



**PSBUSINESSPARKS**<sup>SM</sup>

**Analysis of Operating Results  
and Financial Condition**

**September 30, 2018**

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION FOR  
THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018**

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

**NET OPERATING INCOME <sup>(1)</sup>**

	For The Three Months Ended			For The Nine Months Ended		
	09/30/18	09/30/17	% Change	09/30/18	09/30/17	% Change
Rental income:						
Same Park <sup>(2)</sup>	\$ 98,228	\$ 96,073	2.2%	\$ 294,010	\$ 287,293	2.3%
Non-Same Park <sup>(3)</sup>	3,193	371	760.6%	5,137	976	426.3%
Multifamily <sup>(4)</sup>	1,895	-	100.0%	5,057	-	100.0%
Total rental income	103,316	96,444	7.1%	304,204	288,269	5.5%
Cost of operations:						
Same Park <sup>(2)</sup>	28,817	29,191	(1.3%)	87,717	85,413	2.7%
Non-Same Park <sup>(3)</sup>	1,159	294	294.2%	2,083	918	126.9%
Multifamily <sup>(4)</sup>	1,043	-	100.0%	3,013	-	100.0%
Total cost of operations	31,019	29,485	5.2%	92,813	86,331	7.5%
Net operating income:						
Same Park <sup>(2)</sup>	69,411	66,882	3.8%	206,293	201,880	2.2%
Non-Same Park <sup>(3)</sup>	2,034	77	2,541.6%	3,054	58	5,165.5%
Multifamily <sup>(4)</sup>	852	-	100.0%	2,044	-	100.0%
Total net operating income	\$ 72,297	\$ 66,959	8.0%	\$ 211,391	\$ 201,938	4.7%

**FUNDS FROM OPERATIONS**

	For The Three Months Ended			For The Nine Months Ended		
	09/30/18	09/30/17	% Change	09/30/18	09/30/17	% Change
<b>FFO allocable to common and dilutive shares</b>	<b>\$ 57,088</b>	<b>\$ 47,383</b>	<b>20.5%</b>	<b>\$ 168,036</b>	<b>\$ 154,445</b>	<b>8.8%</b>
Preferred redemption charge	-	6,900	(100.0%)	-	6,900	(100.0%)
Net impact due to changes in senior management <sup>(5)</sup>	-	(414)	100.0%	-	(414)	100.0%
<b>Core FFO allocable to common and dilutive shares</b>	<b>\$ 57,088</b>	<b>\$ 53,869</b>	<b>6.0%</b>	<b>\$ 168,036</b>	<b>\$ 160,931</b>	<b>4.4%</b>
<b>FFO per share</b>	<b>\$ 1.64</b>	<b>\$ 1.36</b>	<b>20.6%</b>	<b>\$ 4.81</b>	<b>\$ 4.43</b>	<b>8.6%</b>
<b>Core FFO per share</b>	<b>\$ 1.64</b>	<b>\$ 1.54</b>	<b>6.5%</b>	<b>\$ 4.81</b>	<b>\$ 4.61</b>	<b>4.3%</b>
Weighted average common shares outstanding - diluted	27,442	27,427	0.1%	27,412	27,399	0.0%
Weighted average common operating partnership units outstanding	7,305	7,305	-	7,305	7,305	-
Weighted average restricted stock units outstanding	163	179	(8.9%)	183	188	(2.7%)
Total common and dilutive shares	34,910	34,911	0.0%	34,900	34,892	0.0%

**PROPERTY INFORMATION**

	For The Three Months Ended			For The Nine Months Ended		
	09/30/18	09/30/17	% Change	09/30/18	09/30/17	% Change
<b>Total Portfolio <sup>(6)</sup></b>						
Total rentable square footage at period end	28,186	27,129	3.9%	28,186	27,129	3.9%
Weighted average occupancy	94.1%	93.5%	0.6%	94.1%	93.5%	0.6%
Period end occupancy	94.5%	94.0%	0.5%	94.5%	94.0%	0.5%
Annualized realized rental income per sq. ft. <sup>(7)</sup>	\$ 15.30	\$ 15.21	0.6%	\$ 15.36	\$ 15.15	1.4%
REVPAF <sup>(8)</sup>	\$ 14.39	\$ 14.22	1.2%	\$ 14.46	\$ 14.17	2.0%
<b>Same Park Portfolio <sup>(2)</sup></b>						
Total rentable square footage at period end	26,903	26,903	-	26,903	26,903	-
Weighted average occupancy	95.0%	94.1%	1.0%	94.7%	94.1%	0.6%
Period end occupancy	95.4%	94.5%	1.0%	95.4%	94.5%	1.0%
Annualized realized rental income per sq. ft. <sup>(7)</sup>	\$ 15.36	\$ 15.18	1.2%	\$ 15.38	\$ 15.13	1.7%
REVPAF <sup>(8)</sup>	\$ 14.60	\$ 14.28	2.2%	\$ 14.57	\$ 14.24	2.3%
<b>Non-Same Park Portfolio <sup>(3)</sup></b>						
Total rentable square footage at period end	1,283	226	467.7%	1,283	226	467.7%
Weighted average occupancy	73.9%	25.8%	186.4%	69.3%	21.7%	219.4%
Period end occupancy	75.3%	31.6%	138.3%	75.3%	31.6%	138.3%
<b>Multifamily Portfolio <sup>(6)</sup></b>						
Number of units	395	395	-	395	395	-
Period end occupancy	91.4%	41.8%	118.7%	91.4%	41.8%	118.7%

**MARKET VALUE INFORMATION**

	09/30/18		12/31/17	
		% of Total		% of Total
Market value of common stock and common operating partnership units <sup>(9)</sup>	\$ 4,403,913	82.1%	\$ 4,323,106	79.9%
Total preferred equity (book value)	959,750	17.9%	1,089,750	20.1%
Total market capitalization	\$ 5,363,663	100.0%	\$ 5,412,856	100.0%

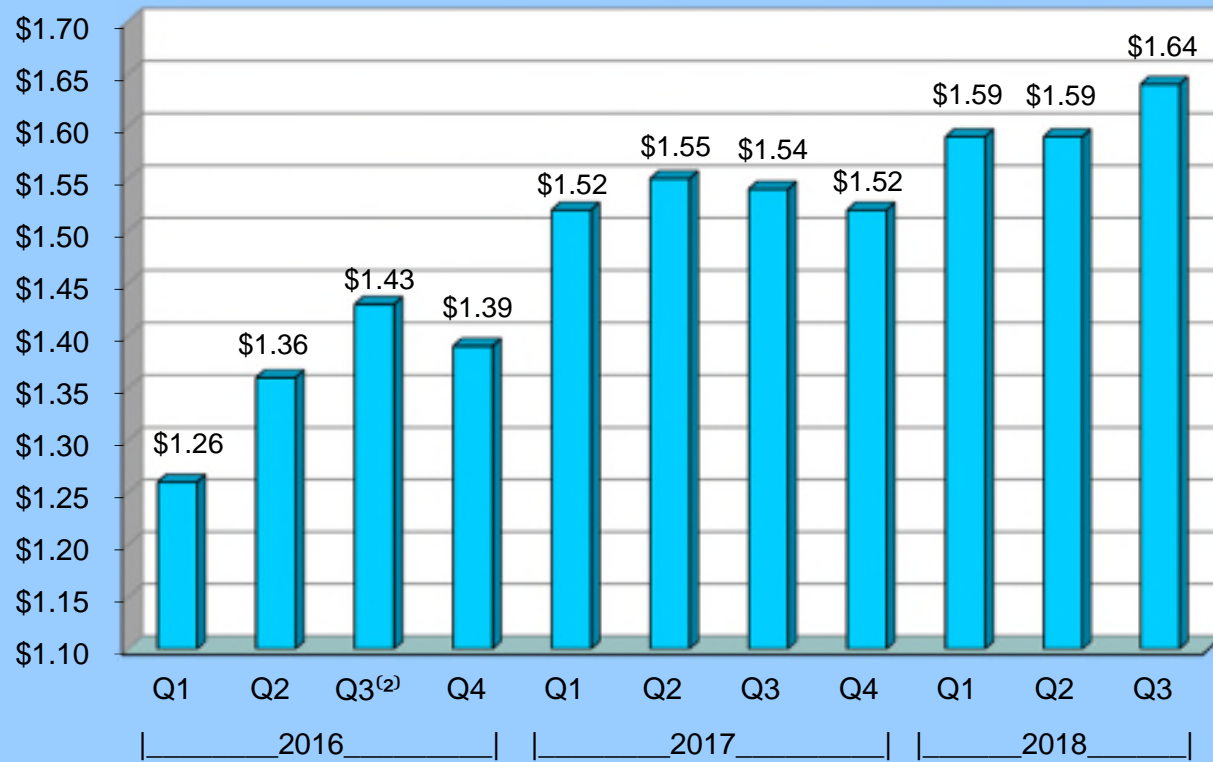
**NOTES**

- (1) Excludes 943,000 square feet of assets held for sale or sold.
- (2) All owned assets acquired prior to January 1, 2016.
- (3) All owned assets acquired on or subsequent to January 1, 2016.
- (4) Effective January 1, 2018, operating results from the multifamily asset were consolidated into our consolidated statements of income in 2018. Operating results prior to January 1, 2018 were reflected under "equity in loss of unconsolidated joint venture" on our consolidated statements of income in 2017. The multifamily asset commenced operations during the second quarter of 2017. Refer to page 28 for more information.
- (5) In order to provide comparable data points, the net impact of compensation related to the change in senior management has been excluded. As such, the 2017 amount represents a reversal of non-cash stock compensation of \$1.9 million partially offset by a separation settlement of \$1.5 million.
- (6) Operating metrics from the multifamily asset are excluded from the total portfolio operating metrics.
- (7) Represents the annualized rental income earned per occupied square foot.
- (8) Represents the annualized rental income earned per total weighted average square foot.
- (9) Based on closing share prices on September 30, 2018 and December 31, 2017 of \$127.09 and \$125.09, respectively

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

	For The Three Months Ended		Increase (Decrease)		For the Nine Months Ended		Increase (Decrease)	
	09/30/18	09/30/17	Amount	Percentage	09/30/18	09/30/17	Amount	Percentage
<b><u>Funds from operations (FFO)</u></b>								
Net income allocable to common shareholders	\$ 25,131	\$ 18,138	\$ 6,993	38.6%	\$ 141,400	\$ 69,275	\$ 72,125	104.1%
Adjustments:								
Gain on sale of real estate facility and development rights	-	-	-	-	(85,283)	(5,074)	80,209	1,580.8%
Depreciation from unconsolidated joint venture	-	483	(483)	(100.0%)	-	587	(587)	(100.0%)
Depreciation and amortization	25,207	23,759	1,448	6.1%	73,505	70,465	3,040	4.3%
Net income allocable to noncontrolling interests	6,514	4,866	1,648	33.9%	36,814	18,610	18,204	97.8%
Net income allocable to restricted stock unit holders	239	137	102	74.5%	1,592	582	1,010	173.5%
FFO (income) loss allocated to joint venture partner	(3)	-	3	100.0%	8	-	8	100.0%
FFO allocable to common and dilutive shares	<u>\$ 57,088</u>	<u>\$ 47,383</u>	<u>\$ 9,705</u>	<u>20.5%</u>	<u>\$ 168,036</u>	<u>\$ 154,445</u>	<u>\$ 13,591</u>	<u>8.8%</u>
Weighted average outstanding:								
Common shares	27,339	27,226	113	0.4%	27,310	27,192	118	0.4%
Operating partnership units	7,305	7,305	-	-	7,305	7,305	-	-
Restricted stock units	163	179	(16)	(8.9%)	183	188	(5)	(2.7%)
Common share equivalents	103	201	(98)	(48.8%)	102	207	(105)	(50.7%)
Total common and dilutive shares	<u>34,910</u>	<u>34,911</u>	<u>(1)</u>	<u>(0.0%)</u>	<u>34,900</u>	<u>34,892</u>	<u>8</u>	<u>0.0%</u>
FFO per common and dilutive share	\$ 1.64	\$ 1.36	\$ 0.28	20.6%	\$ 4.81	\$ 4.43	\$ 0.38	8.6%
<b><u>Funds available for distribution (FAD):</u></b>								
Funds from operations	\$ 57,088	\$ 47,383	\$ 9,705	20.5%	\$ 168,036	\$ 154,445	\$ 13,591	8.8%
Adjustments:								
Recurring capital improvements	(3,512)	(3,061)	451	14.7%	(6,783)	(6,372)	411	6.5%
Tenant improvements	(4,508)	(7,596)	(3,088)	(40.7%)	(12,139)	(22,788)	(10,649)	(46.7%)
Lease commissions	(2,477)	(1,828)	649	35.5%	(6,201)	(4,772)	1,429	29.9%
Total recurring capital expenditures (assets sold or held for sale)	(217)	(597)	(380)	(63.7%)	(568)	(1,361)	(793)	(58.3%)
Total recurring capital expenditures (multifamily)	-	-	-	-	(13)	-	13	100.0%
Straight-line rent	(981)	(285)	696	244.2%	(2,325)	(1,919)	406	21.2%
In-place lease adjustment	12	8	4	50.0%	35	(26)	61	234.6%
Tenant improvement reimbursements, net of lease incentives	(556)	(798)	(242)	(30.3%)	(1,690)	(1,654)	36	2.2%
Stock compensation expense	1,152	(397)	1,549	390.2%	2,933	3,255	(322)	(9.9%)
Cash paid for taxes in lieu of shares upon vesting of restricted stock units	(426)	(462)	(36)	(7.8%)	(4,955)	(3,865)	1,090	28.2%
Preferred redemption charge	-	6,900	(6,900)	(100.0%)	-	6,900	(6,900)	(100.0%)
Capitalized interest expense	-	-	-	-	-	(506)	(506)	(100.0%)
FAD	<u>\$ 45,575</u>	<u>\$ 39,267</u>	<u>\$ 6,308</u>	<u>16.1%</u>	<u>\$ 136,330</u>	<u>\$ 121,337</u>	<u>\$ 14,993</u>	<u>12.4%</u>
FAD distributions payout ratio	80.5%	75.2%			70.4%	73.0%		
<b><u>Free cash available for debt repayment and investments:</u></b>								
FAD	\$ 45,575	\$ 39,267	\$ 6,308	16.1%	\$ 136,330	\$ 121,337	\$ 14,993	12.4%
Distributions to common shareholders	(28,711)	(23,157)	5,554	24.0%	(75,107)	(69,364)	5,743	8.3%
Distributions to common operating partnership unit holders	(7,671)	(6,210)	1,461	23.5%	(20,090)	(18,629)	1,461	7.8%
Distributions to restricted stock unit holders	(299)	(177)	122	68.9%	(835)	(582)	253	43.5%
Non-recurring property renovations	(20)	(2,264)	(2,244)	(99.1%)	(113)	(3,416)	(3,303)	(96.7%)
Free cash available after fixed charges	<u>8,874</u>	<u>7,459</u>	<u>1,415</u>	<u>19.0%</u>	<u>\$ 40,185</u>	<u>\$ 29,346</u>	<u>10,839</u>	<u>36.9%</u>
Investment in Highgate	-	(5,710)	(5,710)	(100.0%)	(3,709)	(29,655)	(25,946)	(87.5%)
Investment in multifamily development (The Mile)	(114)	(636)	(522)	(82.1%)	(517)	(2,224)	(1,707)	(76.8%)
Retained cash	<u>\$ 8,760</u>	<u>\$ 1,113</u>	<u>\$ 7,647</u>	<u>687.1%</u>	<u>\$ 35,959</u>	<u>\$ (2,533)</u>	<u>\$ 38,492</u>	<u>1,519.6%</u>

## Core FFO Per Share<sup>(1)</sup>



<sup>(1)</sup> Core FFO excludes the net impact of changes in senior management, preferred redemption charges and acquisition transaction costs.

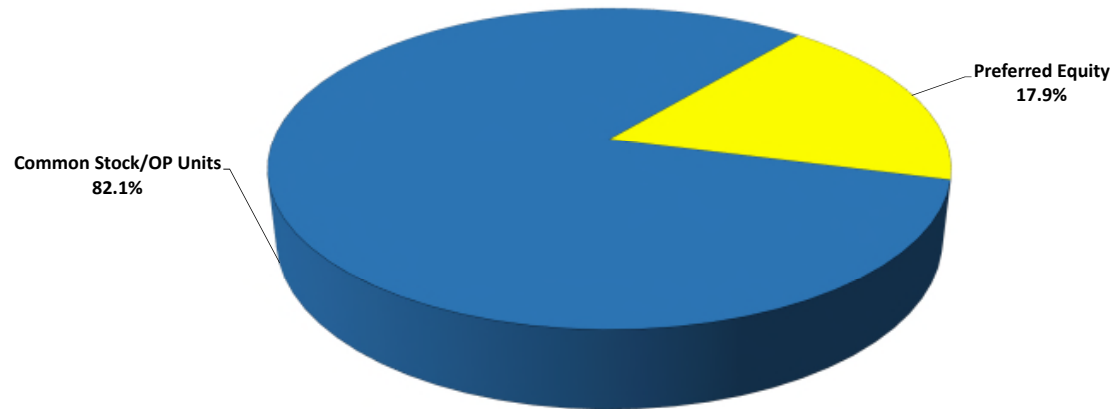
<sup>(2)</sup> Excludes a lease buyout payment of \$528,000.

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

	As of September 30, 2018			As of December 31, 2017		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
Unsecured Debt:						
\$250.0 million unsecured credit facility (LIBOR + 0.825%)	\$ -			\$ -		
Total unsecured debt	-	-	-	-	-	-
Preferred Equity:						
5.750% Series U preferred stock (9,200,000 depositary shares outstanding) callable 9/14/17	230,000			230,000		
5.700% Series V preferred stock (4,400,000 depositary shares outstanding) callable 3/14/18	110,000			110,000		
5.200% Series W preferred stock (7,590,000 depositary shares outstanding) callable 10/20/21	189,750			189,750		
5.250% Series X preferred stock (9,200,000 depositary shares outstanding) callable 9/21/22	230,000			230,000		
5.200% Series Y preferred stock (8,000,000 depositary shares outstanding) callable 12/7/22	200,000			200,000		
6.000% Series T preferred stock (5,200,000 depositary shares outstanding) redeemed 1/3/18	-			130,000		
Total preferred equity	<u>959,750</u>	<u>17.9%</u>	<u>5.40%</u>	<u>1,089,750</u>	<u>20.1%</u>	<u>5.47%</u>
Total debt and preferred equity	<u>959,750</u>	<u>17.9%</u>	<u>5.40%</u>	<u>1,089,750</u>	<u>20.1%</u>	<u>5.47%</u>
Common stock (27,346,562 and 27,254,607 shares outstanding as of September 30, 2018 and December 31, 2017, respectively)	3,473,603			3,409,279		
Common operating partnership units (7,305,355 units outstanding as of September 30, 2018 and December 31, 2017)	928,438			913,827		
Total common equity <sup>(1)</sup>	<u>4,402,041</u>	<u>82.1%</u>		<u>4,323,106</u>	<u>79.9%</u>	
Total market capitalization	<u>\$ 5,361,791</u>	<u>100.0%</u>		<u>\$ 5,412,856</u>	<u>100.0%</u>	

<sup>(1)</sup> Values based on closing stock price of \$127.09 and \$125.09 as of September 30, 2018 and December 31, 2017, respectively.

### Total Market Capitalization as of September 30, 2018: \$5.4 billion



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

	09/30/18	12/31/17	Increase (Decrease)	
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 8,687	\$ 114,882	\$ (106,195)	(a)
Real estate facilities, at cost:				
Land	816,656	769,036	47,620	
Buildings and equipment	2,366,032	2,156,862	209,170	
	3,182,688	2,925,898	256,790	
Accumulated depreciation	(1,219,249)	(1,161,798)	57,451	
	1,963,439	1,764,100	199,339	(b)
Properties held for sale, net	9,682	49,259	(39,577)	
Land and building held for development	30,182	29,665	517	
	2,003,303	1,843,024	160,279	
Investment in and advances to unconsolidated joint venture	-	100,898	(100,898)	
Rent receivable, net	2,092	1,876	216	(c)
Deferred rent receivable, net	32,903	32,062	841	
Other assets	16,392	7,417	8,975	(d)
Total assets	\$ 2,063,377	\$ 2,100,159	\$ (36,782)	
<b><u>LIABILITIES AND EQUITY</u></b>				
Accrued and other liabilities	\$ 85,978	\$ 80,223	\$ 5,755	(e)
Preferred stock called for redemption	-	130,000	(130,000)	
Total liabilities	85,978	210,223	(124,245)	
Equity:				
PS Business Parks, Inc.'s shareholders' equity:				
Preferred stock	959,750	959,750	-	
Common stock	273	272	1	
Paid-in capital	734,341	735,067	(726)	(f)
Accumulated earnings (deficit)	66,107	(1,778)	67,885	(g)
Total PS Business Parks, Inc.'s shareholders' equity	1,760,471	1,693,311	67,160	
Noncontrolling interests	216,928	196,625	20,303	
Total equity	1,977,399	1,889,936	87,463	
Total liabilities and equity	\$ 2,063,377	\$ 2,100,159	\$ (36,782)	

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

<b>(a) Change in cash and cash equivalents:</b>			
Beginning cash balance at December 31, 2017			\$ 114,882
Net cash provided by operating activities			203,769
Net cash used in investing activities			(40,815)
Net cash used in financing activities			(269,149)
Ending cash balance at September 30, 2018			<u>\$ 8,687</u>
<b>(b) Change in real estate facilities:</b>			
Beginning balance at December 31, 2017			\$ 1,764,100
Consolidation of joint venture			107,250
Acquisition of real estate facility			138,036
Recurring capital improvements			7,016
Tenant improvements, gross			12,999
Lease commissions			6,277
Nonrecurring capital improvements			113
Depreciation and amortization			(71,853)
Transfer to properties held for disposition			(499)
Ending balance at September 30, 2018			<u>\$ 1,963,439</u>
<b>(c) Change in rent receivable:</b>			
	<u>09/30/18</u>	<u>12/31/17</u>	Increase (Decrease)
Non-government customers	\$ 1,461	\$ 1,115	\$ 346
U.S. Government customers	1,031	1,161	(130)
Allowance for doubtful accounts	(400)	(400)	-
	<u>\$ 2,092</u>	<u>\$ 1,876</u>	<u>\$ 216</u>
<b>(d) Change in other assets:</b>			
	<u>09/30/18</u>	<u>12/31/17</u>	Increase (Decrease)
Above-market in-place lease adjustment and incentives, net	\$ 2,191	\$ 1,084	\$ 1,107
Acquired in-place lease value	5,578	-	5,578
Prepaid property taxes and insurance	5,151	3,394	1,757
Other	3,472	2,939	533
	<u>\$ 16,392</u>	<u>\$ 7,417</u>	<u>\$ 8,975</u>
<b>(e) Change in accrued and other liabilities:</b>			
	<u>09/30/18</u>	<u>12/31/17</u>	Increase (Decrease)
Security deposits	\$ 35,573	\$ 34,198	\$ 1,375
Accrued property taxes	18,984	11,157	7,827
Prepaid rent	12,105	16,638	(4,533)
Below-market in-place lease adjustment and tenant improvement reimbursements, net	9,716	7,970	1,746
Other	9,600	10,260	(660)
	<u>\$ 85,978</u>	<u>\$ 80,223</u>	<u>\$ 5,755</u>
<b>(f) Change in paid-in capital:</b>			
Beginning paid-in capital			\$ 735,067
Exercise of stock options			1,678
Stock compensation, net			2,098
Cash paid for taxes in lieu of shares upon vesting of restricted stock units			(4,955)
Adjustment to reflect noncontrolling interests to underlying ownership			453
Ending paid in capital			<u>\$ 734,341</u>
<b>(g) Change in accumulated earnings (deficit):</b>			
Beginning accumulated deficit			\$ (1,778)
Distributions to preferred shareholders			(38,921)
Distributions to common shareholders			(75,107)
Net income			181,913
Ending accumulated earnings			<u>\$ 66,107</u>



**PS BUSINESS PARKS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share amounts)

	For The Three Months Ended		Increase	
	09/30/18	09/30/17	(Decrease)	
Rental income	\$ 103,808	\$ 100,481	\$ 3,327	<b>(a)</b>
Expenses:				
Cost of operations	31,654	31,679	(25)	<b>(b)</b>
Depreciation and amortization	25,207	23,759	1,448	
General and administrative	2,425	1,745	680	<b>(c)</b>
Total operating expenses	59,286	57,183	2,103	
Operating income	44,522	43,298	1,224	
Interest and other income	488	212	276	<b>(d)</b>
Interest and other expense	(167)	(503)	(336)	<b>(e)</b>
Equity in loss of unconsolidated joint venture	-	(376)	(376)	
Net income	44,843	42,631	2,212	
Allocation to noncontrolling interests	(6,514)	(4,866)	1,648	
Net income allocable to PS Business Parks, Inc.	38,329	37,765	564	
Allocation to preferred shareholders based upon				
Distributions	(12,959)	(12,590)	369	
Charge related to the redemption of preferred securities	-	(6,900)	(6,900)	
Allocation to restricted stock unit holders	(239)	(137)	102	
Net income allocable to common shareholders	\$ 25,131	\$ 18,138	\$ 6,993	
Net income per common share				
Basic	\$ 0.92	\$ 0.67	\$ 0.25	
Diluted	\$ 0.92	\$ 0.66	\$ 0.26	
Weighted average common shares outstanding:				
Basic	27,339	27,226	113	
Diluted	27,442	27,427	15	

**PS BUSINESS PARKS, INC.**  
**CONSOLIDATED STATEMENT OF INCOME**  
**VARIANCE DETAIL**  
(in thousands)

	For The Three Months Ended		Increase (Decrease)
	09/30/18	09/30/17	
<b>(a) Rental income:</b>			
Same Park	\$ 97,568	\$ 95,834	\$ 1,734
Non-Same Park	2,915	308	2,607
Multifamily	1,895	-	1,895
Same Park straight-line rent	660	239	421
Non-Same Park straight-line rent	278	63	215
Assets sold or held for sale	492	4,037	(3,545)
	<u>\$ 103,808</u>	<u>\$ 100,481</u>	<u>\$ 3,327</u>
<b>(b) Cost of operations:</b>			
Same Park	\$ 28,817	\$ 29,191	\$ (374)
Non-Same Park	1,159	294	865
Multifamily	1,043	-	1,043
Assets sold or held for sale	331	1,630	(1,299)
LTEIP amortization	304	564	(260)
	<u>\$ 31,654</u>	<u>\$ 31,679</u>	<u>\$ (25)</u>
<b>(c) General and administrative expenses:</b>			
Compensation expense	\$ 1,087	\$ 832	\$ 255
Separation settlement	-	1,500	(1,500)
Impact on LTEIP amortization due to departure of senior executive	-	(1,914)	1,914
LTEIP amortization	314	571	(257)
Professional fees and other	1,024	756	268
	<u>\$ 2,425</u>	<u>\$ 1,745</u>	<u>\$ 680</u>
<b>(d) Interest and other income:</b>			
Management fee income	\$ 93	\$ 126	\$ (33)
Interest income	111	54	57
Other income	284	32	252
	<u>\$ 488</u>	<u>\$ 212</u>	<u>\$ 276</u>
<b>(e) Interest and other expense:</b>			
Credit facility	\$ -	\$ (364)	\$ (364)
Facilities fees & other charges	(167)	(139)	28
	<u>\$ (167)</u>	<u>\$ (503)</u>	<u>\$ (336)</u>

**PS BUSINESS PARKS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share amounts)

	For The Nine Months Ended		Increase (Decrease)	
	9/30/2018	9/30/2017		
Rental income	\$ 309,391	\$ 300,342	\$ 9,049	<b>(a)</b>
Expenses:				
Cost of operations	95,910	92,962	2,948	<b>(b)</b>
Depreciation and amortization	73,505	70,465	3,040	
General and administrative	7,099	7,019	80	<b>(c)</b>
Total operating expenses	176,514	170,446	6,068	
Operating income	132,877	129,896	2,981	
Interest and other income	1,066	599	467	<b>(d)</b>
Interest and other expense	(499)	(972)	(473)	<b>(e)</b>
Equity in loss of unconsolidated joint venture	-	(758)	(758)	
Gain on sale of real estate facilities and development rights	85,283	1,209	84,074	
Gain on sale of development rights	-	3,865	(3,865)	
Net income	218,727	133,839	84,888	
Allocation to noncontrolling interests	(36,814)	(18,610)	18,204	
Net income allocable to PS Business Parks, Inc.	181,913	115,229	66,684	
Allocation to preferred shareholders based upon				
Distributions	(38,921)	(38,472)	449	
Charge related to the redemption of preferred securities	-	(6,900)	(6,900)	
Allocation to restricted stock unit holders	(1,592)	(582)	1,010	
Net income allocable to common shareholders	\$ 141,400	\$ 69,275	\$ 72,125	
Net income per common share				
Basic	\$ 5.18	\$ 2.55	\$ 2.63	
Diluted	\$ 5.16	\$ 2.53	\$ 2.63	
Weighted average common shares outstanding:				
Basic	27,310	27,192	118	
Diluted	27,412	27,399	13	

**PS BUSINESS PARKS, INC.**  
**CONSOLIDATED STATEMENT OF INCOME**  
**VARIANCE DETAIL**  
(in thousands)

	For The Nine Months Ended		Increase
	09/30/18	09/30/17	(Decrease)
<b>(a) Rental income:</b>			
Same Park	\$ 292,502	\$ 285,484	\$ 7,018
Non-Same Park	4,465	833	3,632
Multifamily	5,057	-	5,057
Same Park straight-line rent	1,508	1,809	(301)
Non-Same Park straight-line rent	672	143	529
Assets sold or held for sale or development	5,187	12,073	(6,886)
	<u>\$ 309,391</u>	<u>\$ 300,342</u>	<u>\$ 9,049</u>
<b>(b) Cost of Operations:</b>			
Same Park	\$ 87,717	\$ 85,413	\$ 2,304
Non-Same Park	2,083	918	1,165
Multifamily	3,013	-	3,013
Assets sold or held for sale or development	2,134	4,864	(2,730)
LTEIP amortization	963	1,767	(804)
	<u>\$ 95,910</u>	<u>\$ 92,962</u>	<u>\$ 2,948</u>
<b>(c) General and administrative expenses:</b>			
Compensation expense	\$ 3,728	\$ 2,998	\$ 730
Separation settlement	-	1,500	(1,500)
Impact on LTEIP amortization due to departure of senior executive	-	(1,914)	1,914
LTEIP amortization	514	2,255	(1,741)
Professional fees and other	2,857	2,180	677
	<u>\$ 7,099</u>	<u>\$ 7,019</u>	<u>\$ 80</u>
<b>(d) Interest and other income:</b>			
Management fee income	\$ 331	\$ 378	\$ (47)
Interest income	219	145	74
Other income	516	76	440
	<u>\$ 1,066</u>	<u>\$ 599</u>	<u>\$ 467</u>
<b>(e) Interest and other expense:</b>			
Credit facility	\$ (18)	\$ (1,060)	\$ (1,042)
Capitalized interest	-	506	506
Facilities fees & other charges	(481)	(418)	63
	<u>\$ (499)</u>	<u>\$ (972)</u>	<u>\$ (473)</u>

**PS BUSINESS PARKS, INC.**  
**Analysis of Capital Expenditures**  
(in thousands, except per square foot data)

<u>Commercial recurring capital expenditures</u> <sup>(1)</sup>	<u>For The Nine Months Ended September 30, 2018</u>	<u>Cost per Weighted Average Square Foot</u>
Capital improvements	\$7,003	\$0.25
Tenant improvements	12,411	\$0.45
Lease commissions	6,277	\$0.23
Total commercial recurring capital expenditures	<u>\$25,691</u>	<u>\$0.93</u>
 <u>Non-recurring property renovations</u>		
Non-recurring property renovations	\$113	
 <u>Multifamily capital expenditures</u>		
Capital improvements	\$13	

(1) The Company defines "recurring capital expenditures" as those capitalized costs necessary to continue to operate the property at its current economic value. Capital improvements in excess of \$2,000 with a useful life greater than 24 months are capitalized. Lease transaction costs of \$1,000 or more for leases with terms greater than 12 months are capitalized. Renovations that substantially enhance the value of a property are excluded from recurring capital expenditures, as well as first generation leasing costs on development properties. Lease-up costs on acquired properties are included in recurring capital expenditures.

**PS BUSINESS PARKS, INC.**  
**PORTFOLIO CONCENTRATION SUMMARY**  
(in thousands, excluding an asset held for sale)

Industry Concentration as of September 30, 2018

	% of Total Rental Income
Business services	19.3%
Warehouse, distribution, transportation and logistics	11.5%
Computer hardware, software and related services	10.5%
Health services	9.9%
Retail, food, and automotive	7.6%
Engineering and Construction	7.4%
Government	6.8%
Insurance and financial services	3.8%
Electronics	3.1%
Home furnishings	2.6%
Aerospace/defense products and services	2.2%
Communications	1.9%
Educational services	1.0%
Other	12.4%
Total	100.0%

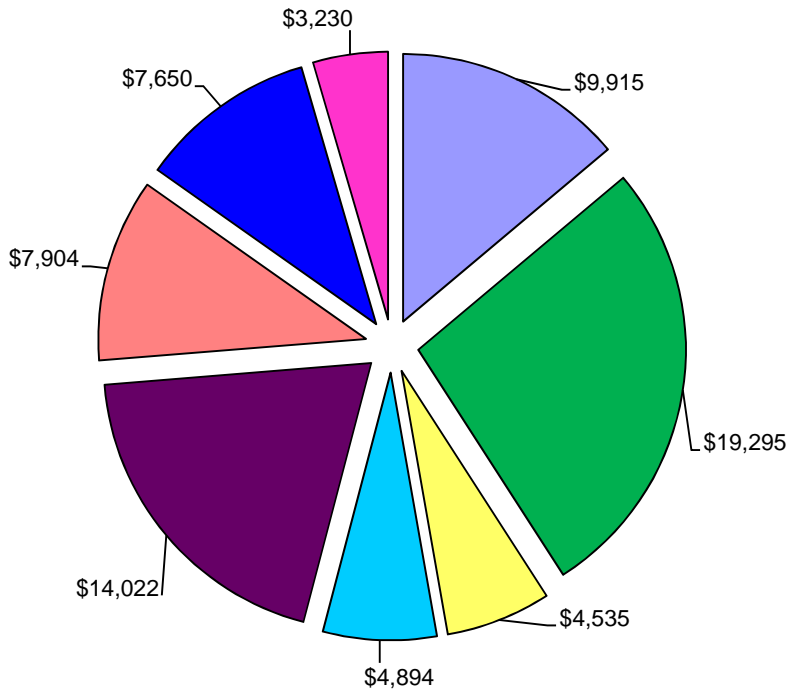
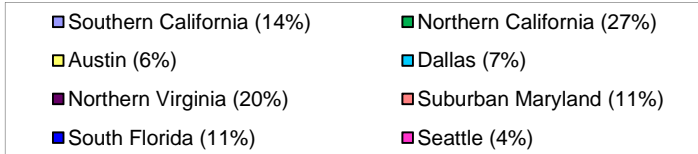
Top 10 Customers by Total Annual Rental Income as of September 30, 2018

Customer	Square Footage	Annualized Rental Income <sup>(1)</sup>	% of Total Annualized Rental Income
US Government	681	\$ 15,396	3.8%
Luminex Corporation	199	4,041	1.0%
Keeco, L.L.C.	460	3,701	0.9%
CEVA Logistics U.S., Inc.	213	2,781	0.7%
Lockheed Martin Corporation	168	2,780	0.7%
KZ Kitchen Cabinet & Stone	192	2,289	0.5%
Applied Materials, Inc.	162	2,201	0.5%
Investorplace Media, LLC	46	1,896	0.5%
Carbel, LLC	192	1,789	0.4%
Quanta Computer USA, Inc.	179	1,705	0.4%
Total	2,492	\$ 38,579	9.4%

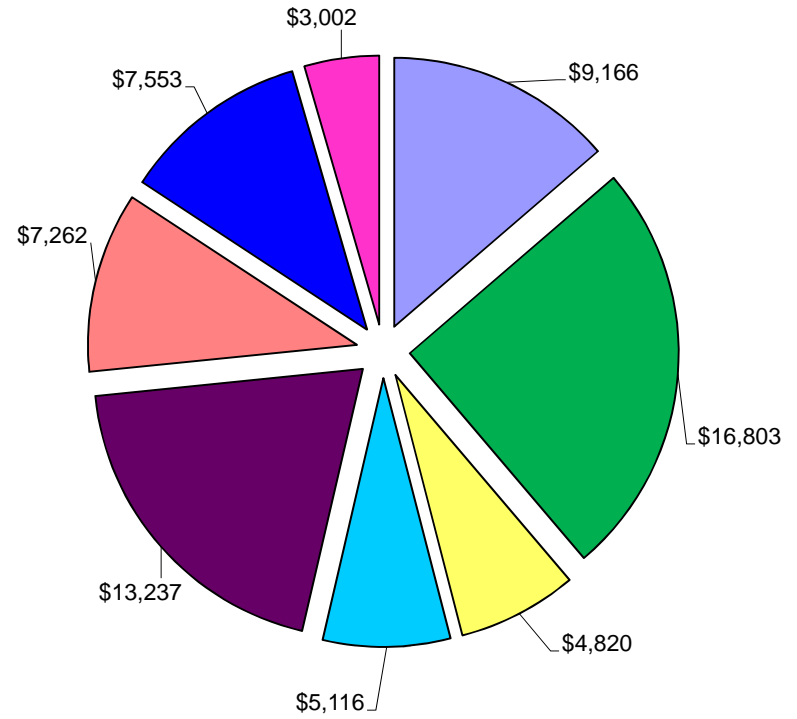
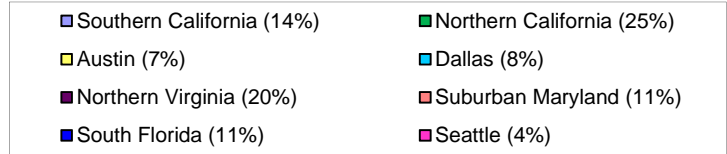
(1) For leases expiring within one year, annualized rental income includes only the income to be received under existing leases from October 1, 2018 through the date of expiration.

### Total Portfolio Net Operating Income by Region

Three Months Ended September 30, 2018  
\$71,445 (in thousands) <sup>(1)</sup>



Three Months Ended September 30, 2017  
\$66,959 (in thousands) <sup>(1)</sup>



(1) Excludes multifamily and assets sold or held for sale.

**Same Park Portfolio by Region by Type**  
**Rental Income, Adjusted Cost of Operations and Net Operating Income ("NOI")**

For the Three Months Ended

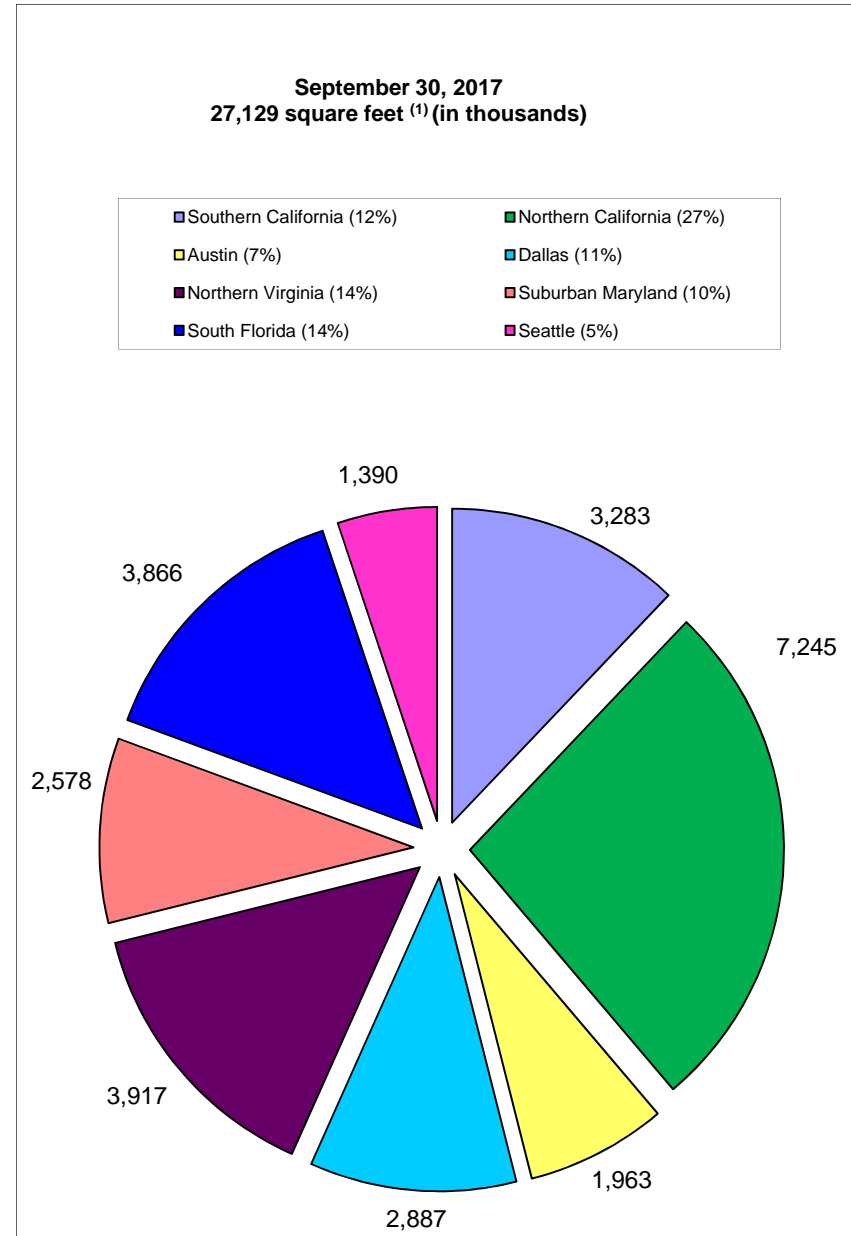
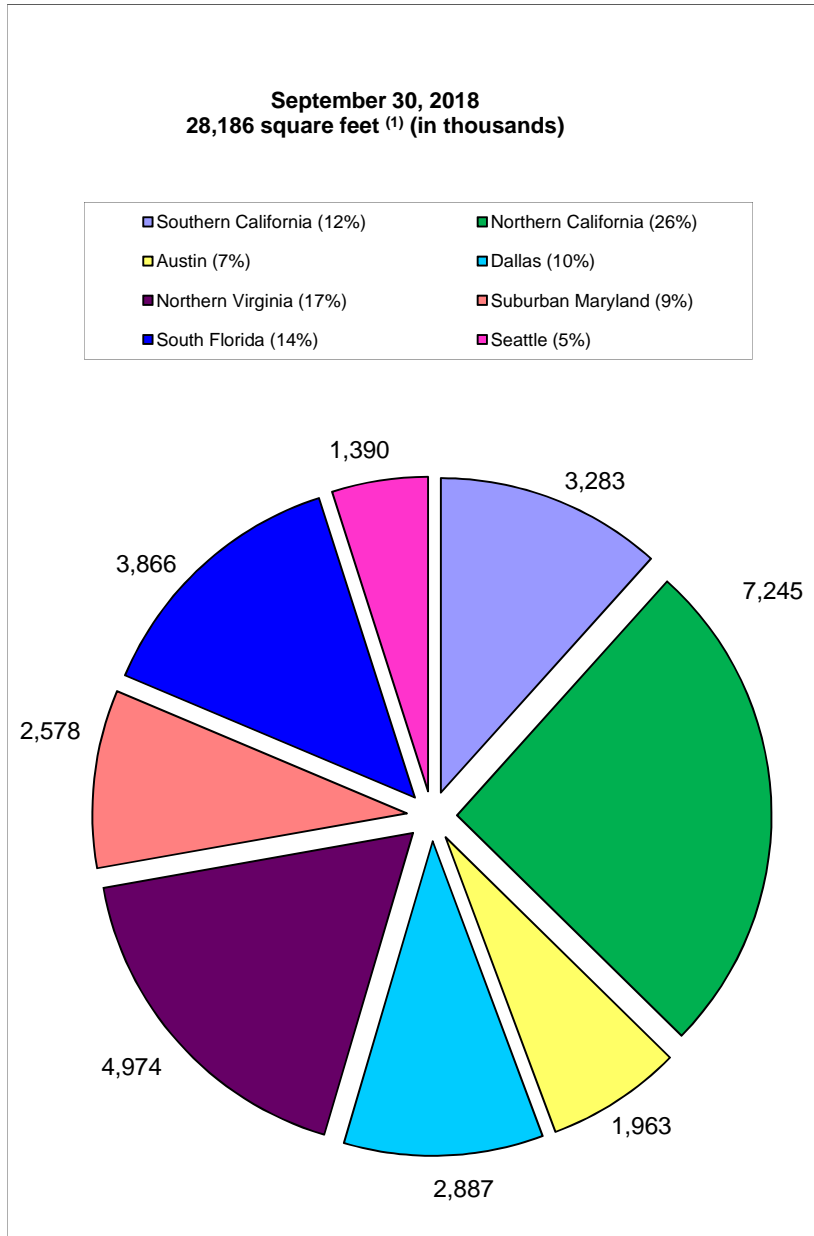
	September 30, 2018				September 30, 2017			
	Flex	Office	Industrial	Total	Flex	Office	Industrial	Total
In thousands								
<b>Rental Income:</b>								
Northern California	\$ 2,369	\$ 2,937	\$ 19,749	\$ 25,055	\$ 2,343	\$ 2,714	\$ 17,757	\$ 22,814
Southern California	4,534	149	8,750	13,433	4,340	185	8,110	12,635
Dallas	4,782	—	2,892	7,674	4,926	—	2,828	7,754
Austin	5,290	—	1,970	7,260	5,536	—	1,854	7,390
Northern Virginia	6,142	10,481	1,837	18,460	6,439	10,773	2,059	19,271
South Florida	473	(3)	9,966	10,436	478	60	9,731	10,269
Suburban Maryland	3,306	7,147	1,108	11,561	2,839	7,905	1,209	11,953
Seattle	1,539	183	2,627	4,349	1,383	154	2,450	3,987
Total	<u>28,435</u>	<u>20,894</u>	<u>48,899</u>	<u>98,228</u>	<u>28,284</u>	<u>21,791</u>	<u>45,998</u>	<u>96,073</u>
<b>Adjusted Cost of Operations:</b>								
Northern California	620	689	4,451	5,760	644	732	4,635	6,011
Southern California	1,248	72	2,198	3,518	1,258	81	2,130	3,469
Dallas	1,841	—	939	2,780	1,755	—	883	2,638
Austin	2,029	—	696	2,725	1,944	—	626	2,570
Northern Virginia	1,735	3,826	459	6,020	1,720	3,823	491	6,034
South Florida	134	22	2,630	2,786	125	15	2,576	2,716
Suburban Maryland	974	2,806	329	4,109	1,068	3,279	421	4,768
Seattle	382	58	679	1,119	338	49	598	985
Total	<u>8,963</u>	<u>7,473</u>	<u>12,381</u>	<u>28,817</u>	<u>8,852</u>	<u>7,979</u>	<u>12,360</u>	<u>29,191</u>
<b>NOI:</b>								
Northern California	1,749	2,248	15,298	19,295	1,699	1,982	13,122	16,803
Southern California	3,286	77	6,552	9,915	3,082	104	5,980	9,166
Dallas	2,941	—	1,953	4,894	3,171	—	1,945	5,116
Austin	3,261	—	1,274	4,535	3,592	—	1,228	4,820
Northern Virginia	4,407	6,655	1,378	12,440	4,719	6,950	1,568	13,237
South Florida	339	(25)	7,336	7,650	353	45	7,155	7,553
Suburban Maryland	2,332	4,341	779	7,452	1,771	4,626	788	7,185
Seattle	1,157	125	1,948	3,230	1,045	105	1,852	3,002
Total	<u>\$ 19,472</u>	<u>\$ 13,421</u>	<u>\$ 36,518</u>	<u>\$ 69,411</u>	<u>\$ 19,432</u>	<u>\$ 13,812</u>	<u>\$ 33,638</u>	<u>\$ 66,882</u>

For the Nine Months Ended

	September 30, 2018				September 30, 2017			
	Flex	Office	Industrial	Total	Flex	Office	Industrial	Total
In thousands								
<b>Rental Income:</b>								
Northern California	\$ 7,075	\$ 8,554	\$ 58,447	\$ 74,076	\$ 7,040	\$ 8,035	\$ 53,914	\$ 68,989
Southern California	13,438	482	25,671	39,591	12,727	496	24,124	37,347
Dallas	14,261	—	8,640	22,901	14,914	—	8,563	23,477
Austin	16,567	—	5,938	22,505	16,714	—	5,465	22,179
Northern Virginia	18,623	31,503	5,523	55,649	19,322	32,349	5,248	56,919
South Florida	1,443	83	29,941	31,467	1,398	148	28,911	30,457
Suburban Maryland	9,567	22,060	3,366	34,993	9,120	23,301	3,461	35,882
Seattle	4,453	549	7,826	12,828	4,235	416	7,392	12,043
Total	<u>85,427</u>	<u>63,231</u>	<u>145,352</u>	<u>294,010</u>	<u>85,470</u>	<u>64,745</u>	<u>137,078</u>	<u>287,293</u>
<b>Adjusted Cost of Operations:</b>								
Northern California	1,906	2,156	13,190	17,252	1,857	2,131	13,583	17,571
Southern California	3,586	202	6,455	10,243	3,574	209	6,335	10,118
Dallas	5,613	—	2,868	8,481	5,306	—	2,626	7,932
Austin	6,073	—	2,062	8,135	5,589	—	1,960	7,549
Northern Virginia	5,586	12,018	1,547	19,151	5,279	11,575	1,464	18,318
South Florida	396	48	8,107	8,551	407	51	7,686	8,144
Suburban Maryland	2,940	8,569	1,053	12,562	2,874	8,788	1,114	12,776
Seattle	1,120	170	2,052	3,342	1,087	140	1,778	3,005
Total	<u>27,220</u>	<u>23,163</u>	<u>37,334</u>	<u>87,717</u>	<u>25,973</u>	<u>22,894</u>	<u>36,546</u>	<u>85,413</u>
<b>NOI:</b>								
Northern California	5,169	6,398	45,257	56,824	5,183	5,904	40,331	51,418
Southern California	9,852	280	19,216	29,348	9,153	287	17,789	27,229
Dallas	8,648	—	5,772	14,420	9,608	—	5,937	15,545
Austin	10,494	—	3,876	14,370	11,125	—	3,505	14,630
Northern Virginia	13,037	19,485	3,976	36,498	14,043	20,774	3,784	38,601
South Florida	1,047	35	21,834	22,916	991	97	21,225	22,313
Suburban Maryland	6,627	13,491	2,313	22,431	6,246	14,513	2,347	23,106
Seattle	3,333	379	5,774	9,486	3,148	276	5,614	9,038
Total	<u>\$ 58,207</u>	<u>\$ 40,068</u>	<u>\$ 108,018</u>	<u>\$ 206,293</u>	<u>\$ 59,497</u>	<u>\$ 41,851</u>	<u>\$ 100,532</u>	<u>\$ 201,880</u>

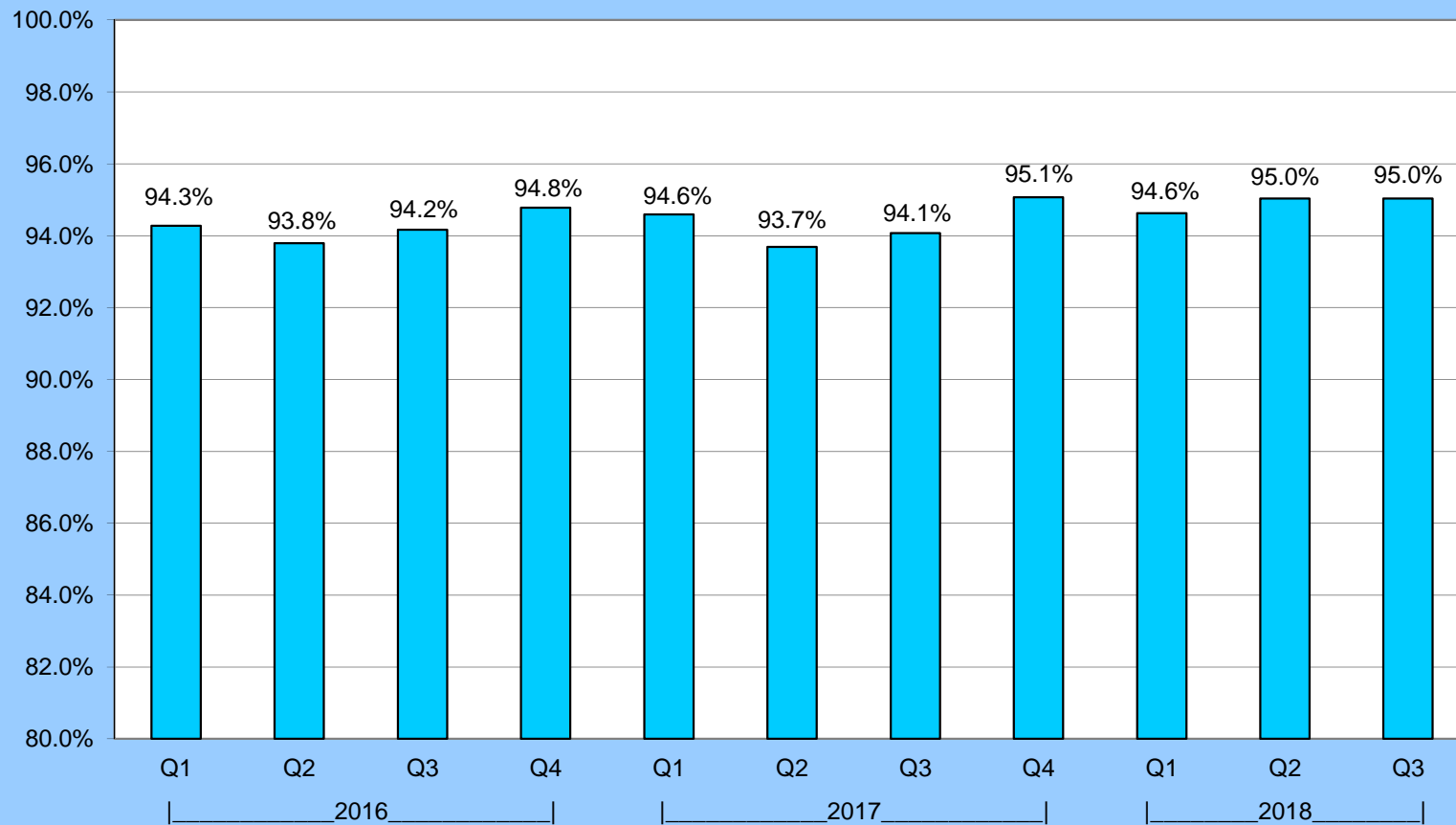


## Total Portfolio Rentable Square Footage by Region



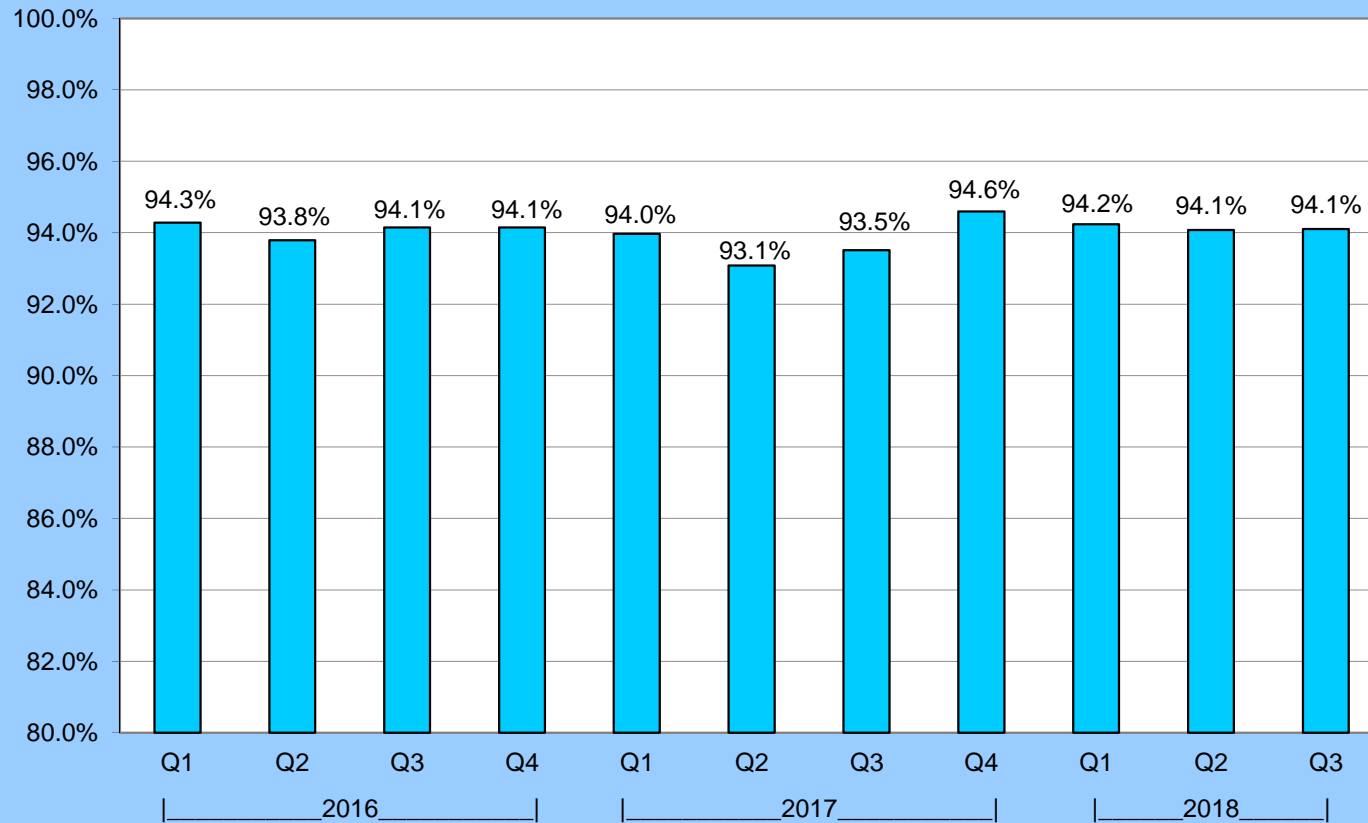
(1) Excludes multifamily and assets sold or held for sale.

## Same Park Weighted Average Occupancy <sup>(1)</sup>



<sup>(1)</sup> Represents the weighted average occupancy for the current Same Park portfolio.

## Total Portfolio Weighted Average Occupancy <sup>(1)</sup>



<sup>(1)</sup> Excludes assets sold or held for sale or development.

**PS BUSINESS PARKS, INC.**  
**SAME PARK PORTFOLIO OVERVIEW**  
(in thousands, excludes assets sold or held for sale)

Rentable Square Footage of Properties as of September 30, 2018 <sup>(1)</sup>					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Northern Virginia	507	1,970	1,440	3,917	14.6%
South Florida	3,728	12	126	3,866	14.4%
East Bay	3,297	-	53	3,350	12.4%
Silicon Valley	3,094	-	367	3,461	12.9%
Dallas	1,300	-	1,587	2,887	10.7%
Suburban Maryland	394	1,382	576	2,352	8.7%
Austin	755	-	1,208	1,963	7.3%
Los Angeles County	1,256	31	317	1,604	6.0%
Seattle	1,092	28	270	1,390	5.2%
Orange County	810	-	101	911	3.4%
San Diego County	233	-	535	768	2.8%
Mid-Peninsula	-	340	94	434	1.6%
<b>Total</b>	<b>16,466</b>	<b>3,763</b>	<b>6,674</b>	<b>26,903</b>	<b>100.0%</b>
Percentage by Product Type	61.2%	14.0%	24.8%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended September 30, 2018 <sup>(1)</sup>				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	95.8%	92.9%	95.3%	94.1%
South Florida	97.2%	-	94.6%	96.8%
East Bay	99.1%	-	98.6%	99.1%
Silicon Valley	96.9%	-	98.3%	97.0%
Dallas	93.3%	-	86.4%	89.5%
Suburban Maryland	88.3%	86.1%	95.5%	88.8%
Austin	98.1%	-	87.2%	91.4%
Los Angeles County	98.8%	84.8%	99.6%	98.7%
Seattle	97.6%	100.0%	97.1%	97.5%
Orange County	98.1%	-	100.0%	98.3%
San Diego County	99.3%	-	95.3%	96.5%
Mid-Peninsula	-	96.1%	96.4%	96.2%
<b>Total</b>	<b>97.2%</b>	<b>90.4%</b>	<b>92.3%</b>	<b>95.0%</b>

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended September 30, 2018 <sup>(2)</sup>			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	94.4%	93.6%	94.1%
South Florida	97.2%	95.2%	96.8%
East Bay	99.0%	99.7%	99.1%
Silicon Valley	96.9%	97.4%	97.0%
Dallas	88.0%	92.0%	89.5%
Suburban Maryland	89.0%	88.1%	88.8%
Austin	93.0%	79.8%	91.4%
Los Angeles County	100.0%	97.6%	98.7%
Seattle	97.9%	96.6%	97.5%
Orange County	98.1%	98.6%	98.3%
San Diego County	-	96.5%	96.5%
Mid-Peninsula	-	96.2%	96.2%
<b>Total</b>	<b>95.2%</b>	<b>94.5%</b>	<b>95.0%</b>

<sup>(1)</sup> 7.6 million square feet was reclassified from flex to industrial effective January 1, 2018.

<sup>(2)</sup> The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet while the "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO OVERVIEW**  
(in thousands, excludes assets sold or held for sale)

Rentable Square Footage of Properties as of September 30, 2018 <sup>(1)</sup>					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Northern Virginia	1,564	1,970	1,440	4,974	17.7%
South Florida	3,728	12	126	3,866	13.7%
East Bay	3,297	-	53	3,350	11.9%
Silicon Valley	3,094	-	367	3,461	12.3%
Dallas	1,300	-	1,587	2,887	10.2%
Suburban Maryland	394	1,608	576	2,578	9.2%
Austin	755	-	1,208	1,963	7.0%
Los Angeles County	1,256	31	317	1,604	5.7%
Seattle	1,092	28	270	1,390	4.9%
Orange County	810	-	101	911	3.2%
San Diego County	233	-	535	768	2.7%
Mid-Peninsula	-	340	94	434	1.5%
<b>Total</b>	<b>17,523</b>	<b>3,989</b>	<b>6,674</b>	<b>28,186</b>	<b>100.0%</b>
Percentage by Product Type	62.2%	14.1%	23.7%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended September 30, 2018 <sup>(1)</sup>				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	82.3%	92.9%	95.3%	90.2%
South Florida	97.2%	-	94.6%	96.8%
East Bay	99.1%	-	98.6%	99.1%
Silicon Valley	96.9%	-	98.3%	97.0%
Dallas	93.3%	-	86.4%	89.5%
Suburban Maryland	88.3%	83.1%	95.5%	86.7%
Austin	98.1%	-	87.2%	91.4%
Los Angeles County	98.8%	84.8%	99.6%	98.7%
Seattle	97.6%	100.0%	97.1%	97.5%
Orange County	98.1%	-	100.0%	98.3%
San Diego County	99.3%	-	95.3%	96.5%
Mid-Peninsula	-	96.1%	96.4%	96.2%
<b>Total</b>	<b>95.9%</b>	<b>88.9%</b>	<b>92.3%</b>	<b>94.1%</b>

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended September 30, 2018 <sup>(2)</sup>			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	89.4%	92.0%	90.2%
South Florida	97.2%	95.2%	96.8%
East Bay	99.0%	99.7%	99.1%
Silicon Valley	96.9%	97.4%	97.0%
Dallas	88.0%	92.0%	89.5%
Suburban Maryland	89.0%	81.3%	86.7%
Austin	93.0%	79.8%	91.4%
Los Angeles County	100.0%	97.6%	98.7%
Seattle	97.9%	96.6%	97.5%
Orange County	98.1%	98.6%	98.3%
San Diego County	-	96.5%	96.5%
Mid-Peninsula	-	96.2%	96.2%
<b>Total</b>	<b>94.3%</b>	<b>93.4%</b>	<b>94.1%</b>

<sup>(1)</sup> 7.6 million square feet was reclassified from flex to industrial effective January 1, 2018.

<sup>(2)</sup> The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet while the "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF SEPTEMBER 30, 2018**  
(in thousands, excluding an asset held for sale)

Lease Expirations - Industrial				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	707	\$ 9,929	4.6%	2.3%
2019	4,441	53,007	24.3%	12.3%
2020	4,054	50,016	23.0%	11.6%
2021	2,384	31,678	14.5%	7.3%
2022	2,020	27,016	12.4%	6.3%
Thereafter	3,250	46,314	21.2%	10.8%
Total	<u>16,856</u>	<u>\$ 217,960</u>	<u>100.0%</u>	<u>50.6%</u>

Lease Expirations - Flex				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	586	\$ 11,446	9.5%	2.6%
2019	1,527	28,196	23.5%	6.6%
2020	1,271	22,247	18.6%	5.2%
2021	816	14,706	12.3%	3.4%
2022	790	17,192	14.3%	4.0%
Thereafter	1,242	26,076	21.8%	6.0%
Total	<u>6,232</u>	<u>\$ 119,863</u>	<u>100.0%</u>	<u>27.8%</u>

Lease Expirations - Office				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	175	\$ 4,281	4.5%	1.0%
2019	892	23,429	25.1%	5.4%
2020	763	20,170	21.6%	4.6%
2021	475	11,076	11.9%	2.6%
2022	365	9,176	9.8%	2.1%
Thereafter	950	25,316	27.1%	5.9%
Total	<u>3,620</u>	<u>\$ 93,448</u>	<u>100.0%</u>	<u>21.6%</u>

Lease Expirations - Total Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	1,468	\$ 25,656	5.9%	5.9%
2019	6,860	104,632	24.3%	24.3%
2020	6,088	92,433	21.4%	21.4%
2021	3,675	57,460	13.3%	13.3%
2022	3,175	53,384	12.4%	12.4%
Thereafter	5,442	97,706	22.7%	22.7%
Total	<u>26,708</u>	<u>\$ 431,271</u>	<u>100.0%</u>	<u>100.0%</u>

**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF SEPTEMBER 30, 2018**  
(in thousands, excluding an asset held for sale)

Southern California				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	189	\$ 3,592	6.4%	0.8%
2019	1,084	17,223	30.6%	4.0%
2020	972	16,108	28.7%	3.7%
2021	390	7,337	13.1%	1.7%
2022	313	5,647	10.0%	1.3%
Thereafter	257	6,313	11.2%	1.5%
Total	3,205	\$ 56,220	100.0%	13.0%

Northern California				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	227	\$ 5,599	5.1%	1.3%
2019	2,152	28,458	26.1%	6.6%
2020	1,439	23,842	21.9%	5.5%
2021	997	14,883	13.7%	3.5%
2022	820	12,375	11.3%	2.9%
Thereafter	1,468	23,948	21.9%	5.6%
Total	7,103	\$ 109,105	100.0%	25.4%

Austin				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	116	\$ 2,231	7.3%	0.6%
2019	270	4,100	13.4%	1.0%
2020	346	5,046	16.4%	1.2%
2021	272	4,907	16.0%	1.1%
2022	269	4,448	14.5%	1.0%
Thereafter	528	9,966	32.4%	2.3%
Total	1,801	\$ 30,698	100.0%	7.2%

Dallas				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	150	\$ 1,981	5.9%	0.5%
2019	673	8,178	24.2%	1.9%
2020	798	8,731	25.8%	2.0%
2021	351	4,382	12.9%	1.0%
2022	220	3,190	9.4%	0.8%
Thereafter	490	7,383	21.8%	1.7%
Total	2,682	\$ 33,845	100.0%	7.9%

**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF SEPTEMBER 30, 2018**  
(in thousands, excluding an asset held for sale)

South Florida					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	250	\$ 2,293	5.3%	0.5%	
2019	788	9,191	21.5%	2.2%	
2020	834	9,663	22.6%	2.3%	
2021	693	8,239	19.3%	1.9%	
2022	432	4,895	11.5%	1.1%	
Thereafter	739	8,465	19.8%	2.0%	
Total	<u>3,736</u>	<u>\$ 42,746</u>	<u>100.0%</u>	<u>10.0%</u>	

Northern Virginia					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	265	\$ 4,196	4.8%	0.9%	
2019	1,236	25,510	29.0%	5.9%	
2020	890	16,136	18.3%	3.7%	
2021	522	9,479	10.8%	2.2%	
2022	666	14,544	16.5%	3.4%	
Thereafter	934	18,154	20.6%	4.2%	
Total	<u>4,513</u>	<u>\$ 88,019</u>	<u>100.0%</u>	<u>20.3%</u>	

Suburban Maryland					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	206	\$ 4,802	9.2%	1.1%	
2019	318	7,031	13.5%	1.6%	
2020	336	7,263	13.9%	1.7%	
2021	325	6,545	12.5%	1.5%	
2022	271	5,779	11.1%	1.3%	
Thereafter	831	20,755	39.8%	4.8%	
Total	<u>2,287</u>	<u>\$ 52,175</u>	<u>100.0%</u>	<u>12.0%</u>	

Seattle					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	65	\$ 962	5.2%	0.2%	
2019	339	4,941	26.8%	1.1%	
2020	473	5,644	30.6%	1.3%	
2021	125	1,688	9.1%	0.4%	
2022	184	2,506	13.6%	0.6%	
Thereafter	195	2,722	14.7%	0.6%	
Total	<u>1,381</u>	<u>\$ 18,463</u>	<u>100.0%</u>	<u>4.2%</u>	



**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF SEPTEMBER 30, 2018**  
(in thousands, excluding an asset held for sale)

Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	1,468	\$ 25,656	5.9%	5.9%	
2019	6,860	104,632	24.3%	24.3%	
2020	6,088	92,433	21.4%	21.4%	
2021	3,675	57,460	13.3%	13.3%	
2022	3,175	53,384	12.4%	12.4%	
Thereafter	5,442	97,706	22.7%	22.7%	
Total	<u>26,708</u>	<u>\$ 431,271</u>	<u>100.0%</u>	<u>100.0%</u>	

**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF SEPTEMBER 30, 2018**  
(in thousands, excluding an asset held for sale)

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	781	\$ 14,398	5.1%	3.3%	
2019	4,490	61,143	21.8%	14.2%	
2020	3,996	52,433	18.7%	12.2%	
2021	2,585	36,948	13.2%	8.5%	
2022	2,479	39,393	14.1%	9.2%	
Thereafter	4,517	75,996	27.1%	17.7%	
Total	18,848	\$ 280,311	100.0%	65.1%	

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	687	\$ 11,258	7.5%	2.6%	
2019	2,370	43,489	28.8%	10.1%	
2020	2,092	40,000	26.5%	9.2%	
2021	1,090	20,512	13.6%	4.8%	
2022	696	13,991	9.2%	3.2%	
Thereafter	925	21,710	14.4%	5.0%	
Total	7,860	\$ 150,960	100.0%	34.9%	

Lease Expirations - Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	1,468	\$ 25,656	5.9%	5.9%	
2019	6,860	104,632	24.3%	24.3%	
2020	6,088	92,433	21.4%	21.4%	
2021	3,675	57,460	13.3%	13.3%	
2022	3,175	53,384	12.4%	12.4%	
Thereafter	5,442	97,706	22.7%	22.7%	
Total	26,708	\$ 431,271	100.0%	100.0%	

**PS BUSINESS PARKS, INC.**  
**QUARTER AND YEAR TO DATE PRODUCTION STATISTICS - TOTAL PORTFOLIO <sup>(1)</sup>**  
**September 30, 2018**

	QTD Total Portfolio Wtd. Avg. Occupancy	YTD Total Portfolio Wtd. Avg. Occupancy	Total Portfolio Activity									
			Leasing Volume		Customer Retention		Transaction Costs per Executed Foot		Transaction Costs <sup>(2)</sup>		Rental Rate Change <sup>(3)</sup>	
			3rd Quarter	YTD	3rd Quarter	YTD	3rd Quarter	YTD	3rd Quarter	YTD	3rd Quarter	YTD
Suburban Maryland	86.7%	86.4%	149,000	540,000	84.1%	76.0%	\$ 14.00	\$ 11.55	16.0%	13.4%	-15.3%	-15.7%
Northern Virginia	90.2%	90.7%	235,000	771,000	58.6%	68.1%	\$ 4.13	\$ 6.60	9.0%	11.9%	-9.2%	-10.9%
San Diego	96.5%	97.1%	85,000	215,000	72.4%	65.8%	\$ 1.45	\$ 1.14	3.0%	2.6%	10.3%	5.7%
Orange County	98.3%	98.0%	56,000	243,000	80.3%	81.0%	\$ 1.32	\$ 1.72	1.4%	2.2%	11.9%	5.8%
Los Angeles	98.7%	98.3%	158,000	434,000	74.0%	73.0%	\$ 1.16	\$ 1.36	2.9%	3.3%	15.5%	9.8%
Austin	91.4%	92.9%	283,000	453,000	72.6%	72.1%	\$ 3.14	\$ 2.67	3.3%	3.2%	1.6%	3.6%
Dallas	89.5%	88.7%	220,000	671,000	63.1%	52.5%	\$ 3.90	\$ 3.95	9.8%	9.4%	4.6%	1.3%
South Florida	96.8%	96.4%	268,000	1,018,000	60.7%	62.1%	\$ 0.62	\$ 1.12	1.5%	2.8%	11.4%	4.7%
Seattle	97.5%	97.9%	45,000	145,000	56.4%	33.5%	\$ 1.59	\$ 2.68	2.7%	3.7%	17.3%	14.4%
East Bay	99.1%	98.5%	176,000	451,000	78.1%	60.6%	\$ 1.77	\$ 1.37	2.8%	2.2%	37.1%	26.0%
Silicon Valley	97.0%	97.3%	117,000	491,000	69.3%	78.2%	\$ 1.80	\$ 1.30	2.1%	2.7%	28.4%	17.0%
Mid-Peninsula	96.2%	96.6%	30,000	100,000	73.8%	65.8%	\$ 0.95	\$ 1.27	1.0%	1.4%	8.7%	10.5%
<b>Company Totals by Market</b>	<b>94.1%</b>	<b>94.1%</b>	<b>1,822,000</b>	<b>5,532,000</b>	<b>69.1%</b>	<b>66.9%</b>	<b>\$ 3.28</b>	<b>\$ 3.50</b>	<b>5.3%</b>	<b>6.2%</b>	<b>7.2%</b>	<b>2.9%</b>
Industrial	95.9%	96.4%	902,000	3,064,000	66.2%	67.3%	\$ 1.74	\$ 1.55	3.2%	3.3%	16.8%	10.6%
Flex	92.3%	92.1%	652,000	1,442,000	73.0%	64.4%	\$ 2.72	\$ 2.86	3.9%	4.6%	3.3%	3.0%
Office	88.9%	87.8%	268,000	1,026,000	70.6%	69.3%	\$ 9.84	\$ 10.22	14.3%	13.2%	-6.5%	-11.5%
<b>Company Totals by Type</b>	<b>94.1%</b>	<b>94.1%</b>	<b>1,822,000</b>	<b>5,532,000</b>	<b>69.1%</b>	<b>66.9%</b>	<b>\$ 3.28</b>	<b>\$ 3.50</b>	<b>5.3%</b>	<b>6.2%</b>	<b>7.2%</b>	<b>2.9%</b>

<sup>(1)</sup> Excludes assets sold or held for sale.

<sup>(2)</sup> Transaction costs are computed by taking the total transaction costs divided by the total rents over the term of the lease.

<sup>(3)</sup> Rental rate change is computed by taking the percentage difference between outgoing rents and incoming rents for leases executed during the period. Leases executed on spaces vacant for more than the preceding twelve months have been excluded.

**Multifamily Summary**  
**September 30, 2018**

Project Name	Location	Apartment Units	Total Costs <sup>(1)</sup> (in thousands)	Schedule			Estimated Stabilization Period
				Construction Start	Initial Occupancy	Construction Completion	
Highgate at the Mile	McLean, Virginia	395	\$ 115,935	Q3 2015	Q2 2017	Q4 2017	Q4 2018
				% Occupied as of			Average Rent per Unit <sup>(2)</sup> as of
				9/30/2018	9/30/2017	% Change	9/30/2018
				91.4%	41.8%	118.7%	\$ 2,113

(1) The estimated total costs of the project includes contributed land value of \$21.0 million plus unrealized land appreciation of \$6.0 million. The unrealized land appreciation of \$6.0 million is not recorded on our balance sheet.

(2) Average rent per unit is defined as the total potential monthly rental revenue (i.e. actual rent for occupied apartment units plus market rent for vacant apartment units) divided by the number of available units.