Summary*

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In evaluating potential candidates for service on the Board, the Nominating/Corporate Governance Committee of our Board (the Nominating/Corporate Governance Committee) and the Board have and exercise broad discretion to select director candidates who will best serve the Board and PS Business Parks in the current and anticipated business environment. The goal in the vetting and nomination process is to achieve an appropriate balance of knowledge, experience and capability on the Board. The Board, through the Nominating/Corporate Governance Committee, considers the following experience, qualifications, attributes and skills of both potential director nominees and existing members of the Board:

- Senior leadership experience
- Accounting/financial expertise
- Public company board experience
- Industry experience
- Operational management
- Capital markets/banking
- Governance experience
- Legal and regulatory compliance
- Diversity (gender, race, nationality and other attributes)

Our director nominees have qualifications, skills and experience relevant to our business. Each director has experience, mainly at senior executive levels, in other organizations, and a majority of the directors hold or have held directorships at other U.S. public companies. Most of our directors have served as chief executive officers and all have demonstrated superb leadership, intellectual and analytical skills gained from deep experience in management, finance and corporate governance.

#### *About the Director Nominees*

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Our Board consists of nine directors, six of whom are independent. Each nominee is presently a director of PS Business Parks and was previously elected by our shareholders. The Nominating/Corporate Governance Committee recommended, and the Board has nominated, each of our incumbent directors for re-election to the Board. If re-elected, each of the nine directors will serve for the one-year term beginning with our 2018 Annual Meeting, or until their successors, if any, are elected or appointed. Each nominee for election as a director has agreed to serve if elected.

**Nominees Qualifications**

The Nominating/Corporate Governance Committee has recommended to the Board, and the Board has nominated, the nine incumbent directors listed below for re-election. The Board believes that these nominees provide the Company with the combined skills, experience and personal qualities needed for an effective and engaged Board. We recommend that you vote **FOR** each nominee.

**The Board has nominated nine directors, six of whom are independent.**

<b>Nominee</b>	<b>Age</b>	<b>Principal Business Background</b>	<b>Director Since</b>	<b>Committee Membership</b>
<b>Ronald L. Havner, Jr.</b>	60	Chairman and Chief Executive Officer of Public Storage	1998	
<b>Maria R. Hawthorne</b>	58	President and Chief Executive Officer of PS Business Parks	2016	
<b>Jennifer Holden Dunbar</b> (Independent Director)	55	Co-Founder and Managing Director of Dunbar Partners, LLC	2009	Audit, Capital and Compensation
<b>James H. Kropp</b> (Independent Director)	69	Chief Investment Officer at SLKW Investments LLC and Chief Financial Officer of Microproperties LLC	1998	Compensation (Chair) and Nominating/Corporate Governance
<b>Sara Grootwassink Lewis</b> (Independent Director)	50	Chief Executive Officer of Lewis Corporate Advisors, LLC	2010	Audit (Chair), Nominating/Corporate Governance and Capital
<b>Gary E. Pruitt</b> (Independent Director)	68	Retired Chairman and Chief Executive Officer of Univar N.V.	2012	Audit
<b>Robert S. Rollo</b> (Independent Presiding Director for 2017) <sup>1</sup>	70	Retired Senior Partner of Heidrick and Struggles	2013	Nominating/Corporate Governance (Chair) and Compensation
<b>Joseph D. Russell, Jr.</b>	58	President of Public Storage	2003	Capital
<b>Peter Schultz</b> (Independent Presiding Director for 2018) <sup>1</sup>	70	Retired Chief Executive Officer of The Beacon Group, Inc.	2012	Capital (Chair) and Audit

<sup>1</sup> Please see “Corporate Governance and Board Matters – Independent Presiding Director” on page 17.

## Proposal 1

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### Ronald L. Havner, Jr., 60

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*Director since 1998*

*Chairman and Chief Executive Officer of Public Storage*

**DIRECTOR QUALIFICATION HIGHLIGHTS:**

- **Extensive leadership experience**
- **Extensive Company and industry knowledge**

Mr. Havner has been Chairman of the Board of PS Business Parks since March 1998 and previously served as the Company's Chief Executive Officer. Mr. Havner has been Chief Executive Officer of Public Storage since November 2002. Mr. Havner also serves as a director of AvalonBay Communities, Inc. (NYSE: AVB) and will serve as director of California Resources Corp. (NYSE: CRC) through the end of his current term on May 10, 2018. Mr. Havner was the 2014 Chairman of the Board of Governors of the National Association of Real Estate Investment Trusts, Inc. (NAREIT).

Mr. Havner's qualifications for election to the PS Business Parks Board include his extensive leadership experience and Company and industry knowledge as the Company's previous Chief Executive Officer.

In considering the nomination of Mr. Havner for re-election to the Board, the Nominating/Corporate Governance Committee and the Board considered each of the qualifications above, including Mr. Havner's experience in having served as our Chairman since 1998, and as our former Chief Executive Officer.

### Maria R. Hawthorne, 58

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*Director since 2016*

*President and Chief Executive Officer of PS Business Parks*

**DIRECTOR QUALIFICATION HIGHLIGHTS:**

- **Extensive Company knowledge**
- **Extensive operational and leadership experience**

Ms. Hawthorne has served as Chief Executive Officer and President of the Company since July 2016 and August 2015, respectively. In addition, since August 2017, Ms. Hawthorne has also served in a dual capacity as the Company's acting Chief Financial Officer (CFO) and will continue to so serve until a new CFO is retained. Ms. Hawthorne was also elected as a member of our Board in July 2016. Ms. Hawthorne most recently served as Executive Vice President, Chief Administrative Officer of the Company from July 2013 to August 2015. Prior to that, Ms. Hawthorne served as the Company's Executive Vice President, East Coast from February 2011 to July 2013. Ms. Hawthorne served as the Company's Senior Vice President from March 2004 to February 2011, with responsibility for property operations on the East Coast, which included Northern Virginia, Maryland and South Florida. From June 2001 through March 2004, Ms. Hawthorne was a Vice President of the Company, responsible for property operations in Virginia. From July 1994 to June 2001, Ms. Hawthorne was a Regional Manager of the Company in Virginia. From August 1988 to July 1994, Ms. Hawthorne was a General Manager, Leasing Director and Property Manager for American Office Park Properties. Ms. Hawthorne earned a Bachelor of Arts Degree in International Relations from Pomona College.

Ms. Hawthorne's qualifications for election to the PS Business Parks Board include her leadership experience and Company knowledge. As the only director who is also a member of the PS Business Parks executive management team, Ms. Hawthorne provides management's perspective in Board discussions about the operations and strategic direction of the Company.

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**Jennifer Holden Dunbar, 55**

*Director since 2009*

*Audit Committee, Capital Committee,  
Compensation Committee*

*Co-Founder and Managing Director of Dunbar  
Partners, LLC*

**DIRECTOR QUALIFICATION HIGHLIGHTS:**

- **Extensive financial expertise**
- **Experience in private equity, investments and M&A**

Ms. Dunbar has been a director of PS Business Parks since February 2009. From 1994 to 1998, Ms. Dunbar was a partner with Leonard Green and Partners, L.P., a private equity firm she first joined in 1989. Ms. Dunbar has served as Co-Founder and Managing Director of Dunbar Partners, LLC, an investment and advisory services firm, since March 2005. Ms. Dunbar is also a director of Big 5 Sporting Goods Corporation (NASDAQ: BGFV), where she serves on the audit and compensation committees and chairs the nominating and corporate governance committee. Ms. Dunbar has served on the board of trustees of various funds in the PIMCO Funds complex since April 2015 (overseeing 141 fixed income funds as of year-end 2017) and February 2016 (21 equity funds as of year-end 2017), respectively, where she is a member of the audit, governance and valuation oversight committee of each board. Ms. Dunbar is also the chair of the governance committee and co-chair of the valuation oversight committee of the board that oversees the PIMCO equity trusts. Each of the PIMCO entities is a registered investment company under the Investment Company Act of 1940, as amended.

Ms. Dunbar's qualifications for election to the PS Business Parks Board include her financial expertise, her experience in private equity and her experience with investments and mergers and acquisitions. She also has valuable experience as a member of several public company boards.

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**James H. Kropp, 69**

*Director since 1998*

*Compensation Committee (Chair)  
Nominating/Corporate Governance Committee*

*Chief Investment Officer at SLKW Investments LLC  
and Chief Financial Officer of Microproperties  
LLC*

**DIRECTOR QUALIFICATION HIGHLIGHTS:**

- **Extensive knowledge of investment banking**
- **Specialization in real estate securities and experience with real estate businesses**

Mr. Kropp has been a director of PS Business Parks since March 1998. Mr. Kropp has served as Chief Investment Officer at SLKW Investments LLC since 2009 and as Chief Financial Officer of Microproperties LLC, an owner and asset manager of net leased restaurant properties, since August 2012. Mr. Kropp served as interim Chief Financial Officer of TaxEase LLC from 2009 to February 2013 and is currently a Board Leadership Fellow for the National Association of Corporate Directors. Mr. Kropp also currently serves as a director of Corporate Capital Trust, Inc. and Corporate Capital Trust II, registered investment companies, and American Homes 4 Rent LLC (NYSE: AMH), a leader in the home rental market.

Mr. Kropp's qualifications for election to the PS Business Parks Board include his knowledge of investment banking and capital markets with a specialization in real estate securities, and his extensive experience with real estate businesses, including other REITs. He also has valuable experience as a member of several public company boards.

## Proposal 1

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### **Sara Grootwassink Lewis, 50**

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*Director since 2010*

*Audit Committee (Chair)*

*Nominating/Corporate Governance Committee*

*Capital Committee*

*Chief Executive Officer of Lewis Corporate Advisors, LLC*

#### **DIRECTOR QUALIFICATION HIGHLIGHTS:**

- **Executive and financial experience at other REITs**
- **Extensive experience as Chartered Financial Analyst and Certified Public Accountant**

Ms. Lewis has been a director of PS Business Parks since February 2010. She is Chief Executive Officer of Lewis Corporate Advisors, a capital markets advisory firm. From May 2002 through February 2009, Ms. Lewis served as Executive Vice President and Chief Financial Officer of Washington Real Estate Investment Trust (NYSE: WRE), which owns and operates a diversified group of properties in the Washington, D.C. area. Ms. Lewis also currently serves on the boards of Sun Life Financial (NYSE: SLF) and Weyerhaeuser (NYSE: WY), following its acquisition of Plum Creek Timber, where she served on the board from 2013 to 2016. Ms. Lewis previously served on the board of directors of CapitalSource from 2004 until its merger in 2014, and the board of directors of Adamas Pharmaceuticals (NASDAQ: ADMS) from 2014 to 2016. Ms. Lewis is a member of the board of trustees of the Brookings Institution and a former Standing Advisory Group member of the Public Company Accounting Oversight Board (PCAOB). Ms. Lewis is also a United States Chamber of Commerce Center for Capital Markets Competitiveness Leadership Board Member.

Ms. Lewis' qualifications for election to the PS Business Parks Board include her previous executive and financial experience at three other publicly traded REITs and her background as a Chartered Financial Analyst and Certified Public Accountant. She brings her extensive financial and real estate industry knowledge to the Board as well as her public company board experience.

### **Gary E. Pruitt, 68**

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*Director since 2012*

*Audit Committee*

*Retired Chairman and Chief Executive Officer of Univar N.V.*

#### **DIRECTOR QUALIFICATION HIGHLIGHTS:**

- **Extensive leadership and financial experience**
- **Experience as trustee of Public Storage**

Mr. Pruitt has served as a director of PS Business Parks since February 2012. He served as Chairman and Chief Executive Officer of Univar N.V. (Univar) from 2002 until his retirement as Chief Executive Officer in 2010 and as Chairman in 2011. Univar is a chemical distribution company based in Bellevue, Washington, with distribution centers in the United States, Canada and Europe. Mr. Pruitt is also a trustee of Public Storage, a director of Itron, Inc. (NASDAQ: ITRI), and a former director of Esterline Technologies Corp. (NYSE: ESL).

Mr. Pruitt's qualifications for election to the PS Business Parks Board include his leadership and financial experience as Chairman and Chief Executive Officer at Univar and his membership on the board of trustees of Public Storage.

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**Robert S. Rollo, 70**

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*Director since 2013*

*Nominating/Corporate Governance Committee  
(Chair)*

*Compensation Committee*

*Retired Senior Partner of Heidrick and Struggles*

**DIRECTOR QUALIFICATION HIGHLIGHTS:**

- **Extensive knowledge and expertise in executive recruitment, compensation and talent management**
- **Experience in corporate governance**

Mr. Rollo has served as a director of PS Business Parks since October 2013. Mr. Rollo most recently served as a Senior Partner at Heidrick and Struggles (Heidrick) in Los Angeles from 2006 until his retirement in 2012. Heidrick is a leading international leadership advisory and executive search firm. Mr. Rollo is a past trustee of the University of Southern California and is Chairman Emeritus of the Southern California Chapter of the National Association of Corporate Directors.

Mr. Rollo's qualifications for election to the PS Business Parks Board include his extensive knowledge of and expertise in executive recruitment, compensation and development and talent management, along with his experience in corporate governance.

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**Joseph D. Russell, Jr., 58**

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*Director since 2003*

*Capital Committee*

*President of Public Storage*

**DIRECTOR QUALIFICATION HIGHLIGHTS:**

- **Leadership experience at the Company**
- **Extensive Company and industry knowledge**

Mr. Russell has been a director of PS Business Parks since August 2003. Mr. Russell has been President of Public Storage since July 2016 and, as recently announced, will join the Public Storage board and serve as its Chief Executive Officer effective January 1, 2019. Previously, Mr. Russell was Chief Executive Officer of PS Business Parks from August 2003 until July 2016, and President of PS Business Parks from September 2002 to August 2015. Before joining PS Business Parks, Mr. Russell had been employed by Spieker Properties, an owner and operator of office and industrial properties in Northern California (Spieker), and its predecessor, for more than ten years, becoming an officer of Spieker when it became a publicly held REIT in 1993.

Mr. Russell's qualifications for election to the PS Business Parks Board include his leadership experience and Company and industry knowledge, including his more than 20-year involvement with publicly held REITs and extensive experience with office and industrial real estate.

## Proposal 1

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### **Peter Schultz, 70**

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*Director since 2012*

*Independent Presiding Director (2018)*

*Capital Committee (Chair)*

*Audit Committee*

*Retired Chief Executive Officer and Director of  
The Beacon Group, Inc.*

#### **DIRECTOR QUALIFICATION HIGHLIGHTS:**

- **Leadership and senior management experience**
- **Extensive knowledge of the real estate industry**

Mr. Schultz has been a director of PS Business Parks since February 2012 and serves as the Company's Independent Presiding Director for 2018. He served as President, Chief Executive Officer and a director of The Beacon Group, Inc. (Beacon) and its affiliates for more than 25 years until his retirement in 2010. Beacon, based in Southern California, and its affiliates, were engaged in the development and management of more than three million square feet of retail, industrial, hospitality and residential projects. Prior to working at The Beacon Group, Mr. Schultz was employed by Arthur Andersen for four years as a certified public accountant in its tax department.

Mr. Schultz is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

Mr. Schultz's qualifications for election to the PS Business Parks Board include his leadership and extensive real estate experience as President, Chief Executive Officer and director of Beacon and its affiliates and his extensive financial expertise gained from his almost forty years of experience in finance.

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## **Corporate Governance and Board Matters**

### ***Corporate Governance Framework***

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The Board has adopted the following corporate governance documents, which establish the framework for our corporate governance and outline the general practice of our Board with respect to board structure, function and conduct, and board and committee organization.

- PS Business Parks Corporate Governance Guidelines and Director Code of Ethics (the Corporate Governance Guidelines)
- Charter
- Bylaws
- Charters of our standing committees of the Board (the Committee Charters)
- Business Conduct Standards applicable to our officers and employees
- Code of Ethics for our senior financial officers (the Code of Ethics)

You can access our current Corporate Governance Guidelines, Business Conduct Standards, Code of Ethics and Committee Charters in the “Investor Relations” section of our website, [psbusinessparks.com/investor-relations/corporate-governance](http://psbusinessparks.com/investor-relations/corporate-governance), or by writing to the Company’s Investor Services Department, 701 Western Avenue, Glendale, California 91201-2349.

The Corporate Governance Guidelines are reviewed at least annually by the Nominating/Corporate Governance Committee, which makes recommendations for any changes to the Board. We will disclose any amendments or waivers to the Code of Ethics on our website or in accordance with the SEC and New York Stock Exchange (NYSE) requirements.

### ***Commitment to Diversity***

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The Board and its Nominating/Corporate Governance Committee are committed to ensuring that a diversity of experiences and viewpoints are represented on the Board as well as the Company’s senior management. As a reflection of this commitment, 33% of our current Board is female, and our President and CEO is female and Hispanic.

### ***Board Leadership***

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We have separate individuals serving as Chairman of the Board and as CEO. Ronald L. Havner, Jr. has served as Chairman of the Board since March 1998. He is also Chairman and CEO of Public Storage. Mr. Havner has been involved with the Company since its founding and has extensive knowledge of the Company, the markets in which it operates and the real estate industry. Joseph D. Russell, Jr. is a member of our Board and was our CEO from August 2003 to June 2016. Mr. Russell was also our President until August 2015, currently serves as President of Public Storage and, as recently announced, will join the Public Storage board and serve as its CEO effective January 1, 2019. Maria R. Hawthorne serves as our President and was appointed to the position of CEO in July 2016. She is the only management director and brings in-depth knowledge of the issues, opportunities and risks facing the Company, our business and our industry. She is also deeply familiar with our day-to-day operations and management, and has the leadership skills to continue to drive profitable growth of PS Business Parks.

We do not have a policy against one individual holding the positions of Chairman and CEO. Rather, the Board evaluates the desirability of having a combined or separate Chairman and CEO from time-to-time and adopts a structure based on what it believes to be in the best interests of PS Business Parks and its shareholders. Currently, the Board believes that having separate Chairman and CEO roles serves the interests of the Company and its shareholders well.

### ***Independent Presiding Director***

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The Board has established a position of independent presiding director to provide an independent director with a leadership role on the Board. The independent presiding director presides at meetings of all non-management directors in executive sessions without the presence of management. These meetings are held on a regular basis in connection with each regularly scheduled board meeting and at the request

## Proposal 1

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of any non-management director. In addition, the independent directors meet separately at least once annually. These sessions are designed to encourage open discussion of any matter of interest without the CEO or any other members of management present. The position of independent presiding director generally rotates annually among the chairs of the standing committees of the Board. Robert S. Rollo, Chair of the Nominating/Corporate Governance Committee, was the independent presiding director for 2017. Peter Schultz is the independent presiding director for 2018.

### ***Board Responsibilities and Oversight of Risk Management***

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The Board is responsible for overseeing our Company's approach to major risks and our policies for assessing and managing these risks. In connection with its oversight function, the Board regularly receives presentations from management on areas of risk facing our business. The Board and management actively engage in discussions about these potential and perceived risks to the business.

In addition, the Board is assisted in its oversight responsibilities by the four standing Board committees (as described below), which have assigned areas of oversight responsibility for various matters, as described in the Committee Charters and as provided in the NYSE rules.

The Audit Committee of our Board (the Audit Committee) assists the Board in overseeing the integrity of our financial statements, the qualifications, independence and performance of our independent registered public accounting firm and the performance of our internal audit function. Pursuant to its charter, the Audit Committee also evaluates Company practice and policies with respect to risk assessment, risk management and financial risk on a regular basis.

The Compensation Committee oversees the compensation of our CEO and other executive officers and evaluates compensation incentives to ensure they will motivate senior management to grow long-term shareholder returns without taking undue risk.

The Nominating/Corporate Governance Committee focuses on risks associated with director and

management succession planning, corporate governance and overall Board effectiveness.

The Capital Committee oversees the optimization of the Company's capital expenditures. The Committee's goal is to place the Company in the best position to maximize the long-term benefit of its capital expenditures, while at the same time ensuring those assets are well maintained and positioned to meet the needs and demands of the Company's customer base.

The Board committees also hear reports from members of management to enable each committee to identify, discuss, understand and manage risk. The chairman of each of the Board's standing committees reports on interim individual committee discussion to the full Board at each Board meeting. All directors have access to members of management in the event a director wishes to follow up on items discussed outside the Board meeting.

### ***Board Orientation and Education***

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Each new director participates in an orientation program and receives materials and briefings concerning our business, industry, management and corporate governance policies and practices. Continuing education is provided for all directors through board materials and presentations, discussions with management and the opportunity to attend external board education programs.

### ***Board Retirement Policy***

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The Corporate Governance Guidelines provide that no person will be nominated for election to the Board for any term unless he or she is 73 years of age or younger on the first day of the term. The Board has discretion to make exceptions to the policy to provide for a transition period of service.

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***Director Independence***

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The Board evaluates the independence of each director annually based on information supplied by the directors and the Company, and on the recommendations of the Nominating/Corporate Governance Committee. The Corporate Governance Guidelines require that a majority of the directors be independent in accordance with the requirements of the NYSE. A director qualifies as independent unless the Board determines, in accordance with NYSE rules, that the director has a material relationship with PS Business Parks, based on all relevant facts and circumstances. Material relationships may include commercial, industrial, consulting, legal, accounting, charitable, family and other business, professional and personal relationships. The Board also considers the director's relationships with Public Storage.

Following its annual review of each director's independence, in February 2018, the Nominating/Corporate Governance Committee recommended to the Board and the Board determined that (i) each of Jennifer Holden Dunbar, James H. Kropp, Sara Grootwassink Lewis, Gary E. Pruitt, Robert S. Rollo and Peter Schultz is independent pursuant to the rules of the NYSE, and (ii) each Audit Committee member and each Compensation Committee member meets the additional independence requirements of the rules of the SEC.

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***Committees of the Board of Directors***

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Our Board has four standing committees: the Audit Committee, the Compensation Committee, the Nominating/Corporate Governance Committee and the Capital Committee. Each of the standing committees operates pursuant to a written charter, which can be viewed at our website at [psbusinessparks.com/investor-relations/corporate-governance](http://psbusinessparks.com/investor-relations/corporate-governance). A print copy will be provided to any shareholder who requests a copy by writing to the Company's Secretary at PS Business Parks, Inc., 701 Western Avenue, Glendale, CA 91201-2349.

Our four standing committees are described below.

***Audit Committee***

The primary functions of the Audit Committee, as set forth in its charter, are to assist the Board in fulfilling its responsibilities for oversight of:

- the integrity of our financial statements;
- compliance with legal and regulatory requirements;
- the qualifications, independence and performance of the independent registered public accounting firm; and
- the scope and results of internal audits, the Company's internal controls over financial reporting and the performance of the Company's internal audit function.

Among other things, the Audit Committee appoints, evaluates and determines the compensation of the independent registered public accounting firm; reviews and approves the scope of the annual audit, the audit fee and the financial statements; approves all other services and fees performed by the independent registered public accounting firm; prepares the Audit Committee Report for inclusion in the annual proxy statement; and annually reviews its charter and performance. Additionally, the Audit Committee reviews and discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment policies.

Each member of the Audit Committee: (1) meets the financial literacy and independence standards of the NYSE; (2) qualifies as an audit committee financial expert within the meaning of the rules of the SEC and NYSE; and, (3) qualifies as independent within the meaning of the rules of the SEC and NYSE.

## Proposal 1

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### **Compensation Committee**

The primary functions of the Compensation Committee, as set forth in its charter, are to:

- determine, either as a committee or together with other independent directors, the compensation of the Company's CEO;
- determine the compensation of other executive officers;
- administer the Company's equity and executive officer incentive compensation plans;
- review and discuss with management the Compensation Discussion and Analysis (CD&A) to be included in the proxy statement and incorporated by reference into the Form 10-K and to recommend to the Board for inclusion of the CD&A in the Form 10-K and proxy statement;
- provide a description of the processes and procedures for the consideration and determination of executive compensation for inclusion in the Company's annual proxy statement;
- review with management its annual assessment of potential risks related to the Company's compensation policies and practices applicable to all employees;
- review the advisory shareholder votes on the Company's executive compensation programs;
- produce the Compensation Committee Report for inclusion in the annual proxy statement; and
- evaluate its performance annually.

The Compensation Committee has not delegated any of its responsibilities to individual members of the committee or to a subcommittee of the committee, although it has the discretion to do so. As required by its charter, the Compensation Committee and, in

some instances, the Compensation Committee and all other independent members of the Board, made final compensation decisions for executive officers in 2017, including the NEOs set forth in the Summary Compensation Table below. The Compensation Committee has the sole authority to retain outside compensation consultants for advice, but historically and for 2017, has not done so, relying instead on surveys of publicly available information about senior executive compensation at similar companies. For a discussion of the Compensation Committee's use of survey information in 2017, as well as the role of Ms. Hawthorne, our President and CEO, in determining or recommending the amount of compensation paid to our NEOs in 2017, see the CD&A beginning on page 28.

**Compensation Committee Interlocks and Insider Participation.** No executive officer of PS Business Parks served on the compensation committee or board of directors of any other entity which has an executive officer who also served on our Compensation Committee or Board at any time during 2017, and no member of the Compensation Committee had any relationship with the Company requiring disclosure under Item 404 of SEC Regulation S-K.

Messrs. Havner and Russell and Ms. Hawthorne are present or former officers of the Company and are members of the Board.

**Oversight of Compensation Risks.** With respect to consideration of risks related to compensation, the Compensation Committee annually considers a report from management concerning its review of potential risks related to compensation policies and practices applicable to all of the Company's employees. In early 2018, the Compensation Committee considered management's conclusion that the Company's compensation policies and practices are not reasonably likely to have a material adverse effect on the Company.

In connection with preparing the report for the Compensation Committee's consideration, members of our senior management team, including our CEO, reviewed the target metrics for all of our employee incentive compensation plans. At the completion of the review, management concluded that the incentive compensation plans did not create any significant motivation or opportunity for employees to take undue risks to achieve an incentive compensation award. Instead, management concluded that employees who are eligible for incentive compensation are properly incentivized to achieve short- and long-term Company goals without creating undue risks for the Company. Following completion of its review, members of our senior management discussed the results of management's compensation risk assessment with the Compensation Committee. The Compensation Committee, following discussion, reached a similar conclusion. The Compensation Committee expects to further review compensation risks from time to time.

#### ***Nominating/Corporate Governance Committee***

The primary functions of the Nominating/Corporate Governance Committee, as set forth in its charter, are to:

- identify, evaluate and make recommendations to the Board for director nominees for each annual shareholder meeting and to fill any vacancy on the Board;
- develop a set of corporate governance principles applicable to the Company and to review and assess the adequacy of those guidelines on an ongoing basis and recommend any changes to the Board; and
- oversee the annual Board assessment of Board performance.

Our Board has delegated to the Nominating/Corporate Governance Committee responsibility for recommending nominees for election to the Board. Other duties and responsibilities of the Nominating/Corporate Governance Committee include periodically reviewing

the structure, size, composition and operation of the Board and each Board committee; recommending assignments of directors to Board committees; conducting a preliminary review of director independence; overseeing director orientation; and annually reviewing and evaluating its charter and performance. The Nominating/Corporate Governance Committee is further guided by the principles set forth in its charter.

***Director Qualifications.*** We believe that members of the Board should have high professional and personal ethics and values. They should have broad experience at the policy-making level in business or other relevant experience. They should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform all director duties responsibly. Each director must represent the interests of all shareholders. In general, the Board seeks to add directors who meet the independence requirements of the NYSE rules. In addition, director candidates must submit on an annual basis a completed director questionnaire concerning matters related to independence determination, the determination of whether a candidate qualifies as an audit committee financial expert, and other proxy disclosure matters and must satisfactorily complete a background investigation by a third-party firm.

***Director Diversity.*** Although the Nominating/Corporate Governance Committee does not have and does not believe there is a need for a formal policy concerning diversity, it seeks to ensure that a diversity of different experiences and viewpoints are represented on the Board. As a reflection of this commitment, 33% of our current Board is female.

***Identifying and Evaluating Nominees for Directors.*** The Nominating/Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director.

## **Proposal 1**

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The Nominating/Corporate Governance Committee regularly assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated or otherwise arise, the Nominating/Corporate Governance Committee considers various potential candidates for director.

Candidates may come to the attention of the Nominating/Corporate Governance Committee through current Board members, professional search firms, shareholders or other persons. These candidates are evaluated at meetings of the Nominating/Corporate Governance Committee and may be considered at any point during the year.

The Nominating/Corporate Governance Committee considers properly submitted shareholder nominations of candidates for the Board in the same manner as other candidates. Following verification of the shareholder status of persons proposing candidates, recommendations will be aggregated and considered by the Nominating/Corporate Governance Committee prior to the issuance of the proxy statement for the annual meeting. If any materials are provided by a shareholder in connection with the recommendation of a director candidate, such materials are forwarded to the Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee may also review materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a shareholder. In evaluating such nominations, the Nominating/Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board.

We do not have any other policies or guidelines that limit the selection of director candidates by the Nominating/Corporate Governance Committee, and the Nominating/Corporate Governance Committee and the Board have and continue to exercise broad discretion to select director candidates who will best serve the Board and the Company in the current and anticipated business environment.

### ***Capital Committee***

The function of the Capital Committee is to focus on assessing, monitoring and optimizing the Company's capital expenditures. The committee's focus will include development and redevelopment opportunities as well as the Company's annual recurring capital expenditures, which include maintenance capital, tenant improvements and leasing commissions. The goal is to place the Company in the best position to maximize the long-term benefits of its capital expenditures while ensuring its assets are well maintained and positioned in the marketplace to meet the needs and demands of the Company's customer base. The Capital Committee operates pursuant to a formal charter adopted by the members of the committee in July 2016.

### ***Communications with the Board of Directors***

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The Company provides a process by which shareholders and interested parties may communicate with the Board. Communication to the Board should be addressed to: Board of Directors, c/o Maria R. Hawthorne, President and Chief Executive Officer, PS Business Parks, Inc., 701 Western Avenue, Glendale, California 91201-2349. Communications that are intended for a specified individual director or group of directors should be addressed to the director(s) c/o Secretary at the above address, and all such communications received will be forwarded to the designated director(s).

### ***Board and Committee Meetings and Attendance***

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The Board meets at regularly scheduled intervals and may hold additional special meetings as necessary or desirable in furtherance of its oversight responsibilities. As described above, the non-management directors generally meet in executive session without the presence of management in connection with each regularly scheduled Board meeting.

In 2017, the Board held four in-person meetings and two special telephonic meetings. Each director who served as a director at the time attended at least 83% of the Board meetings held and, if a member of a committee of the Board, at least 94% of the meetings held by both the Board and all committees of the

Board on which the director served. We do not have a policy regarding directors' attendance at the annual meeting of shareholders, but directors are encouraged to attend. All of the Board's nine directors attended the 2017 annual meeting of shareholders.

The following table summarizes the membership of the Board's standing committees and the number of meetings held by each committee in 2017.

**Board Committee Membership and 2017 Meetings**

Director	Audit	Compensation	Nominating/ Corporate Governance	Capital
Ronald L. Havner, Jr.				
Joseph D. Russell, Jr.				Member
Maria R. Hawthorne				
Jennifer Holden Dunbar	Member	Member		
James H. Kropp		Chair	Member	
Sara Grootwassink Lewis	Chair		Member	Member
Gary E. Pruitt	Member			
Robert S. Rollo (Independent Presiding Director for 2017)		Member	Chair	
Peter Schultz (Independent Presiding Director for 2018)	Member			Chair
Number of Meetings in 2017	6	5	3	4

**Compensation of Directors**

The Compensation Committee periodically reviews the Company's non-employee director compensation and recommends any changes to the Board. The Board makes the final determination as to director compensation. The Board has approved the mix of cash and equity compensation described below.

**Retainers and Meeting Fees.** Retainers are paid in cash quarterly and are pro-rated when a director joins the Board other than at the beginning of a calendar year. During 2017, each non-employee director was entitled to receive the following retainers and meeting fees for Board and Board committee service:

Compensation	Amount
Board member	\$25,000
Audit Committee Chair's supplemental retainer	10,000
Other standing committee chairs' supplemental retainer	5,000
Board meeting attendance (per meeting attended in person)	1,000
Board meeting attendance (per meeting attended by telephone)	500
Board committee meeting attendance (per meeting attended in person)	1,000
Board committee meeting attendance (per meeting attended by telephone)	500

## Proposal 1

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**Equity Awards.** Each new non-employee director, upon the date of his or her initial election by the Board or the shareholders to serve as a non-employee director, is automatically granted an option to purchase 10,000 shares of Common Stock, which vests in five equal annual installments beginning one year from the date of grant, subject to continued service.

Annually, each non-employee director receives a non-qualified stock option to purchase 2,000 shares of Common Stock, which vests in five equal annual installments beginning one year from the date of grant based on continued service. The annual grants are made immediately following the annual meeting of shareholders at the closing price for the Common Stock on the NYSE on such date.

Upon the retirement of a director from the Board because the director is not nominated for re-election due to the Board's Mandatory Retirement Policy, all outstanding options held by the director vest effective as of the date of his or her retirement and the director has one year to exercise all vested options.

**Retirement Stock Grants.** Under our Retirement Plan for Non-Employee Directors, each non-employee director of the Company receives, upon retirement as a director of the Company, 1,000 shares of fully-vested Common Stock for each full year of service as a non-employee director of the

Company, up to a maximum of 8,000 shares. The awards are intended to retain and reward long-term service on the Board and to provide equity compensation to Board members. Directors receive any dividends paid on vested shares. At December 31, 2017, Messrs. Havner and Kropp and Ms. Dunbar were each entitled to receive 8,000 fully-vested shares of Common Stock upon retirement; Ms. Lewis was entitled to receive 7,000 shares; Messrs. Pruitt and Schultz were each entitled to 5,000 shares; and Mr. Rollo was entitled to receive 4,000 shares. As of December 31, 2017, the value of each award of 8,000 shares was \$1,000,720; the value of 7,000 shares was \$875,630; the value of 5,000 shares was \$625,450; and the value of 4,000 shares was \$500,360, each based on the closing price of \$125.09 of our common stock as of December 29, 2017.

**Director Stock Ownership Guidelines.** Pursuant to the Corporate Governance Guidelines, each non-management director is encouraged to have a significant stock ownership in the Company. All directors are expected, within three years of election, to own at least \$100,000 of common stock of the Company, as determined using the per-share value on the date of acquisition. All of our directors meet this stock ownership requirement.

**Director Compensation in Fiscal 2017.** The following table presents the compensation provided by the Company to our directors for the fiscal year ended December 31, 2017:

<b>Director</b>	<b>Fees earned or paid in cash</b>	<b>Option Awards (2)</b>	<b>All Other Compensation (3)</b>	<b>Total</b>
Ronald L. Havner, Jr. (1)	\$ -	\$ 28,840	\$ 27,200	\$ 56,040
Jennifer Holden Dunbar	36,500	28,840	27,200	92,540
James H. Kropp	39,500	28,840	27,200	95,540
Sara Grootwassink Lewis	50,500	28,840	23,800	103,140
Gary E. Pruitt	34,500	28,840	17,000	80,340
Robert S. Rollo	39,500	28,840	11,050	79,390
Joseph D. Russell	-	28,840	-	28,840
Peter Schultz	42,500	28,840	17,000	88,340

- (1) Ronald L. Havner, Jr., Chairman, Joseph D. Russell, Jr. and Maria R. Hawthorne are also directors but did not receive any cash compensation for service as directors during 2017. Ms. Hawthorne is also not eligible to receive equity awards for her service as director or participate in the retirement stock award program described above. Ms. Hawthorne's compensation as CEO is set forth below beginning on page 44.
- (2) Reflects the fair value on the date of grant of option awards during 2017. As of December 31, 2017, each director as of such date had the following number of options outstanding: Ronald L. Havner, Jr., 16,205 of which 10,205 are vested; Jennifer Holden Dunbar, 19,994 of which 13,994 are vested; James H. Kropp, 18,273 of which 12,273 are vested; Sara Grootwassink Lewis, 11,068 of which 5,068 are vested; Gary E. Pruitt, 22,410 of which 16,410 are vested; Robert S. Rollo, 7,670 of which 0 are vested; Joe Russell, 2,000 of which 0 are vested; and Peter Schultz, 22,410 of which 16,410 are vested. For a more detailed discussion of assumptions used in the calculation of these amounts, refer to Note 11 to the Company's audited financial statements for the fiscal year ended December 31, 2017, included in the Form 10-K filed with the SEC on February 26, 2018.
- (3) All other compensation consists of dividend equivalents paid on vested retirement shares.

**The Board recommends voting FOR all director nominees.**

## **Proposal 2:**

# **Advisory vote to approve executive compensation**

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Approve the Company's compensation practices and principles and their implementation for 2017 for the Company's named executive officers (our NEOs) as discussed and disclosed in the Compensation Discussion and Analysis (CD&A), the compensation tables and any related material contained in this proxy statement.

**RECOMMENDATION:**  
**Vote FOR approval**

## Proposal 2 – Advisory vote to approve executive compensation

### Advisory Vote

We provide shareholders an annual advisory vote to approve the compensation of our NEOs, also known as a “Say-on-Pay” proposal.

More than 91% of the votes cast at our 2017 Annual Meeting were in favor of our executive compensation package. This approval, along with direct input received from shareholders regarding their votes, signaled strong shareholder support of the elements and amounts of compensation paid for both 2016 performance and the compensation opportunities established to reward long-term growth and performance. As a result, the Compensation Committee did not make any significant changes to the Company’s executive compensation program for 2017.

We believe our strong performance in 2017 was driven by motivated NEOs incentivized by our strategic compensation program. Annual incentive bonus payments were tied to achieving at least a (i) 5.0% increase in Adjusted FAD<sup>1</sup> and (ii) 2.0% increase in Same Park Net Operating Income (Same Park NOI)<sup>2</sup>. The equity-based component of the program provided NEOs two opportunities to receive restricted stock units (RSUs) under the LTEIP, for both (i) the achievement of targeted increases in internally calculated total return levels and (ii) the attainment of specified dividend yields over annual and cumulative four-year performance periods.

<sup>1</sup>Adjusted FAD is a non-GAAP measure. Please refer to “2017 Annual Cash Incentive Thresholds and Targets” in the CDA section of the proxy statement.

<sup>2</sup> Refer to our Form 2017 Annual Report on Form 10-K for information regarding our calculation of Same Park NOI.

We believe these compensation targets fueled impressive 2017 performance that rewarded shareholders with a 10.3% TSR - a TSR that was 1.6% higher than the 2017 NAREIT Equity Index return of 8.7%. Our TSR also beat the NAREIT Equity Index and the S&P 500 index for the five-year, 10-year and 15-year periods ending December 31, 2017, averaging 13.0% in total annual return since 2002.

The Board recommends that shareholders approve the compensation of the Company’s NEOs disclosed in the following CD&A and compensation tables.

Although the shareholder vote on our executive compensation program is advisory and nonbinding on the Company, the Compensation Committee, which is responsible for designing and administering the compensation program, values the opinions expressed by shareholders. The Committee will consider and weigh heavily the outcome of the vote when making future compensation decisions.

**The Board recommends a vote FOR approval of our executive compensation as described in this proxy statement.**

## Proposal 2

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### Compensation Discussion and Analysis

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The following section summarizes our philosophy and objectives regarding the compensation of our NEOs, including how we determine the elements and amounts of executive compensation. This section should be read in conjunction with both its tabular compensation disclosures for NEOs for the year ended December 31, 2017, and the Compensation Committee Report, which can be found on page 43 of this proxy statement.

#### *Executive Summary*

The Compensation Committee's goal for our executive compensation program is to hire, retain and motivate our senior management to achieve solid financial results and create long-term shareholder value. Our NEOs are paid based on what the Compensation Committee considers appropriate in view of individual and corporate performance, competitive levels, and our objective of aligning individual and shareholder interests to maximize the value of our shareholders' investments in our securities over the long term. We believe that our compensation programs have been effective in helping the Company move towards its financial and operational goals.

In general:

- Our compensation program has helped establish a strong culture of performance, operational excellence and consistency, and enabled us to build a high-performing organization;
- We are a proven leader in our industry in delivering profitable growth and enhanced distributions to shareholders;
- Our compensation practices are consistent with the financial discipline that has allowed us to achieve and maintain exceptional financial strength; and
- Our business model and supporting compensation program are effective in achieving our objective of building long-term shareholder value.

In fiscal year 2017, senior management successfully grew occupancy and average rental rates and continued to commit to a conservative balance sheet

in minimizing the use of debt. Their efforts were directly responsible for the following results:

- Same Park rental rates for executed deals increased by 5.1% over 2016 levels;
- Total rental income increased by \$15.3 million, or 4.0%, over 2016 levels;
- NOI (excluding NOI from assets sold and held for development) and Same Park NOI both increased by 5.7% over 2016 levels;
- FAD increased by 2.2% over 2016 levels;
- Regular dividends increased by more than 13.3% over 2016 levels, from \$3.00 to \$3.40 per share;
- We maintained our S&P corporate credit rating of "A-," and we continue to be one of the highest rated REITs, ranking higher than all of our public company competitors; and
- Our TSR of 10.3% was higher than the NAREIT Equity Index return of 8.7%.

Based on these achievements and considerations, the Compensation Committee made the following compensation decisions for 2017:

- In connection with the departure of Mr. Russell in July 2016, the Compensation Committee determined in 2016 that he will still be entitled to receive 75% of any awards earned under the LTEIP with respect to the 2014 to 2017 cumulative performance period;
- Bonuses paid to the NEOs amounted to 90% of the total targeted opportunity, ranging from \$319,500 to \$405,000; and
- Each of the NEOs were issued RSU grants at the maximum level under the LTEIP.

On the other hand, in keeping with our conservative compensation philosophy and practices:

- Base salaries were maintained at 2016 levels;
- No stock options were awarded;
- No perquisites were provided to our NEOs that were not also available to other employees generally; and
- No “gross-ups” or other tax reimbursement benefits were provided to our NEOs.

We believe our compensation program for NEOs drove 2017 performance and will continue to drive improved Company performance. Accordingly, the Board recommends that shareholders approve the compensation of the Company’s NEOs, as disclosed pursuant to the SEC’s compensation rules, including the CD&A, the compensation tables and the narrative disclosures that accompany the compensation tables in this proxy statement.

### ***Our Executive Officers***

The following is a biographical summary of the current executive officer of the Company who is not also serving as a director:

**John W. Petersen**, age 54, has been Executive Vice President and Chief Operating Officer since he joined the Company in December 2004. Prior to joining the Company, Mr. Petersen was Senior Vice President, San Jose Region, for Equity Office Properties (EOP) from July 2001 to December 2004, responsible for 11.3 million square feet of multi-tenant office, industrial and R&D space in Silicon Valley. Prior to working for EOP, Mr. Petersen was Senior Vice President with Spieker from 1995 to 2001, overseeing the growth of that company’s portfolio in San Jose, through acquisition and development of nearly three million square feet. Mr. Petersen is a graduate of The Colorado College in Colorado Springs, Colorado, and was recently the President of the National Association of Industrial and Office Parks, Silicon Valley Chapter.

### ***Executive Officer Diversity***

Although we do not have and do not believe there is a need for a formal policy concerning diversity of executive officers, the Board seeks to ensure that a diversity of different experiences, backgrounds and viewpoints are represented in our management. Currently, our CEO is female and Hispanic, and the Board and management continue to be focused and committed to increasing diversity in ongoing succession planning discussions.

### ***Compensation Philosophy, Objectives and Process***

Our compensation goals are to hire, retain and motivate our senior management to create long-term shareholder value. We pay our NEOs a mix of cash and long-term equity compensation that we consider appropriate in view of individual and corporate performance, competitive levels, and our objective of aligning individual and shareholder interests to maximize the value of our shareholders’ investments in our securities over the long term.

In general, our compensation program for NEOs consists of: (1) a base salary; (2) short-term incentives in the form of annual cash bonuses; and, (3) long-term performance-and time-based incentives in the form of equity awards, which may be RSUs or stock options that vest upon continued service or the achievement of defined performance goals.

Annual and long-term incentive compensation for NEOs is designed to reward achievement of Company-wide performance goals by tying awards primarily to financial objectives such as growth in: (1) Adjusted FAD per common share; (2) Same Park NOI; (3) the Company’s internally calculated net asset value (NAV), which takes into account property-level performance, including capital expenditures; and, (4) dividend yields. Other corporate and individual objectives are also considered from time to time.

## Proposal 2

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Because each component of our compensation program is designed to accomplish or reward different objectives, historically and in 2017, the Compensation Committee determined the award of each component separately. Historically and in 2017, the Compensation Committee did not retain or rely on information provided by any third-party compensation consultant in setting compensation levels and awards for our NEOs.

The Compensation Committee considers corporate, business unit and individual performance generally, and, particularly with respect to our CEO's compensation, input from other Board members, including the Chairman of the Board. With respect to the compensation of the executive officers who report to our CEO, the Compensation Committee also considers the recommendations of our CEO.

### ***Focus on Pay for Performance***

The guiding principle of our executive compensation philosophy is to pay for performance and incentivize our executive officers to create long-term shareholder value. Performance bonuses and long-term, equity-based compensation vary based on the Company's achievement of financial and operational goals and on each executive's contributions to such achievement. This link between incentive payouts and achievement of goals has helped drive our strong and consistent performance year after year.

### ***Emphasis on Long-Term Compensation and At-Risk Pay***

The Compensation Committee strives to provide an appropriate mix of different compensation elements, with an emphasis on long-term compensation. Cash payments primarily reward more recent performance, while equity awards serve as a retention tool and incentivize our NEOs to continue to deliver results over a longer period of time. In particular, the Compensation Committee specifically designed the LTEIP to focus management on the longer term by including a performance retesting component. This allows management to earn, upon achievement

of performance targets over the four-year period covered by the plan, awards that were not granted in years in which the threshold annual award level was not achieved. This feature was not triggered from inception to conclusion of the four-year LTEIP performance period.

In addition, the Compensation Committee believes that a substantial portion of our NEO's compensation should be at-risk, contingent on the Company's operating performance and growth in shareholder returns over the long-term.

### ***Assessment of Individual Contributions to Overall Performance***

The Compensation Committee's evaluation of each NEO places strong emphasis on his or her contributions to the Company's overall performance rather than focusing only on his or her individual business or function. The Compensation Committee believes that the NEOs share responsibility to support the goals and performance of the Company as a whole.

### ***Long-Term Financial Performance***

The Company has delivered strong financial performance over a sustained period of time, increasing FAD over the last six years, and total and Same Park NOI over the last seven years. The Compensation Committee believes that our compensation program, structured on the philosophy and objectives outlined above, is a key driver of the Company's strong performance over the long term.

The Compensation Committee made all final compensation decisions for NEOs in 2017, which were ratified by the Board thereafter. For more information on the Compensation Committee and its responsibilities, see "Corporate Governance and Board Matters – Committees of the Board of Directors – Compensation Committee" on page 20.

### ***Sound Governance Practices***

In designing our executive compensation around the philosophy and objectives outlined above, the Compensation Committee believes that our program encourages the highest performance standards and aligns the interests of our NEOs with the long-term interests of our shareholders by:

- Keeping our NEOs focused on delivering industry-leading results over long periods of time, aligned with the Company's business model;
- Aligning the financial gains and losses of each NEO with the long-term experience of shareholders; and
- Supporting retention and continuity of leadership.

At the same time, the following features in our program discourage inappropriate risk taking:

- Extensive stock holding requirements;
- Total compensation that is heavily weighted towards equity with long vesting periods;
- No employment contracts or change-in-control arrangements;
- No guaranteed bonuses other than for new hires; and,
- No additional grants to balance changes in value of prior grants.

### ***Elements of Compensation***

To achieve our compensation objectives, we believe that total executive compensation should be balanced among the following components: (1) a competitive annual base salary; (2) short-term performance-based incentive opportunities in the form of bonuses that are generally paid in cash; and, (3) long-term performance-based incentive opportunities that correlate with shareholders' long-term financial objectives.

#### ***Annual Base Salary***

Base salaries provide a competitive level of fixed compensation to attract and retain the best possible executive talent. We establish base salaries for NEOs at levels sufficient to achieve our hiring and retention goals. However, a significant portion of the total annual cash compensation such executives can earn consists of performance-based awards through our annual performance-based cash bonus program.

Base salaries are set based on factors that include competitive conditions in the local market, an individual's performance and responsibilities and the business judgment of the members of the Compensation Committee. The factors considered also include input from other Board members, including the Chairman of the Board, particularly with respect to our CEO, and the recommendations of our CEO for the other NEOs.

In general, the Compensation Committee reviews base salaries every two years for the NEOs.

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### ***Short-Term Performance-Based Bonus Awards***

Our annual performance-based cash bonus program provides an opportunity to reward NEOs for performance during the fiscal year. It is generally based on the achievement of corporate and individual performance goals, or a combination of the two. The corporate performance goals relate to one or more of the following financial factors: growth in Adjusted FAD; growth in Same Park rental income; growth in Same Park NOI; and/or, the maintenance of targeted levels of property-level returns after capitalized transactional expenditures. Achievement of other operational and financial goals may also be included from time to time. Individual performance goals vary from year to year, depending on management's and the Compensation Committee's determination of the most effective areas of focus in driving shareholder return.

We have had a long history of setting annual incentive award targets at around one times base salary, but this does not preclude the Compensation Committee from approving higher or lower annual incentive awards. The actual awards are determined by the Compensation Committee after determining whether the targeted corporate performance metrics have been achieved and, with respect to individual and other goals, considering the recommendations of our CEO with respect to the performance of the other NEOs. In addition, the Compensation Committee solicits the views of the Chairman and the Board, particularly with respect to the performance of our CEO. The Compensation Committee has the discretion to increase or reduce the amount of any actual award based on those factors that the Compensation Committee considers appropriate.

### ***Long-Term Performance and Time-Based Equity Compensation***

Equity awards are long-term incentives designed to reward long-term growth in shareholder returns. We believe these awards help retain executives because they achieve their maximum value only if the price of our Common Stock increases after the date of grant

and the executive continues to be employed by us for a period of years. In general, equity awards are

granted only after the Compensation Committee has determined that the applicable performance goals have been achieved. Granted awards vest ratably in installments over the period of time, and pursuant to other terms and conditions, specified in the grant or applicable compensation plan. The Compensation Committee has generally granted only RSUs and stock options, and has the discretion to award a mix of both to executive officers.

### ***Stock Options***

Stock options have value solely to the extent that the price of our Common Stock is greater than the exercise price of the option at the time of exercise. Options help us retain executive officers in that options vest over a multi-year period and achieve their maximum value to the executive only if he or she remains in the Company's employ for a period of years.

Stock options are granted with an exercise price of not less than 100% of the fair market value of our Common Stock on the date of grant, which ensures that the executive officer does not profit from the option unless the price of our Common Stock increases after the grant date.

The Compensation Committee determines stock option award levels to the NEOs in its discretion, considering input from other Board members with respect to stock option awards to our CEO, recommendations of our CEO with respect to awards to the other NEOs, the executive's responsibilities and performance and equity awards at other companies, including REITs, of a comparable size and market capitalization.

## **RSUs**

RSUs increase in value as the value of our Common Stock increases, and vest over time, provided that the executive officer remains employed at the Company.

Awards of RSUs serve the Compensation Committee's objectives of retaining executive officers and other employees and motivating them to advance the interests of the Company and its shareholders. Unlike stock options, RSUs retain some value even in persistently declining markets, and may be particularly important to the Company during difficult market conditions because of their value in retaining executive talent at times when we may need it most. In addition, to better align the interests of our NEOs with those of our shareholders, vested RSUs, but not vested options, count toward the determination of whether the respective stock ownership guidelines have been satisfied.

The Compensation Committee does not set awards based on a fixed weighting between stock options and RSUs. However, it may determine not to award stock options or RSUs during certain periods.

## **Equity Grant Practices**

Equity grants to all of our executive officers, including the NEOs, must be approved by the Compensation Committee, which consists entirely of independent directors.

- Historically, equity awards to executive officers have vested over an extended period, which the Compensation Committee believes furthers the goals of retention and motivation over the long-term;
  - With respect to awards of performance-based RSUs to the NEOs other than our CEO, the Compensation Committee determines award levels based on recommendations from our CEO, taking into consideration each individual's responsibilities and performance, as discussed in more detail below;
  - In 2017, the Compensation Committee approved a pool of 5,000 RSUs to be granted under authority of Ms. Hawthorne, the Company's President and CEO, to new employees or employees promoted by the Company who are not executive officers of the Company. These awards are typically granted on the first trading day of the month following the hire or promotion date, and vest in equal annual installments over five years; and
  - Equity grants to other non-executive officers may be made at other times during the year, but are not timed in coordination with the release of material non-public information. These awards typically vest in equal annual installments over five years.
- Grants occur only at meetings or upon written actions of the Board or the Compensation Committee (including telephonic meetings), and are made effective as of the date of the meeting or written action, or a future date if appropriate (such as in the case of a new hire);
  - Equity awards to executive officers are not timed in coordination with the release of material non-public information. Awards are also subject to the terms of our 2012 Equity and Performance-Based Incentive Compensation Plan (the 2012 Plan);

## Proposal 2

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### Our Key Governance Practices

Our executive compensation program is designed to align executive performance with the long-term interests of shareholders and is regularly reviewed to ensure that our compensation policies and practices continue to support the needs of our business, create value for shareholders and reflect sound governance practices.

Below is a summary of our key governance practices as they relate to executive compensation:

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#### ✓ **What We Do**

- ✓ **Align pay with performance by putting a substantial portion of our NEOs' compensation "at risk."** Over 70% of 2017 NEO realized compensation was tied to the achievement of performance goals that are key drivers to the success of our business.
  - ✓ **Promote retention and increase long-term shareholder value.** Equity award grants to NEOs vest ratably over a time period of at least 4 years.
  - ✓ **Mitigate undue risk in our executive compensation program.** Financial targets for bonuses typically are based on multiple metrics to avoid inordinate focus on any particular metric. In addition, the Board and management do not establish any earnings targets for cash bonus awards, and management does not give earnings guidance to analysts. Also, bonus payments are capped at a maximum payout level.
  - ✓ **Stock ownership guidelines for executive officers.** In 2015, the Company implemented minimum stock ownership guidelines of 5X annual base salary for our CEO and 3X annual base salary for all of our other NEOs. All of our NEOs who have been with the Company at least five years exceed his/her stock ownership requirement.
  - ✓ **Pay a high percentage of executive compensation in equity.** Our NEOs receive a higher percentage of their total compensation in equity, thus aligning their interests more closely with those of our shareholders, than their peers in the industry.
  - ✓ **Clawback of equity awards.** Awards granted pursuant to our 2012 Plan are subject to mandatory repayment by the grantee to the Company if the grantee is or becomes subject to any clawback requirement under applicable laws.
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#### ⊘ **What We Don't Do**

- ⊘ **No employment or "golden parachute" agreements with our NEOs.**
- ⊘ **No guaranteed bonus arrangements with our NEOs** except in connection with new hires as inducement to attract the best candidates.
- ⊘ **No repricing of stock options.**
- ⊘ **No excessive perquisites.** Except for perquisites that are available to employees generally such as holiday emoluments, anniversary awards and contributions to the 401(k) Plan, the Company does not offer perquisites to our NEOs.
- ⊘ **No tax gross ups.** The Company does not provide "gross-ups" or other reimbursements of golden parachute or other taxes to its NEOs.
- ⊘ **No supplemental retirement plans.** The Company does not provide any nonqualified deferred compensation or supplemental retirement benefits to our NEOs, other than providing executives the opportunity to defer receipt of shares that otherwise would be paid on vesting of certain RSUs.

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**Executive Officer Stock Ownership Guidelines**

The Board implemented stock ownership guidelines for NEOs effective April 28, 2015. Each NEO is expected to beneficially own Common Stock equal in market value to a specified multiple of his or her annual base salary. The guideline for the CEO is five times his or her base salary and for the other NEOs is three times his or her base salary. All of our NEOs who have been with the Company at least five years exceed his/her stock ownership requirement.

Only shares of Common Stock (1) owned by the executive, (2) owned jointly by him/her and his/her spouse, (3) owned by his/her spouse, (4) held by him/her in the 401(k) Plan and (5) held in custodial accounts or trust for him/her or for his/her spouse and/or children are counted for determining compliance with these guidelines. Unvested time-based RSUs and in-the-money value of vested options are NOT counted for determining compliance with these guidelines.

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**2017 Executive Compensation****2017 Company Performance**

**Execution on Strategy.** During 2017, management successfully executed on the Company's strategy of improving occupancy and rental rates. Optimized occupancy gives us the ability to adjust rents and transaction costs aggressively in response to changing conditions, thereby accelerating company financial performance and operating metrics. In addition, we continued to commit to a conservative balance sheet in minimizing the use of debt. Management's successful execution on these strategies enabled the Company to deliver solid results on several fronts during the year, including the following:

**Key Financial Metrics**

- Management's initiatives to grow occupancy over 2016 levels, continued to result in growing rental rates on executed deals, increasing Same Park rates by 5.1% over 2016 levels;
- NOI (excluding NOI from assets sold and held for development) and Same Park NOI both increased

by 5.7% over 2016 levels, through increases in weighted average occupancy, average rents,

reductions in cost and income from parks acquired in 2016; and

- FAD increased by 2.2% over 2016 levels.

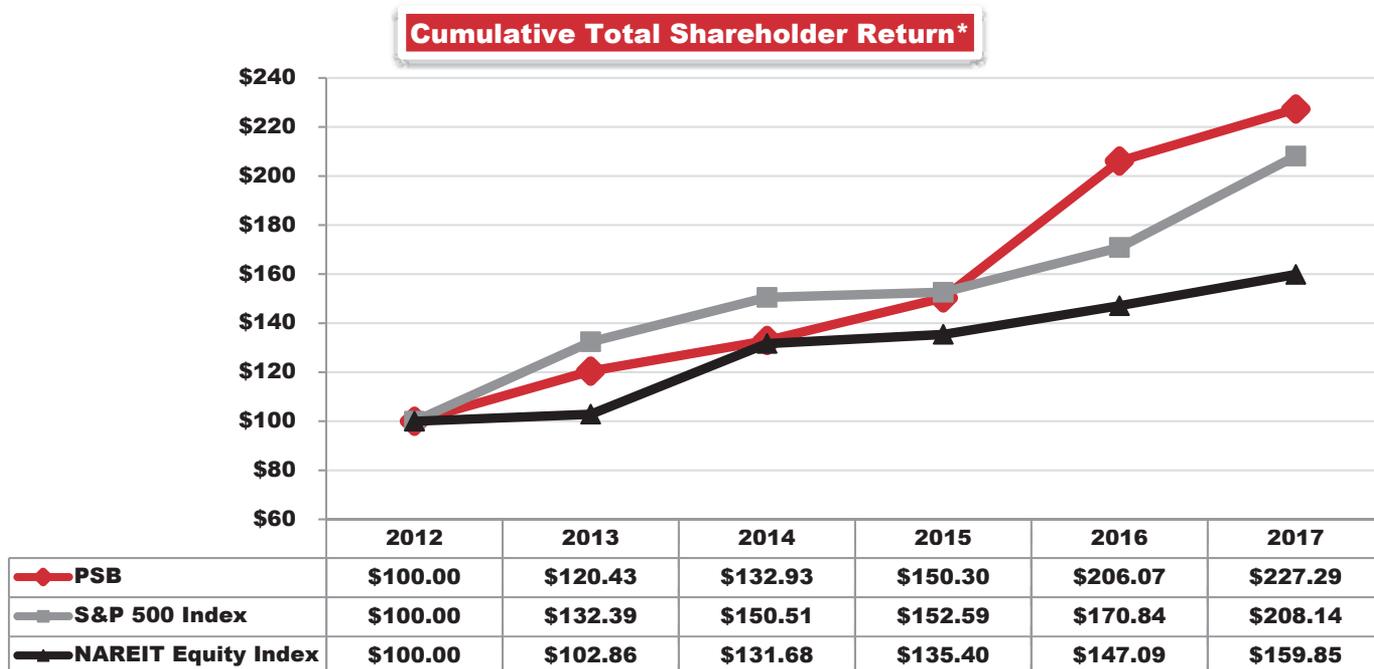
**Strong Dividend Growth and Financial Discipline**

- Regular dividends increased by more than 13.3% over 2016 levels, from \$3.00 to \$3.40 per share;
- The Company continues to enjoy one of the lowest leverage levels in the REIT industry;
- By virtue of our historically low leverage, a consistently conservative financial posture and robust earnings capability, we maintained our S&P corporate credit rating of "A-"; and
- We continue to be one of the highest rated REITs by S&P, higher than all of our public company competitors.

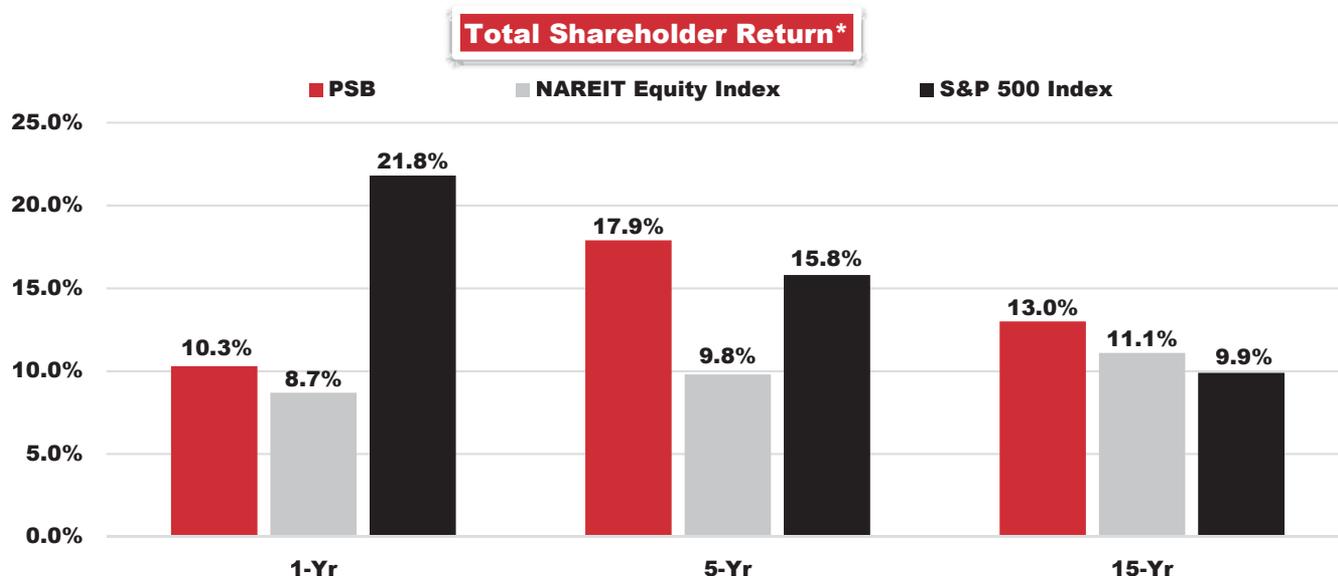
## Proposal 2

**Total Shareholder Return.** We believe our compensation program for executive officers helped drive our strong performance in 2017, rewarding the Company's shareholders with a 10.3% TSR during 2017. This was higher than the NAREIT Equity Index return of 8.7%. In addition, our TSR beat the NAREIT Equity Index and the S&P 500 indices for the 15-year period ending December 31, 2017, averaging 13.0% in TSR per year since 2002. The exhibit below shows our TSR expressed as cumulative return to shareholders since December 31, 2012, and illustrates that \$100 invested in PS Business Parks on December 31, 2012 would have been valued at \$227.29 as of December 31, 2017.

### Sustained Shareholder Value (TSR)



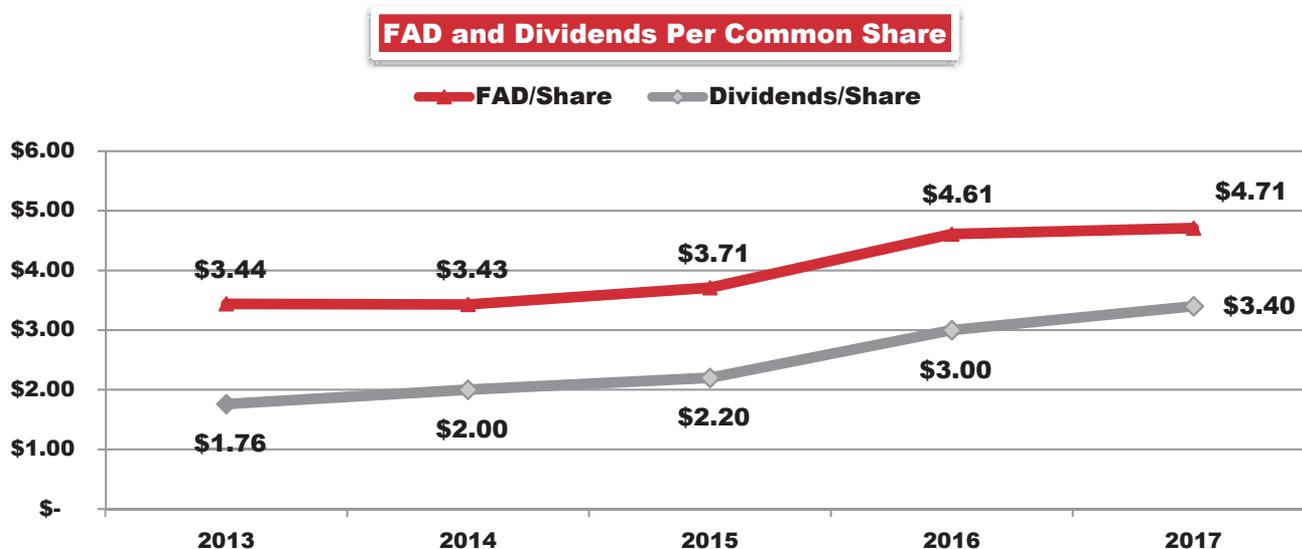
### Superior TSR Performance Over the Long Term



\*TSR assumes price appreciation plus reinvestment of dividends

**FAD and Shareholder Distributions.** In 2017, we grew our FAD per common share by 2.2% over 2016 levels, which increased our capacity for investments in the business. Annual dividends per common share paid in 2017 also grew by more than 13.3%. The following chart shows the growth achieved by PS Business Parks in these two metrics over a five-year period.

**Consistent Growth in FAD and Dividends per Common Share**



\*Refer to Appendix A to this Proxy Statement for reconciliation and other information.

**Pay Ratio Disclosure**

Presented below is the ratio of annual total compensation of our President and CEO, Maria R. Hawthorne (as disclosed in the Summary Compensation Table below in this proxy statement), to the annual total compensation (Form W-2 wages) of our median employee (excluding Ms. Hawthorne). The ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K under the Securities Exchange Act of 1934, as amended (the Exchange Act).

We selected the median employee based on the Company’s 158 employees as of December 31, 2017. In identifying our median employee, we calculated the annual total compensation of each employee as of December 31, 2017 based on Form W-2 information. We did not apply any cost-of-living adjustments as part of the calculation.

The 2017 annual total compensation for our CEO, as disclosed in the Summary Compensation Table below in this proxy statement, and as determined under Item 402 of Regulation S-K, was \$866,601. The 2017 annual total compensation for our median employee, as determined under Item 402 of Regulation S-K, was \$73,559. The ratio of our CEO’s annual total compensation to our median employee’s total compensation for fiscal year 2017 is 11.78 to 1.

**Factors Considered by the Compensation Committee in its Compensation Decisions for 2017**

**2017 Advisory Vote to Approve Executive Compensation.** We believe our executive compensation program is appropriately structured to achieve our objective of driving growth in long-term shareholder value.

## Proposal 2

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### **Role of Management and Compensation**

**Committee Meetings.** In general, our CEO attends all meetings of the Compensation Committee at which (i) compensation of the other NEOs or other employees is discussed and/or (ii) Company-wide compensation matters, such as the consideration of new equity plans, are discussed.

Our CEO does not vote on items before the Compensation Committee. As discussed in more detail below, the Compensation Committee solicits our CEO's views on the performance of the executive officers reporting to her, including each of the other NEOs. In general, the Compensation Committee sets the compensation for the other NEOs after consideration of the recommendations prepared by our CEO with respect to appropriate amounts to reward and incentivize each NEO. The Compensation Committee solicits the views of the Chairman of the Board and other Board members, particularly with respect to compensation for our CEO.

The Compensation Committee met five times during 2017. Ms. Hawthorne attended a portion of most of the meetings but did not participate in the deliberations of the Compensation Committee with respect to setting her own compensation.

### **2017 Compensation Targets**

The Compensation Committee designed its incentive compensation programs for 2017 to focus management on growing our business.

**2017 Annual Cash Incentive Thresholds and Targets.** In February 2017, the Compensation Committee met to determine the appropriate performance thresholds and target amounts for 2017 annual incentive bonuses in order to properly incentivize senior management with respect to 2017 performance. The thresholds represent the minimum performance levels that must be achieved in order for senior management to be qualified for awards of 2017 annual incentive bonuses at the target amounts.

After consideration of the Company's strategic goals and input from Ms. Hawthorne and other Board members, including the Chairman of the Board, the Compensation Committee established the following as the performance thresholds for payment of senior executive bonuses: (i) at least 5.0% growth in 2017 Adjusted FAD from 2016 Adjusted FAD and (ii) at least 2.0% growth in 2017 Same Park NOI from 2016 Same Park NOI. These financial metrics were selected by the Compensation Committee because of their importance to both the PS Business Parks senior executive team and to investors. And consistent with our long history of setting annual incentive award targets at around one time base salary (although this does not preclude the Compensation Committee from approving higher or lower annual incentives awards), 2017 bonus target amounts were established at 100% of base salary for each executive officer.

For purposes of determining performance metrics, Adjusted FAD is calculated after FAD is computed. FAD is computed by adjusting consolidated Funds From Operations (FFO) for recurring capital improvements, which the Company defines as those costs incurred to maintain the assets' value, tenant improvements, lease commissions, straight-line rent, stock compensation expense, impairment charges, amortization of lease incentives and tenant improvement reimbursements, in-place lease adjustment and the impact of EITF Topic D-42. Consolidated FFO is computed as net income, before depreciation, amortization, minority interest income, gains or losses on asset dispositions and nonrecurring items. For purposes of calculating the FAD bonus target amounts, 2017 FAD was adjusted by a number of factors, including adjustments made to neutralize the impact of: (i) maintenance capital expenditures; (ii) income, capital and expenses incurred in connection with asset dispositions in 2017; and, (iii) cash paid for taxes in lieu of shares.

In determining whether the bonus paid is to be at, above or below the target bonus amount, the Compensation Committee will solicit the views of the CEO (with respect to the other NEOs) and the Chairman and the Board (with respect to the CEO), taking into account the performance of each NEO, including achievement of individual performance goals and other factors deemed relevant by the Compensation Committee.

In addition, the Compensation Committee set the maximum 2017 bonus payout for NEOs at five times base salary in consideration of Section 162(m). However, this does not represent a potential award that the Compensation Committee has historically granted, or intends to grant, in its discretion.

**2017 Equity-Based Compensation Targets.** The equity-based compensation opportunity afforded our executive officers in 2017 was limited to RSU awards that might be earned under the LTEIP that was adopted in March 2014 and expired at December 31, 2017.

Under the LTEIP, NEOs were eligible to receive two opportunities to earn awards of RSUs if the Company achieved targeted increases in total return (defined as growth in NAV, which takes into account property-level performance, including capital expenditures, together with dividend yields) over annual and cumulative four-year performance periods. These return levels were determined by the Compensation Committee to be challenging but achievable.

The maximum number of RSUs available to award to NEOs over the four-year performance period under the LTEIP were 263,750. Annual RSU awards were made following performance periods, and a cumulative RSU award at the conclusion of the four-year performance period was recently made in March 2018 based on total return achieved over the 2014 to 2017 period. Executive officers had the opportunity to earn up to 20% of the potential RSU awards made under the LTEIP for each year in the four-year performance period if the maximum performance level was achieved for that year, with the actual

number of RSUs awarded each year determined based on achievement of threshold, target and maximum levels of total return. The final 20% of the potential RSU awards were established to be allocated to the cumulative award at the end of the performance period. Awards vest ratably over four years beginning on the date of the award. Participants received dividends on RSUs during the vesting period.

Only if the Company's total return did not meet the threshold performance level for any year in the performance period, a number of RSUs equal to the maximum number of RSUs available for that year were added to the cumulative pool of RSUs available for award at the end of the performance period (i.e., if the threshold level was achieved for any performance period, any shortfall between the number of RSUs at the maximum award level and what was actually earned for that performance period were forfeited and not added to the available pool for the cumulative performance period). This performance retesting component was designed by the Compensation Committee to focus management on the longer four-year time frame, in keeping with the Company's compensation philosophy. However, no RSUs were added to the cumulative award over the course of the four-year performance period of the LTEIP, as the Company achieved at least the threshold award level every year of the LTEIP term.

## Proposal 2

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### 2017 Compensation Decisions

In February 2018, the Compensation Committee considered that (i) Adjusted 2017 FAD was \$175.6 million, a 6.6% increase over 2016, (ii) 2017 Same Park NOI was \$14.5 million, a 5.7% increase over 2016 and (iii) the highest total return level under the LTEIP was achieved for 2017. As a result, the Compensation Committee made the following decisions with respect to 2017 compensation:

- Base salaries remain unchanged from 2015 levels except for Ms. Hawthorne, whose base salary was previously increased to \$450,000 in 2016 in connection with her promotion to CEO;
- As a result of management's achievement of 6.6% growth in 2017 Adjusted FAD and 5.7% growth in Same Park NOI, bonuses paid to the NEOs for 2017 amounted to 90% of their total targeted opportunity (\$319,500 to \$405,000);
- Annual total return as computed under the LTEIP (growth in NAV, which takes into account property-level performance, including capital expenditures, together with dividend yields) was 14.1%, qualifying management for grants of RSUs at the maximum level under the plan. As a result, 48,000 performance-based RSU awards were granted to the NEOs in March 2018 for performance in 2017 and the 2014-2017 period; and
- No stock options were awarded to the NEOs during 2017.

In evaluating management's performance, the Compensation Committee placed significant weight on their strategic decisions that correctly anticipated changing economic conditions, their successful execution on that strategy and their unwavering financial discipline. Our management team, with Ms. Hawthorne as its leader in particular, successfully oversaw and navigated the Company through these challenges. And Ms. Hawthorne did so while serving in a dual capacity as interim Chief Financial Officer

since September 1, 2017. In keeping with its compensation philosophy of emphasizing and rewarding long-term performance, the Compensation Committee avoided placing inordinate emphasis on strict year-over-year comparisons in any specific financial metric, such as rental income or net income, as they are in part skewed by one-time and non-recurring events and do not reflect management's long-term strategic focus. As such, the Compensation Committee believes that the Company's 2017 executive compensation is fully aligned with performance.

**Base Salaries.** The Compensation Committee typically reviews base salaries for increases every two years. In 2017, the Compensation Committee considered but did not make any adjustments to base salaries originally established in July 2013, except that Ms. Hawthorne's base salary was increased to \$450,000 in connection with her promotion to CEO in July 2016. As such, the base salary of Mr. Petersen remains at its 2013 level of \$355,000.

**Annual Cash Incentives.** Based on the achievement of the annual incentive performance targets set for 2017, the Compensation Committee awarded bonuses to all NEOs at 90% of their bonus potential in the following amounts: \$405,000 for Ms. Hawthorne; and, \$319,500 for Mr. Peterson. Because these awards were based on pre-established performance goals, they are presented in the Summary Compensation Table on page 44 as "Non-Equity Incentive Plan Compensation."

**Equity-based Compensation.** In February 2018, the Compensation Committee considered that the management achieved 14.1% in annual total return and 13.4% in average annual total return over the four years prior, as computed under the LTEIP. This result qualified executive officers for equity-based compensation at the maximum level. Accordingly, each of the NEOs received grants in March 2018 at the maximum level, based on performance in 2017 and the four years prior.

The following table shows the number of RSUs that may be awarded to our NEOs in respect of a given year and over the four-year averaging period assuming the Company's achievement of threshold, target and maximum performance levels of total return for each performance period. The table also shows the maximum number of RSUs each NEO had the opportunity to earn under the LTEIP. The RSUs available for award under the LTEIP were allocated among the CEO and the other NEO based on the Compensation Committee's subjective assessment of each individual's relative responsibilities and contributions to the Company's total returns. With respect to the allocations to the NEO other than Ms. Hawthorne, the committee also considered the recommendations of Ms. Hawthorne.

Name	Potential Annual RSU Awards under the LTEIP, by Total Return Performance Level (1)			Total Number of RSUs Available for Award to Each NEO under the LTEIP, Assuming Maximum Performance Level
	Threshold	Target	Maximum	
Maria R. Hawthorne	8,000	10,286	12,000	60,000
John W. Petersen	8,000	10,286	12,000	60,000

(1) For purposes of the cumulative RSU awards, assumes that the Company's total return met at least the threshold performance level in each of the individual years in the performance period such that none of the potential RSU awards for an individual year was added to the cumulative award at the end of the performance period.

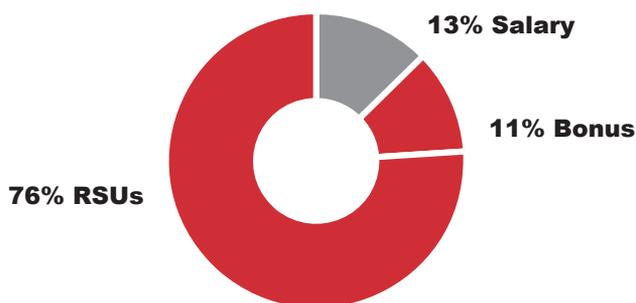
### Performance-Based and At-Risk Compensation

The following charts depict 2017 realized compensation for our CEO, and for our other NEO, the split between (i) compensation that is tied to the achievement of performance goals, consisting of long-term equity incentive compensation in the form of RSUs and short-term non-equity incentive compensation in the form of cash bonuses and (ii) compensation that is not tied to performance goals, consisting of base salary and all other compensation. We believe that paying a significantly larger percentage of total compensation to our CEO and other NEOs in performance-based cash and equity awards, as depicted below, properly aligns with our compensation objectives.

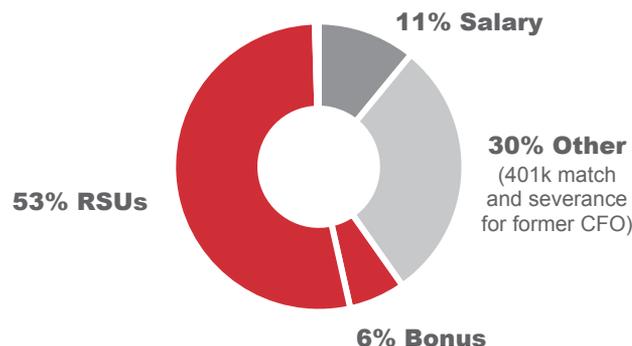
## Proposal 2

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### 2017 CEO Realized Compensation 87% "At-Risk"\*



### 2017 Other NEO Realized Compensation 59% "At Risk"\*



\* Based on realized compensation as disclosed in the Realized Compensation Table in footnote 7 to the Summary Compensation Table section of this proxy statement. Refer to Appendix B to this proxy statement for a calculation of 2016 CEO compensation for purposes of year-over-year comparisons and analyses.

## 2018 Compensation Outlook

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The Compensation Committee believes the Company is well-positioned as a result of management's focus and successful execution over the last several years. Given these expectations, the Compensation Committee met in February and March 2018 and made the following decisions for 2018 NEO compensation:

- NEO base salaries are to be maintained at 2017 levels;
- Consistent with our historical practice, 2018 bonus target amounts are set at 100% of base salary for each executive officer if performance targets are achieved;
- The threshold for the payment of bonuses is again tied to achieving targeted levels of growth in Same Park NOI and Adjusted FAD;
- In determining whether the bonus is to be at, above or below the target bonus amount, the Compensation Committee will solicit the views of the CEO (with respect to the other NEOs) and the Chairman of the Board (with respect to the CEO), taking into account the performance of each NEO, including achievement of individual performance goals and other factors deemed relevant by the Compensation Committee; and
- In recognition of her achievements since assuming the President and CEO position and her ongoing responsibilities as interim Chief Financial Officer, and in light of retention considerations given current competitive dynamics, in March 2018 the Compensation Committee issued a one-time award to Ms. Hawthorne of 25,000 RSUs, which will vest in equal annual installments over five years.

## **Compensation Committee Report**

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The Compensation Committee of the Board of PS Business Parks, Inc. has reviewed and discussed the foregoing CD&A with management. Based on this review and discussion, the Compensation Committee recommended to the Board that the CD&A be included in this proxy statement and in the Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

This report is provided by the following independent directors who comprise the Compensation Committee:

### **THE COMPENSATION COMMITTEE**

James H. Kropp, Chair

Jennifer Holden Dunbar

Robert S. Rollo

## Proposal 2

### Executive Compensation Tables

The following table sets forth certain information concerning the compensation paid for the years ended December 31, 2017, 2016, and 2015 to the Company's principal executive officer, principal financial officer and the one other most highly compensated person who was serving as executive officers of the Company on December 31, 2017. These three positions constitute all the Company's NEOs.

#### I. Summary Compensation Table

Name and Principal Position	Year	Salary (1)	Bonus	Stock Awards (2)	Option Awards (2)(3)	Non-Equity Incentive Plan Compensation (4)	All Other Compensation (5)(6)	Total (8)
<b>Maria R. Hawthorne</b>	2017	\$450,801	-	-	-	\$405,000	\$10,800	\$866,601
President and CEO (7)	2016	425,801	-	1,057,600	235,250	450,000	10,600	2,179,251
	2015	353,204	-	-	-	368,000	10,600	731,804
<b>John W. Petersen</b>	2017	355,801	-	-	-	319,500	10,800	686,101
Executive Vice President and Chief Operating Officer	2016	355,801	-	-	-	355,000	10,600	721,401
	2015	355,801	-	-	-	310,000	10,600	676,401
<b>Edward A. Stokx</b>	2017	202,859	-	-	-	-	1,510,800	1,713,659
Former Executive Vice President, Chief Financial Officer and Secretary (through August 2017)	2016	275,801	-	-	-	275,000	10,600	561,401
	2015	275,801	-	-	-	230,000	10,600	516,401

- (1) Includes an amount of \$801 per annum in holiday emoluments paid to each NEO (except Mr. Stokx, who resigned as of August 31, 2017; see footnote (6) below), a benefit provided to all employees. Ms. Hawthorne's annual salary for 2016 was \$400,000 through June 30, 2016 and \$450,000 thereafter.
- (2) The amounts for equity awards reflect the grant date fair value. For a more detailed discussion and assumptions used in valuing the awards, refer to Note 11 to the Company's audited financial statements for the fiscal year ended December 31, 2017, included in the Form 10-K filed with the SEC on February 26, 2018.
- (3) The amount shown for Ms. Hawthorne in 2016 represents the grant date fair value of options to acquire 25,000 shares of Common Stock awarded in connection with her appointment to CEO in July 2016.
- (4) Includes amounts earned pursuant to the Company's annual incentive award program.
- (5) All Other Compensation for 2017 consists of Company contributions to the 401(k) Plan (4% of the annual cash compensation up to a maximum of \$10,800 in 2017).
- (6) In addition to the Other Compensation referenced in (5) above, Mr. Stokx received a one-time severance payment of \$1,500,000 in connection with his resignation effective August 31, 2017.
- (7) Upon Mr. Stokx's retirement as CFO effective August 31, 2017, Ms. Hawthorne was appointed and still serves as acting CFO pending the appointment of a successor CFO.
- (8) In evaluating our NEOs' compensation, we believe it is important to understand not only the potential value of performance-based equity incentive awards at the time they are granted, but also the value of performance awards actually earned in a particular year. The Realized Compensation Table below supplements and is identical to the Summary Compensation Table above, except with respect to the method used to value stock awards subject to performance vesting. SEC rules require that the grant date fair value of all stock awards be reported in the Summary Compensation Table for the year in which they were granted. As a result, even though certain awards, like the LTEIP, are subject to multi-year performance vesting conditions and are meant to incentivize performance over multiple years, for purposes of the Summary Compensation Table they are only included in the year of grant, and the amounts are based on estimated future results rather than actual amounts earned. In contrast, the Realized Compensation Table below shows the value of performance-based stock awards actually earned based on performance as of the end of a particular year. See Note 2 above for additional information.

#### Realized Compensation Table

Name and Principal Position	Year	Salary (1)	Bonus	Stock Awards	Option Awards (3)	Non-Equity Incentive Plan Compensation (4)	All Other Compensation (5)	Total
<b>Maria R. Hawthorne</b>	2017	\$450,801	-	\$2,712,480	-	\$405,000	\$10,800	\$3,579,081
	2016	425,801	-	2,402,560	235,250	450,000	10,600	3,524,211
	2015	353,204	-	1,168,320	-	368,000	10,600	1,900,124
<b>John W. Petersen</b>	2017	355,801	-	2,712,480	-	319,500	10,800	3,398,581
	2016	355,801	-	1,344,960	-	355,000	10,600	2,066,361
	2015	355,801	-	1,168,320	-	310,000	10,600	1,844,721
<b>Edward A. Stokx</b>	2017	202,859	-	-	-	-	1,510,800	1,713,659
	2016	275,801	-	1,120,800	-	275,000	10,600	1,682,201
	2015	275,801	-	973,600	-	230,000	10,600	1,490,001

II. Grants of Plan-Based Awards

The following table sets forth certain information relating to grants of plan-based awards to the NEOs in 2017.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)		Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$ Sh)	Grant Date Fair Value of Stock Awards (\$)
		Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
Maria R. Hawthorne	03/03/17	\$450,000	-	-	-	-	-	-	-
John W. Petersen	03/03/17	\$355,000	-	-	-	-	-	-	-
Edward A. Stokx (2)	03/03/17	\$275,000	-	-	-	-	-	-	-

(1) Amounts shown in these columns represent the range of possible annual cash incentive payouts pursuant to the PS Business Parks performance-based compensation plan based upon achievement of 2017 performance targets. Actual payouts are shown in the “Non-Equity Incentive Plan Compensation” column in the Summary Compensation Table on page 44.

(2) Mr. Stokx retired effective August 31, 2017 so Mr. Stokx did not realize his potential payout.

## Proposal 2

### III. Option Exercises and Stock Vested in 2017

The following table provides information about options exercised by the NEOs during the fiscal year ended December 31, 2017.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (2)
<b>Maria R. Hawthorne</b>	-	-	10,400	\$ 1,208,256
<b>John W. Petersen</b>	7,500	\$ 588,689	8,600	965,754
<b>Edward A. Stokx</b>	7,000	500,484	7,066	793,201

(1) Value realized on exercise represents the difference between the closing price of our common stock on the NYSE at the date of exercise and the exercise price of the options. Does not reflect any tax or other required withholdings.

(2) Value realized was calculated by multiplying the number of shares vesting by the closing price of our common stock on the NYSE on the vesting date as follows:

Name	RSU Vesting Date	Fair Market Value of RSUs (\$)
<b>Maria R. Hawthorne</b>	02/22/17	\$ 46,076
	03/15/17	896,640
	07/01/17	265,540
<b>John W. Petersen</b>	02/22/17	69,114
	03/15/17	896,640
<b>Edward A. Stokx</b>	02/22/17	46,076
	03/15/17	747,125

**IV. Outstanding Equity Awards at Year-End**

The following table sets forth certain information concerning outstanding equity awards held by the NEOs at December 31, 2017.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#) (1)	Market Value of Shares of Stock that Have Not Vested (2)
Maria R. Hawthorne	5,000	20,000	\$ 105.76	07/01/26	25,400	\$ 3,177,286
John W. Petersen	20,000	-	50.63	03/15/20	17,600	2,201,584

(1) All unvested RSUs were granted on (i) February 22, 2012, which RSUs vest on February 22, 2018, (ii) March 15, 2015, which RSUs vest on March 15, 2018, (iii) March 15, 2016, which RSUs vest on March 15, 2018 and 2019, (iv) July 1, 2016, which RSUs vest on July 1, 2018, 2019, 2020 and 2021 and (v) March 15, 2017, which RSUs vest on March 15, 2018, 2019 and 2020.

(2) Assumes a price of \$125.09 per share, the closing price for our common stock on the NYSE as of December 29, 2017.

### V. Potential Payments Upon Termination or Change of Control

**Payments Upon Termination.** We do not have a formal severance or retirement program for payments on termination of employment through voluntary or involuntary termination, other than as specifically set forth in the 2012 Plan, the 2003 Stock Option and Incentive Plan (the 2003 Plan), the 401(k) Plan or as required by law. These include:

- vested stock options following a voluntary termination of employment must be exercised within 30 days following the individual's last date of employment;
- amounts contributed under our 401(k) Plan; and
- accrued and unused vacation pay paid in a lump sum.

**Payments Upon Death or Disability.** In the event of the death or permanent and total disability of an NEO while employed by the Company, the executive officer will receive 401(k) Plan contributions noted above and accrued unused vacation pay, in addition to the following:

- All unvested outstanding stock options held by the officer accelerate and vest as of the date of death and may be exercised during the one-year period

following the date of death, but prior to termination of the option;

- All outstanding unvested stock options and RSUs held by the officer continue to vest and are exercisable during the one-year period following the date of such permanent and total disability, but prior to termination of the option; and
- The officer will receive payments under the Company's life insurance program or disability plan, as applicable, similar to all other employees of the Company.

**Payments Upon a Change of Control.** The Company's 2003 Plan provides that upon the occurrence of a "change of control" of the Company:

- all outstanding unvested RSUs and restricted stock grants will vest immediately; and
- all outstanding unvested stock options vest 15 days before consummation of such a change of control and are exercisable during such 15-day period, with such exercise conditioned upon and effective immediately before consummation of the change of control.

A “change of control” is defined in the 2003 Plan to include:

- the dissolution or liquidation of the Company or a merger in which the Company does not survive;
- the sale of substantially all the Company’s assets; or
- any transaction which results in any person or entity, other than B. Wayne Hughes and members of his family and their affiliates, owning 50% or more of the combined voting power of all classes of our stock.

The foregoing provisions do not apply to the extent (1) provision is made in writing in connection with the

“change of control” for continuation of the 2003 Plan or substitution of new options, restricted stock and RSUs or (2) a majority of the Board determines that the “change of control” will not trigger application of the foregoing provisions.

Under the Company’s 2012 Plan, pursuant to which the LTEIP was adopted, the occurrence of a change of control would result in the cessation of the measurement period under the plan as of the date of the change of control. Had a change of control occurred as of December 31, 2017, no payouts would have been made under the LTEIP.

The following table shows the estimated value of the acceleration of unvested equity awards pursuant to the termination events described above assuming the change of control event occurred as of December 31, 2017 and using a closing market price of our common stock on the NYSE as of December 29, 2017 of \$125.09 per share.

Name	Value of vesting of all outstanding unvested options (1)	Value of vesting of all outstanding restricted share units (2)	Total
Maria R. Hawthorne	\$ 386,600	\$ 3,177,286	\$ 3,563,886
John W. Petersen	-	2,201,584	2,201,584

(1) Represents the difference between the exercise price of unvested options held by the executive and the closing price of our common stock on the NYSE as of December 29, 2017.

(2) Represents the number of RSUs multiplied by the closing price of the Company’s common stock on the NYSE as of December 29, 2017.

## Proposal 2

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### Equity Compensation Plan Information as of December 31, 2017

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The following table sets forth certain equity compensation plan information as of December 31, 2017:

<b>Plan Category (1)</b>	<b>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>(b) Weighted average exercise price of outstanding options, warrants and rights</b>	<b>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a))(2)</b>
Equity compensation plans approved by security holders	337,492	\$80.86	1,046,768
Equity compensation plans not approved by security holders	-	-	-
<b>Total (3)</b>	<b>337,492</b>	<b>\$80.86</b>	<b>1,046,768</b>

(1) Each of our equity compensation plans has been approved by our shareholders.

(2) Represents shares of our common stock available for issuance under the Company's equity compensation plan.

(3) Amounts include RSUs.

## Stock Ownership of Certain Beneficial Owners and Management

### Security Ownership of Certain Beneficial Owners

The following table sets forth information as of the dates indicated with respect to persons known to the Company to be the beneficial owners of more than 5% of the outstanding shares of Common Stock:

Name and Address	Shares of Common Stock Beneficially Owned	
	Number of Shares	Percent of Class (1)
Public Storage 701 Western Avenue Glendale, California 91201-2349 (2)	7,158,354	26.3%
BlackRock, Inc. 55 East 52nd Street New York, New York 10022 (3)	3,468,381	12.7%
The Vanguard Group 100 Vanguard Blvd. Malvern, Pennsylvania 19355 (4)	3,402,375	12.5%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202 (5)	2,390,349	8.7%
Vanguard Specialized Funds Vanguard REIT Index Fund 100 Vanguard Blvd. Malvern, Pennsylvania 19355 (6)	1,373,151	5.0%

- (1) The percent of class is calculated using the common stock ownership numbers as of the dates indicated below divided by shares outstanding on March 1, 2018 of 27,255,525 shares of Common Stock.
- (2) Holdings reported are as of March 1, 2018. The reporting persons listed above have filed a joint Schedule 13D, amended as of November 8, 2013. Public Storage has sole voting and dispositive power with respect to all such shares. The 7,158,354 shares of Common Stock in the above table do not include 7,305,355 Units held by Public Storage and affiliated partnerships which (pursuant to the terms of the agreement of limited partnership of our operating partnership) are redeemable by the holder for cash or, at the Company's election, for shares of the Company's common stock on a one-for-one basis. Upon conversion of the Units to Common Stock, Public Storage and its affiliated partnerships would own approximately 41.8% of the Common Stock (based upon the Common Stock outstanding at March 1, 2018 and assuming such conversion).
- (3) Holdings reported as of December 31, 2017 as set forth in Schedule 13G/A filed on January 19, 2018 by BlackRock, Inc. and certain affiliates to report beneficial ownership and sole dispositive power with respect to 3,468,381 shares and sole voting power with respect to 3,373,481 shares.
- (4) Holdings reported as of December 31, 2017 as set forth on a Schedule 13G/A filed on February 2, 2018 by The Vanguard Group, as investment adviser of its clients, to report sole voting power with respect to 62,306 shares, shared voting power with respect to 26,630 shares, sole dispositive power with respect to 3,338,965 shares and shared dispositive power with respect to 63,410 shares.
- (5) Holdings reported as of December 31, 2017 as set forth on a Schedule 13G/A filed on February 14, 2018 by T. Rowe Price Associates, Inc. (Price Associates), as investment adviser of its clients, to report sole voting power with respect to 421,306 shares and sole dispositive power with respect to 2,390,349 shares. For SEC reporting purposes, Price Associates is deemed to be a beneficial owner of these securities. However, Price Associates has expressly disclaimed that it is an owner of such securities.
- (6) Holdings reported as of December 31, 2017 as set forth on a Schedule 13G/A filed on February 2, 2018 by Vanguard Specialized Funds – Vanguard REIT Index Fund to report sole voting power with respect to 1,373,151 shares.

## Proposal 2

### Security Beneficial Ownership of Directors and Management

The following table sets forth information as of March 1, 2018 concerning the beneficial ownership of Common Stock of each director of the Company, the Company's CEO, the CFO and the other two most highly compensated persons who were executive officers of the Company on December 31, 2017 and all directors and executive officers as a group:

Name	Shares of Common Stock Beneficially Owned	
	Number of Shares (1)	Percent of Class (1)
Ronald L. Havner, Jr.	202,389(2)	*
Joseph D. Russell, Jr.	44,688	*
Jennifer Holden Dunbar	18,519(3)	*
Sara Grootwassink Lewis	9,668	*
James H. Kropp	27,498(4)	*
Gary E. Pruitt	20,010	*
Robert S. Rollo	2,902	*
Peter Schultz	19,220	*
John W. Petersen	37,027	*
Maria R. Hawthorne	27,249	*
<b>All Directors and Executive Officers as a Group (10 persons)</b>	<b>409,170(1)(2)(3)(4)</b>	<b>1.5%</b>

\* Less than 1%

(1) Represents shares of Common Stock beneficially owned as of March 1, 2018 and includes options to purchase shares of Common Stock exercisable within 60 days of March 1, 2018, as follows: R. Havner, 11,805 shares; J. Russell, 400 shares; J. Holden Dunbar, 15,594 shares; S. Grootwassink Lewis, 6,668 shares; J. Kropp, 13,873 shares; G. Pruitt, 18,010 shares; R. Rollo, 1,600 shares; P. Schultz, 18,010 shares; J. Petersen, 20,000 shares; M. Hawthorne, 5,000 shares. Except as otherwise indicated and subject to applicable community property and similar statutes, the persons listed as beneficial owners of the shares have sole voting and investment power with respect to such shares. Includes shares credited to the accounts of the executive officers of the Company that are held in the 401(k) Plan. Does not include RSUs described in the Grants of Plan-Based Awards table unless such units would vest and be issued within 60 days of the date of this table. The percentage held is calculated using the outstanding common shares on March 1, 2018 of 27,255,525 shares.

(2) Includes 185,584 shares held by Mr. Havner in a joint account with Mr. Havner's spouse that are pledged in a margin brokerage account. Includes 5,000 shares owned by the Havner Family Foundation of which Mr. Havner and his wife are co-trustees but with respect to which Mr. and Mrs. Havner disclaim any beneficial interest. Does not include shares owned by Public Storage as to which Mr. Havner disclaims beneficial ownership. Mr. Havner is Chairman of the Board and Chief Executive Officer of Public Storage. See "Security Ownership of Certain Beneficial Owners" on page 50 for Public Storage ownership.

(3) All the shares are held by Ms. Dunbar and her spouse as trustees of the Lilac II Trust.

(4) Includes 4,491 shares held by custodian of an IRA for the benefit of Mr. Kropp.

## **Additional Information about our Directors and Executive Officers; Certain Relationships**

### **Policy Regarding Pledging of Shares**

Our insider trading policy discourages (but does not prohibit) the pledging of shares of Common Stock by insiders.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers and persons who own more than 10% of any registered class of the Company's equity securities to file reports of ownership and changes of ownership of those securities with the SEC and the NYSE. Executive officers, directors and greater than 10% shareholders are required by SEC regulations to provide the Company with a copy of all Section 16(a) forms that they file.

Based solely on a review of reports we filed on behalf of our directors and executive officers and written representations from these individuals that no other reports were required, we believe that all reports on behalf of our directors and executive officers were filed on a timely basis under Section 16(a), except for one transaction on one report for each of Ms. Dunbar and Mr. Petersen due to the Company's administrative error.

### **Related Party Transaction Approval Policies and Procedures**

With respect to transactions involving our directors, our Code of Ethics provides for review by the Board of related party transactions that might present a possible conflict of interest. The Nominating/Corporate Governance Committee reviews related party transactions involving Board members pursuant to the Code of Ethics. Directors are requested to submit information in advance to the Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee considers the matters submitted to it in light of the facts and circumstances presented and considering the best interests of the Company and makes a recommendation to the Board with respect to any action to be taken. The director with an actual, potential or apparent conflict of interest does not

participate in the decision-making process related to the transaction.

Our executive officers are subject to our Business Conduct Standards. Under the Business Conduct Standards, executive officers are required to discuss and seek pre-approval of the CEO for any potential conflicts of interest. In addition, the Audit Committee reviews, on an ongoing basis, related party transactions involving our executive officers and directors or Public Storage that may require Board pre-approval under applicable law or may be required to be disclosed in our financial statements.

### **Relationship with Public Storage**

The properties in which the Company has an equity interest are generally owned by the operating partnership. As of March 1, 2018, the Company owned approximately 78.9% of the operating partnership's common partnership units. The remaining common partnership units were owned by Public Storage. The 7,305,355 Units held by Public Storage and affiliated partnerships are redeemable (pursuant to the terms of the agreement of limited partnership of the operating partnership) by the holder for cash or, at the Company's election, for shares of our Common Stock on a one-for-one basis. Upon conversion of the Units to Common Stock, Public Storage and its affiliated partnerships would own approximately 41.8% of the Common Stock (based upon the Common Stock outstanding at March 1, 2018 and assuming such conversion).

### **Management Agreement with Affiliates**

The operating partnership operates industrial, retail and office facilities for Public Storage and partnerships and joint ventures of which Public Storage is a general partner or joint venturer (the Affiliated Entities) pursuant to a management agreement under which Public Storage and the Affiliated Entities pay to the operating partnership a fee of 5% of the gross revenues of the facilities operated for Public Storage and the Affiliated Entities. During 2017, Public Storage and the Affiliated Entities paid fees of approximately \$506,000 to the operating partnership pursuant to that management agreement. In 2017, we allocated approximately \$537,000 in operating expenses to Public Storage relating to the management agreement, including payroll and other

## Proposal 2

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overhead expenses. We had net amounts due to Public Storage of \$245,000 at December 31, 2017.

Public Storage also provides property management services for the self-storage component of two assets owned by the Company. These self-storage facilities, located in Palm Beach County, Florida, operate under the “Public Storage” name. Under the property management contracts, Public Storage is compensated based on a percentage of the gross revenues of the facilities managed. Under the supervision of the Company, Public Storage coordinates rental policies, rent collections, marketing activities, the purchase of equipment and supplies, maintenance activities and the selection and engagement of vendors, suppliers and independent contractors. In addition, Public Storage assists and advises the Company in establishing policies for the hire, discharge and supervision of employees for the operation of these facilities, including on-site managers, assistant managers and associate managers. Both the Company and Public Storage can cancel the property management contract upon 60 days’ notice. Management fees paid for these facilities were approximately \$92,000 for the year ended December 31, 2017. And, in 2017, Public Storage allocated approximately \$61,000 in operating expenses to us related to the management of the facilities, including payroll and overhead expenses.

Public Storage also owns and licenses the PS Business Parks name and logo to the Company under a royalty-free license that may be terminated upon six months’ notice to the Company.

### **Cost Sharing and Other Arrangements with Public Storage**

Pursuant to a cost sharing and administrative services arrangement, we share certain administrative services, corporate office space and certain other third party 401 with Public Storage which are allocated based upon time, effort and other methodologies. Public Storage reimbursed us \$31,000 for the year ended December 31, 2017 for costs paid on their behalf, and we reimbursed Public Storage \$1.3 million in costs that Public Storage incurred on our behalf for the year ended December 31, 2017.

### **Common Management/Board Members with Public Storage**

Ronald L. Havner, Jr., Chairman of the Board, is also Chairman and Chief Executive Officer of Public Storage. Joseph D. Russell, Jr., a director, is also the President of Public Storage and, effective January 1, 2019, will serve as the Chief Executive Officer of Public Storage and join its board. Gary E. Pruitt, a director, is also a member of the Public Storage board of trustees.

**The Board recommends a vote FOR approval of our executive compensation as described in this proxy statement.**

# **Proposal 3:**

## **Ratification of independent registered public accounting firm**

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The Audit Committee has appointed Ernst & Young LLP (EY) as the Company's independent registered public accounting firm to audit the Consolidated Financial Statements of PS Business Parks and its subsidiaries for the year ending December 31, 2018

**RECOMMENDATION:**  
**Vote FOR ratification of EY**

## Proposal 3

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### Proposal 3 – Ratification of independent registered public accountants

#### Executive Summary

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The Board recommends that shareholders ratify the Audit Committee's selection of EY as the Company's independent registered public accounting firm (Independent Accountants) for the fiscal year ending December 31, 2018. EY has acted as the Independent Accountants since the Company's organization in 1997.

Ratification is not required by the Company's bylaws, but the Board believes that shareholder ratification of the appointment is good corporate governance. If shareholders do not ratify the appointment of EY, the Audit Committee will reconsider its selection, but may nevertheless determine to do so. Even if the appointment of EY is ratified by the shareholders, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that a change would be in the best interest of the Company and its shareholders.

#### Audit and Non-Audit Fees

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The following table shows the fees billed or expected to be billed to the Company by EY for audit and other services provided for fiscal 2016 and 2017:

	2016	2017
Audit fees	\$ 578,000	\$ 623,000
Audit-related fees	21,000	22,000
Tax Fees	51,000	44,000
All Other Fees	0	0
Total	650,000	689,000

**Audit Fees.** Audit fees represent fees for professional services provided in connection with the audit of the Company's annual financial statements and internal control over financial reporting, review of the quarterly financial statements included in the Company's quarterly reports on Form 10-Q and services in connection with the Company's registration statements.

**Audit related fees.** Audit-related fees represent professional fees provided in connection with the audit of the Company's 401(k)/Profit Sharing Plan (the 401(k) Plan).

**Tax fees.** During 2017 and 2016, all of the tax services consisted of tax compliance and consulting services.

#### Auditor Independence

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The Audit Committee has determined that the Independent Accountants' provision of the non-audit services described above is compatible with maintaining the Independent Accountants' independence.

#### Policy to Approve Ernst & Young LLP Services

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The Audit Committee has adopted a pre-approval policy relating to services performed by the Company's independent registered public accounting firm. The policy requires that all services provided by EY to us, including audit services, audit-related services, tax services and other services, must be pre-approved by the Audit Committee.

Under this policy, the Audit Committee of the Company pre-approved all services performed by EY during 2017 and 2016, including those listed in the previous table. The Chairman of the Audit Committee has the authority to grant required approvals between meetings of the Audit Committee, provided that any exercise of this authority is presented at the next committee meeting.

## Audit Committee Report

The Audit Committee's responsibilities include appointing the Company's independent registered public accounting firm, pre-approving audit and non-audit services provided by the firm and assisting the Board in providing oversight to the Company's financial reporting process. In fulfilling its oversight responsibilities, the Audit Committee meets with the Company's independent registered public accounting firm, internal auditors and management to review accounting, auditing, internal controls and financial reporting matters.

In fulfilling its responsibilities, the Audit Committee meets with the Company's independent registered public accounting firm, internal auditor and management to review the Company's accounting, auditing internal controls and financial reporting matters. Management is responsible for the Company's financial statements, including the estimates and judgments on which they are based, for maintaining effective internal controls over financial reporting and for assessing the effectiveness of internal controls over financial reporting. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the PCAOB and for issuing a report thereon. It is not the Audit Committee's responsibility to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete, accurate and in accordance with U.S. generally accepted accounting principles and applicable laws, rules and regulations. The Audit Committee's responsibility is to monitor and oversee these processes and necessarily relies on the work and assurances of the Company's management and of the Company's independent registered public accounting firm.

In connection with its oversight responsibilities related to the Company's financial statements included in the Company's Annual Report on Form 10-K, the Audit Committee met with management and Ernst & Young LLP, the Company's independent registered public accounting firm, and reviewed and discussed with them the audited consolidated financial statements. Management represented to the Audit Committee that

the Company's consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles. The Audit Committee discussed with the independent registered public accounting firm matters required to be discussed by PCAOB Auditing Standard No. 16 (Communication with Audit Committees), as modified or supplemented. The discussion included, but was not limited to, the overall scope and plans for the annual audit, the results of their audit, their evaluation of the Company's internal controls and the overall quality of the Company's financial reporting.

In addition to providing the required written disclosures and communications, the Company's independent registered public accounting firm also provided to the Audit Committee the letter confirming their independence of the Company as required by the applicable rules of the PCAOB, and the Audit Committee discussed with the independent registered public accounting firm that firm's independence. In addition, the Audit Committee has considered whether the independent registered public accounting firm's provision of non-audit services to the Company and its affiliates is compatible with the firm's independence.

During 2017, management documented, tested and evaluated the Company's system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and SEC regulations adopted thereunder. The Audit Committee met with representatives of management, the internal auditors, legal counsel and the independent registered public accounting firm on a regular basis throughout the year to discuss the progress of the process. At the conclusion of this process, the Audit Committee received from management its assessment and report on the effectiveness of the Company's internal controls over financial reporting. In addition, the Audit Committee received from Ernst & Young LLP its assessment of and opinion on the Company's internal control over financial reporting. These assessments and reports are as of December 31, 2017. The Audit Committee reviewed and discussed the results of management's assessment and Ernst & Young LLP's audit.

## **Proposal 3**

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In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 for filing with the Securities and Exchange Commission. The Audit Committee also approved the appointment of Ernst & Young LLP as the Company's independent registered public accountants for the fiscal year ending December 31, 2018 and recommended that the Board submit this appointment to the Company's shareholders for ratification at the 2018 Annual Meeting.

### **THE AUDIT COMMITTEE**

Sara Grootwassink Lewis, Chair

Jennifer Holden Dunbar

Gary E. Pruitt

Peter Schultz

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## **General Information About the Meeting**

### **Purpose of the proxy solicitation**

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We are providing these proxy materials on behalf of the Board of PS Business Parks, Inc. to ask for your vote and to solicit your proxies for use at our 2018 Annual Meeting to be held on April 24, 2018, or any adjournments or postponements thereof.

We have made these materials available to you on the Internet or, upon your request, delivered printed versions of these materials to you by mail, because you were a shareholder as of March 1, 2018, the record date (the record date) fixed by the Board, and are therefore entitled to receive notice of the Annual Meeting (the Notice) and to vote on matters presented at the Annual Meeting.

This proxy statement contains important information regarding the Annual Meeting. Specifically, it identifies the proposals on which you are being asked to vote, provides information that you may find useful in determining how to vote and describes voting procedures. This Notice and proxy statement are first being distributed and made available on or about March 23, 2018 to holders of our common stock on the record date. A copy of our Annual Report to Shareholders for the fiscal year ended December 31, 2017, which includes a copy of our Form 10-K, accompanies this proxy statement.

### **Date, time and place of the annual meeting**

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The Annual Meeting will be held on Tuesday, April 24, 2018 at 10:45 a.m., Pacific Daylight Time, at the Hilton Los Angeles North/Glendale, 100 West Glenoaks Blvd., Glendale, California 91202.

### **Who can vote**

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If you are a holder of PS Business Parks' Common Stock at the close of business on the record date, you may vote the shares of Common Stock that you hold on that date at the Annual Meeting. For all matters submitted for vote at the Annual Meeting, each share of Common Stock is entitled to one vote.

### **Quorum for the annual meeting**

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If a majority of the shares of Common Stock outstanding on the record date are present in person or represented by proxy at the Annual Meeting, we will have a quorum, permitting business to be conducted at the Annual Meeting. As of the record date, we had 27,255,525 shares of Common Stock outstanding and entitled to vote.

### **How votes are counted**

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For the election of directors, director nominees receiving an affirmative majority of votes cast (i.e., the number of shares cast "for" a director nominee must exceed the number of votes cast "against" that nominee) will be elected. Similarly, approval of each other proposal to be voted on at the annual meeting requires an affirmative majority of the votes cast (i.e., the number of shares cast "for" the proposal must exceed the number of votes cast "against" that proposal). We will not count shares that abstain from voting.

Although the advisory vote to approve executive compensation in Proposal 2 is non-binding, the Compensation Committee will consider and take into account the vote results in making future determinations on executive compensation.

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## How proxies will be voted

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If you hold shares through a broker or nominee and do not provide the broker or nominee with specific voting instructions, under the rules that govern brokers or nominees in such circumstances, your broker or nominee will have the discretion to vote such shares on routine matters, but not on non-routine matters. As a result:

- Your broker or nominee will not have the authority to exercise discretion to vote such shares with respect to Proposals 1 and 2 because the NYSE rules treat these matters as non-routine; and
- Your broker or nominee will have the authority to exercise discretion to vote such shares with respect to Proposal 3 because that matter is treated as routine under the NYSE rules.

Broker non-votes will be counted as present for purposes of determining the presence or absence of a quorum but will otherwise have no effect on the outcome of the vote on Proposals 1 and 2.

If you are a registered shareholder and no instructions are indicated on a properly executed proxy card submitted by you, the shares represented by the proxy will be voted FOR (i) each of Proposals 1, 2 and 3, and (ii) in accordance with the judgment of the proxy holders as to any other matter that may properly be brought before the Annual Meeting, or any adjournments or postponements thereof.

## How to cast a vote

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You may vote by any of the following means:

- **By Internet:** Shareholders who received a Notice about the Internet availability of our proxy materials may submit proxies over the Internet by following the instructions on the Notice. Shareholders who have received a paper copy of a proxy card or voting instruction card by mail may submit proxies over the Internet by following the instructions on the proxy card or voting instruction card.

- **By Telephone:** If provided on your proxy card or voting instruction card and if you live in the United States or Canada, you may submit proxies by telephone by calling the telephone number indicated on the card and following the instructions. You will need to have available the control number that appears on the card when voting.
- **By Mail:** Shareholders who have received a paper copy of a proxy card or voting instruction card by mail may submit proxies by completing, signing and dating their proxy card or voting instruction card and mailing it in the accompanying self-addressed envelope. No postage is necessary if mailed in the United States.
- **In person, at the Annual Meeting:** Shareholders who hold shares in their name as the shareholder of record may vote in person at the Annual Meeting. Shareholders who are beneficial owners but not shareholders of record may vote in person at the Annual Meeting only with a legal proxy obtained from their broker, trustee or nominee, as applicable.

Properly completed and submitted proxy cards and voting instruction cards, and proxies properly completed and submitted over the Internet, if received in time for voting and not revoked, will be voted at the Annual Meeting in accordance with the instructions contained therein.

## How to vote as a participant in the 401(k) Plan

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If you hold your shares as a participant in the 401(k) Plan, your proxy will serve as a voting instruction for the trustee of the 401(k) Plan with respect to the amount of shares of Common Stock credited to your account as of the record date. If you provide voting instructions via your proxy card or voting instruction card with respect to your shares of Common Stock held in the 401(k) Plan, the trustee will vote those shares of Common Stock in the manner specified. The trustee will vote any shares of Common Stock for which it does not receive instructions in the same

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proportion as the shares of Common Stock for which voting instructions have been received, unless the trustee is required by law to exercise its discretion in voting such shares.

To allow sufficient time for the trustee to vote your shares of Common Stock, the trustee must receive your voting instructions by 7:00 a.m., Pacific Daylight Time, on April 20, 2018.

### **Changing your vote**

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You can change your vote at any time before your proxy is voted at the Annual Meeting. To revoke your proxy, you must either:

- file an instrument of revocation with our Corporate Secretary at our principal executive offices, 701 Western Avenue, Glendale, California 91201-2349;
- mail a new proxy card dated after the date of the proxy you wish to revoke to our Corporate Secretary at our principal executive offices;
- submit a later dated proxy over the Internet in accordance with the instructions set forth on the Internet voting website; or
- if you are a shareholder of record, or you obtain a legal proxy from your broker, trustee or nominee, as applicable, attend the Annual Meeting and vote in person.

If not revoked, we will vote the proxy at the Annual Meeting in accordance with your instructions indicated on the proxy card, voting instruction card or, if submitted over the Internet, as indicated on the submission.

### **Cost of this proxy solicitation**

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We bear all proxy solicitation costs. In addition to solicitations by mail, our Board, our officers and our regular employees, without additional remuneration, may solicit proxies by telephone, facsimile, electronic transmission and personal interviews.

We will request brokers, banks, custodians and other fiduciaries to forward proxy soliciting materials to the

beneficial owners of Common Stock. We will reimburse them for their reasonable out-of-pocket expenses incurred in connection with distributing proxy materials. Alliance Advisors LLC may be retained as our proxy distribution agent, for which they would receive an estimated fee of \$1,100 together with normal and customary expenses.

### **Contacting our transfer agent**

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Please contact PS Business Parks' transfer agent at the phone number or address listed below, with questions concerning share certificates, dividend checks, transfer of ownership or other matters pertaining to your share account: American Stock Transfer & Trust Company, LLC 6201 15th Avenue, Brooklyn, New York 11219, 800-937-5449.

### **Consideration of candidates for director**

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The policy of the Nominating/Corporate Governance Committee is to consider properly submitted shareholder recommendations for candidates for membership on the Board. Under this policy, shareholder recommendations may only be submitted by a shareholder entitled to submit shareholder proposals under the SEC rules. Any shareholder recommendations proposed for consideration by the Nominating/Corporate Governance Committee should include the nominee's name and qualifications for board membership, including the information required under Regulation 14A under the Exchange Act, and should be addressed to: Maria R. Hawthorne, President and Chief Executive Officer, PS Business Parks, Inc., 701 Western Avenue, Glendale, California 91201-2349.

### **Deadlines for receipt of shareholder proposals**

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Any proposal that a holder of our shares wishes to submit for inclusion in our 2019 Proxy Statement pursuant to SEC Rule 14a-8, including any notice by a shareholder of his, her or its intention to cumulate votes in the election of trustees at the 2019 Annual Meeting, must be received by the Company no later than November 23, 2018. Such proposals also must comply with SEC regulations under Rule 14a-8 regarding the inclusion of shareholder proposals in Company-sponsored proxy materials. Under Rule 14a-8, we are not required to include shareholder

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proposals in our proxy materials unless certain conditions specified in the rule are met.

In addition, notice of any proposal that a holder of our shares wishes to propose for consideration at the 2019 Annual Meeting, but does not seek to include in the 2019 Proxy Statement pursuant to Rule 14a-8, must be delivered to the Company no earlier than February 6, 2019 if the shareholder wishes for the Company to describe the nature of the proposal in its 2019 Proxy Statement as a condition to exercising its discretionary authority to vote proxies on the proposal. As with shareholder nominations of director candidates discussed above, if the date of the 2019 Proxy Statement is moved by more than 30 days before or after the anniversary of the date of this proxy statement, the shareholder proposal must be received no earlier than the 120<sup>th</sup> day and no later than the 90<sup>th</sup> day prior to the mailing of the notice for the meeting or the tenth day following the date we announce publicly the date for the 2019 Proxy Statement. Any shareholder proposals or notices submitted to the Company in connection with the 2019 Annual Meeting should be addressed to: Maria R. Hawthorne, President and Chief Executive Officer, PS Business Parks, Inc., 701 Western Avenue, Glendale, California 91201-2349.

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## **Annual report on Form 10-K**

A copy of our 2017 Annual Report and Form 10-K accompanies this proxy statement. Additional copies are available at:

<https://www.psbusinessparks.com/investor-relations/financial-reports/>

The Company will furnish without charge upon written request of any shareholder a paper copy of the Form 10-K, excluding exhibits, without charge, upon a written request to Maria R. Hawthorne, President and Chief Executive Officer, Secretary, PS Business Parks, Inc., 701 Western Avenue, Glendale, California 91201-2349. Copies of exhibits will be provided at a copying charge of \$0.20 per page to reimburse us for a portion of the cost.

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## **Other matters**

The Board knows of no other matters to be presented for shareholder action at the Annual Meeting. If any other matters are properly presented at the Annual Meeting for action, the persons named in the accompanying proxy will vote the shares represented by the proxy in accordance with their best judgment on such matters.

**You are urged to vote the accompanying proxy and sign, date and return it in the enclosed pre-addressed postage-paid envelope at your earliest convenience, whether or not you currently plan to attend the meeting in person.**

# Appendices

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**Appendix A:**  
Reconciliation of non-GAAP measures to  
GAAP and other information

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## SUPPLEMENTAL NON-GAAP DISCLOSURES (UNAUDITED)

### Funds Available for Distribution (FAD) per Common and Dilutive Share <sup>(1)</sup>

The table below reconciles from Core FFO (as disclosed in our 2017 Annual Report on Form 10-K) to FAD per share.

	For The Years Ended December 31,				
	2013	2014	2015	2016	2017
<b>Core FFO per share<sup>(2)</sup></b>	\$ 5.07	\$ 4.73	\$ 4.83	\$ 5.44	\$ 6.13
Deduct capital expenditures and eliminate non-cash stock based compensation/other	(1.63)	(1.30)	(1.12)	(0.83)	(1.42)
<b>FAD per share <sup>(3)</sup></b>	<b>\$ 3.44</b>	<b>\$ 3.43</b>	<b>\$ 3.71</b>	<b>\$ 4.61</b>	<b>\$ 4.71</b>

### Reconciliation of Net Income to EBITDA (In thousands)

The following table reconciles from net income to EBITDA.

	For The Years Ended December 31,				
	2013	2014	2015	2016	2017
<b>Net Income</b>	<b>\$ 116,144</b>	<b>\$ 204,700</b>	<b>\$ 148,970</b>	<b>\$ 144,984</b>	<b>\$ 179,316</b>
<b>Adjustments:</b>					
Depreciation and amortization	108,917	110,357	105,394	99,486	94,270
Depreciation from unconsolidated joint venture	—	—	—	—	1,180
Interest expense	16,074	13,509	13,270	5,568	1,179
Interest income	(102)	(69)	(631)	(463)	(356)
Gain on sale of land and real estate facilities	—	(92,373)	(28,235)	—	(1,209)
Gain on sale of development rights	—	—	—	—	(6,365)
<b>EBITDA <sup>(4)</sup></b>	<b>\$ 241,033</b>	<b>\$ 236,124</b>	<b>\$ 238,768</b>	<b>\$ 249,575</b>	<b>\$ 268,015</b>

### Return on Assets (In thousands)

The following table reconciles from rental income on our income statement to net operating income, and sets forth the calculation of return on assets.

	For The Years Ended December 31,				
	2013	2014	2015	2016	2017
Rental Income	\$ 359,246	\$ 376,255	\$ 373,135	\$ 386,871	\$ 402,179
Cost of operations	114,831	127,371	121,224	123,108	125,340
<b>Net operating income</b>	<b>\$ 244,415</b>	<b>\$ 248,884</b>	<b>\$ 251,911</b>	<b>\$ 263,763</b>	<b>\$ 276,839</b>
	As of December 31,				
	2013	2014	2015	2016	2017
Land	\$ 827,092	\$ 802,949	\$ 793,569	\$ 789,531	\$ 789,227
Buildings and improvements	2,346,958	2,219,397	2,215,515	2,226,881	2,262,512
Pre-depreciation cost of real estate facilities	\$ 3,174,050	\$ 3,022,346	\$ 3,009,084	\$ 3,016,412	\$ 3,051,739
<b>Return on assets <sup>(5)</sup></b>	<b>7.7%</b>	<b>8.2%</b>	<b>8.4%</b>	<b>8.7%</b>	<b>9.1%</b>

(1) Per share amounts are computed using additional dilutive shares related to non-controlling interests and RSUs.

(2) Core FFO per share is a non-GAAP financial measure that assists investors and analysts in evaluating our comparative operating performance and trends. Refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations under Funds from Operations and Core Funds from Operations included in our Annual Report on Form 10-K for the definition and reconciliation of Core FFO. Other REITs may use different methods for calculating Core FFO and, accordingly, the Company's Core FFO may not be comparable to other real estate companies' Core FFO.

(3) Funds Available for Distribution (FAD) per share is a non-GAAP financial measure representing Core FFO per share i) less per share recurring capital improvements which maintain the assets' value, as well as tenant improvements and lease commissions, and ii) eliminating per share non-cash stock-based compensation and other income and expense items included in Core FFO per share. Like Core FFO per share, management considers FAD per share to be a useful measure for investors to evaluate the Company's operating performance. FAD per share should not be viewed as a substitute for net income per share as defined by GAAP.

(4) Earnings before interest, taxes, depreciation and amortization or "EBITDA" is a non-GAAP financial measure that represents net income prior to the impact of depreciation and interest expense. Management believes that EBITDA is frequently used by analysts and investors as a measure of valuation and to assess the Company's performance over time.

(5) Return on assets is a non-GAAP financial measure representing the ratio of net operating income (rental income less cost of operations, which excludes depreciation) to pre-depreciation cost of real estate facilities. Management believes that this measure is useful in evaluating the Company's earnings relative to the associated accumulated investment over time.

# Appendices

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**Appendix B:**  
Calculation of 2016 CEO compensation for  
purposes of year-over-year comparisons  
and analyses

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As Joseph Russell and Maria Hawthorne each held the position of CEO for exactly six months in 2016, and a portion of Ms. Hawthorne's total 2016 total compensation was attributable to her service prior to being appointed CEO, total CEO compensation in 2016 was calculated as follows to allow for meaningful year-over-year comparisons and analyses:

<b>Component of Compensation</b>	<b>Mr. Russell</b>	<b>Ms. Hawthorne</b>	<b>Total</b>
Base salary (January to June 2016 for Mr. Russell and July to December 2016 for Ms. Hawthorne, including the full holiday emolument she received)	\$333,328	\$225,801	\$559,129
Cash bonus (100% of Mr. Russell's prorated bonus and 50% of Ms. Hawthorne's full bonus) <sup>1</sup>	283,750	225,000	508,750
RSU awards under the LTEIP (50% from each) <sup>1</sup>	1,401,000	672,480	2,073,480
Other compensation (50% from each)	5,300	5,300	10,600
<b>Total 2016 CEO Compensation for Comparison Purposes</b>			<b>\$3,151,959</b>

<sup>1</sup> In connection with Mr. Russell's resignation as the CEO, the Compensation Committee determined that Mr. Russell was entitled to, and actually received, (i) the full award earned under the LTEIP with respect to 2016 performance and (ii) 50% of his 2016 target cash bonus.

The above calculation of 2016 CEO compensation does not include the options and RSU awards to Ms. Hawthorne in connection with her promotion to CEO. The following table shows all compensation paid to Mr. Russell and Ms. Hawthorne in 2016. Please also see the Summary Compensation Table and its footnotes on page 44.

<b>Component of Compensation</b>	<b>Mr. Russell</b>	<b>Ms. Hawthorne</b>	<b>Total</b>
Base salary (including Ms. Hawthorne's holiday emolument)	\$333,328	\$425,801	\$759,129
Cash bonus	283,750	450,000	733,750
Options granted in connection with Ms. Hawthorne's promotion	-	235,250	235,250
RSUs granted in connection with Ms. Hawthorne's promotion	-	1,057,600	1,057,600
RSU awards under the LTEIP	2,802,000	1,344,960	4,146,960
Other compensation	10,600	10,600	21,200
<b>Total 2016 Compensation to Mr. Russell and Ms. Hawthorne</b>			<b>\$6,953,889</b>



