



Analysis of Operating Results and Financial Condition

For the Quarter and Year Ended December 31, 2000

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2000**

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PS BUSINESS PARKS, INC.
FOURTH QUARTER FACT SHEET

OPERATING DATA

	Three Months Ended			Years Ended		
	12/31/00	12/31/99	Difference	12/31/00	12/31/99	Difference
Total revenues	\$ 38,294,000	\$ 34,833,000	9.9%	\$ 150,634,000	\$ 128,613,000	17.1%
Net income allocable to common shareholders	\$ 16,183,000	\$ 9,631,000	68.0%	\$ 46,093,000	\$ 37,849,000	21.8%
Net income per common share:						
Basic	\$ 0.70	\$ 0.41	70.7%	\$ 1.98	\$ 1.60	23.8%
Diluted	\$ 0.70	\$ 0.41	70.7%	\$ 1.97	\$ 1.60	23.3%
Weighted average common shares outstanding:						
Basic	23,073,000	23,645,000	(2.4%)	23,284,000	23,641,000	(1.5%)
Diluted	23,196,000	23,704,000	(2.1%)	23,365,000	23,709,000	(1.5%)

FUNDS FROM OPERATIONS

	Three Months Ended			Years Ended		
	12/31/00	12/31/99	Difference	12/31/00	12/31/99	Difference
FFO allocable to common shareholders	\$ 16,933,000	\$ 14,934,000	13.4%	\$ 65,422,000	\$ 58,087,000	12.6%
Weighted average common shares outstanding - diluted	23,196,000	23,704,000	(2.1%)	23,365,000	23,709,000	(1.5%)
FFO per common share - diluted	\$ 0.73	\$ 0.63	15.9%	\$ 2.80	\$ 2.45	14.3%

PROPERTY INFORMATION

	Three Months Ended			Years Ended		
	12/31/00	12/31/99	Difference	12/31/00	12/31/99	Difference
Total number of properties at period end	140	125	12.0%	140	125	12.0%
Net rentable square footage at period end	12,600,000	12,359,000	1.9%	12,600,000	12,359,000	1.9%

Same Park Facilities

Weighted average occupancy	97.4%	96.5%	0.9%	97.0%	96.7%	0.3%
Annualized realized rent per sq. ft. (1)	\$ 11.93	\$ 11.09	7.6%	\$ 11.71	\$ 10.93	7.1%

(1) Realized rent per square foot represents the actual revenues earned per occupied square foot.

BALANCE SHEET DATA

	12/31/00	12/31/99	Difference
Total assets	\$ 930,756,000	\$ 903,741,000	3.0%
Minority interest - preferred	\$ 144,750,000	\$ 132,750,000	9.0%
Minority interest - common	\$ 161,728,000	\$ 157,199,000	2.9%
Perpetual preferred stock	\$ 55,000,000	\$ 55,000,000	0.0%
Common shareholders' equity	\$ 509,343,000	\$ 500,531,000	1.8%
Total common shares outstanding at period end	23,045,000	23,645,000	(2.5%)
Book value per common share	\$ 22.10	\$ 21.17	4.4%

MARKET VALUE INFORMATION

	12/31/00	12/31/99	Difference
Market value of common stock and OP units	\$ 844,577,000	\$ 707,271,000	19.4%
Total debt	30,971,000	37,066,000	(16.4%)
Total preferred stock and OP units	199,750,000	187,750,000	6.4%
Total market capitalization	<u>\$ 1,075,298,000</u>	<u>\$ 932,087,000</u>	<u>15.4%</u>
Stock price	<u>\$ 27.80</u>	<u>\$ 22.75</u>	<u>22.2%</u>

PS BUSINESS PARKS, INC.

Sources and Uses of Funds for the Year Ended December 31, 2000

	2000 Actual
<u>Sources of Funds:</u>	
Funds from operations	\$ 85,977,000
Issuance of preferred OP units	11,698,000
Exercise of stock options	261,000
Liquidating distribution from PAG	21,767,000
Disposition of properties, net	21,045,000
Change in working capital	8,203,000
Total Sources of Funds	148,951,000
<u>Uses of Funds:</u>	
Property acquisitions	(82,335,000)
Additional acquisition/development costs	(4,898,000)
Construction in progress	(17,309,000)
Land acquisition	(2,507,000)
Recurring capital expenditures	(11,767,000)
Investment in other REITs	(1,720,000)
Common dividends and OP distributions	(30,604,000)
Repurchase of common stock	(16,641,000)
Principal payments on mortgage notes payable	(6,095,000)
Total Uses of Funds	(173,876,000)
Net decrease in cash balance	(24,925,000)
Beginning cash balance	74,220,000
Ending cash balance	\$ 49,295,000

PS BUSINESS PARKS, INC.
ANALYSIS OF FUNDS FROM OPERATIONS

Three Months Ended		Increase (Decrease)	% Change
12/31/00	12/31/99		

Years Ended		Increase (Decrease)	% Change
12/31/00	12/31/99		

Funds from operations (FFO):

Net income allocable to common shareholders	\$ 16,183,000	\$ 9,631,000	\$ 6,552,000	68.0%	\$ 46,093,000	\$ 37,849,000	\$ 8,244,000	21.8%
Gain on investment in PAG	(7,849,000)	-	(7,849,000)	N/A	(7,849,000)	-	(7,849,000)	N/A
Gain on disposition of properties	-	-	-	N/A	(256,000)	-	(256,000)	N/A
Extraordinary item, net of minority interest	-	195,000	(195,000)	(100.0%)	-	195,000	(195,000)	(100.0%)
Depreciation and amortization	8,914,000	8,121,000	793,000	9.8%	35,637,000	29,762,000	5,875,000	19.7%
Minority interest in income	5,163,000	2,421,000	2,742,000	113.3%	14,556,000	11,954,000	2,602,000	21.8%
Less effects of straight line rents	(253,000)	(863,000)	610,000	(70.7%)	(2,204,000)	(3,407,000)	1,203,000	(35.3%)
FFO allocable to common shareholders/unitholders	\$ 22,158,000	\$ 19,505,000	\$ 2,653,000	13.6%	\$ 85,977,000	\$ 76,353,000	\$ 9,624,000	12.6%
Weighted average common shares outstanding	23,073,000	23,645,000	(572,000)	(2.4%)	23,284,000	23,641,000	(357,000)	(1.5%)
Weighted average common OP units outstanding	7,336,000	7,443,000	(107,000)	(1.4%)	7,363,000	7,428,000	(65,000)	(0.9%)
Weighted average dilutive stock options	123,000	59,000	64,000	108.5%	81,000	68,000	13,000	19.1%
Total pro forma fully-converted shares	30,532,000	31,147,000	(615,000)	(2.0%)	30,728,000	31,137,000	(409,000)	(1.3%)
FFO per common share/OP unit	\$ 0.73	\$ 0.63	\$ 0.10	15.9%	\$ 2.80	\$ 2.45	\$ 0.35	14.3%

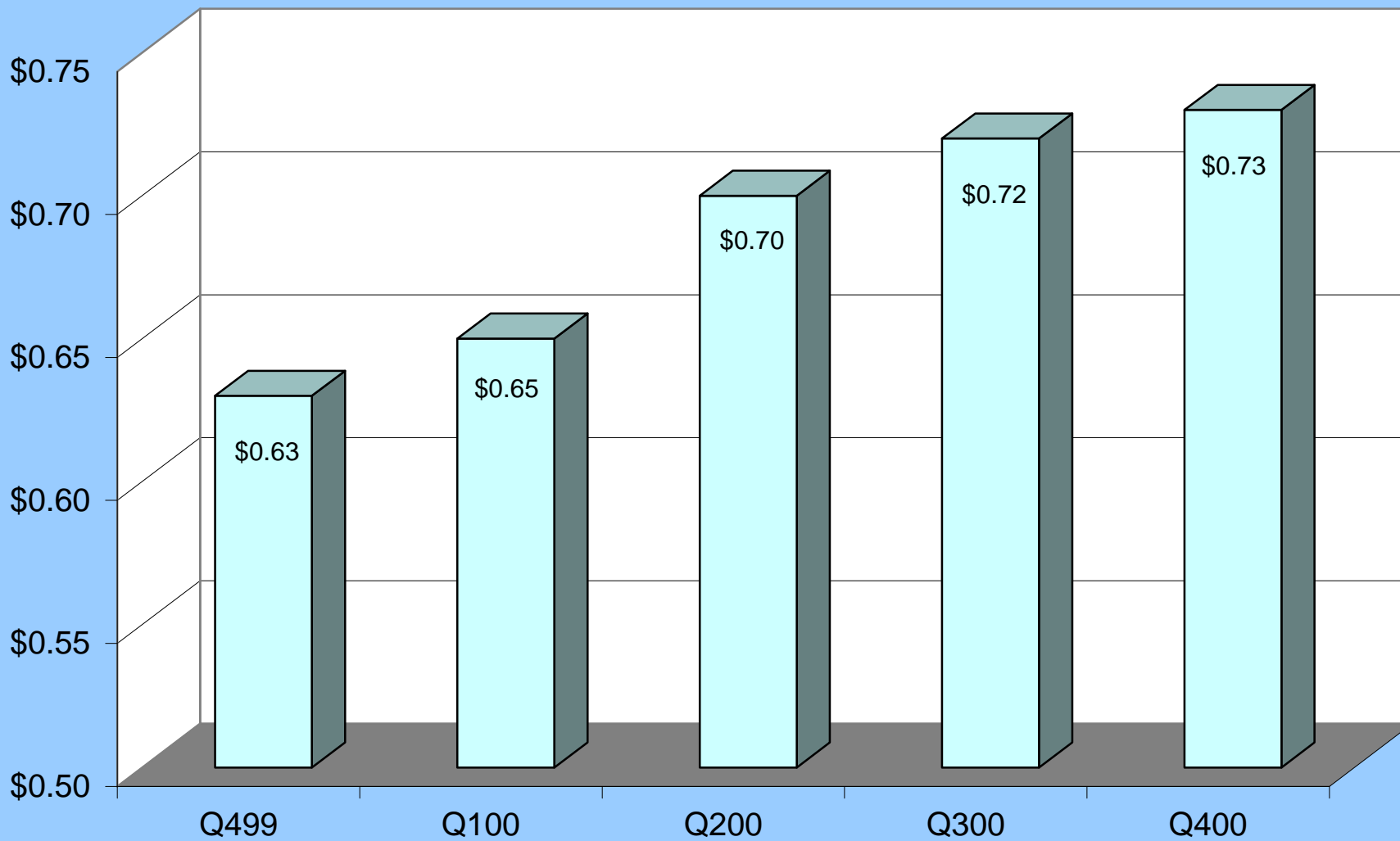
Funds available for distribution (FAD):

Total funds from operations	\$ 22,158,000	\$ 19,505,000	\$ 2,653,000	13.6%	\$ 85,977,000	\$ 76,353,000	\$ 9,624,000	12.6%
Less capitalized expenditures:								
Maintenance capital expenditures	(927,000)	(1,758,000)	831,000	(47.3%)	(3,228,000)	(3,911,000)	683,000	(17.5%)
Tenant improvements	(2,206,000)	(1,698,000)	(508,000)	29.9%	(5,264,000)	(5,555,000)	291,000	(5.2%)
Capitalized lease commissions	(1,036,000)	(734,000)	(302,000)	41.1%	(3,275,000)	(2,213,000)	(1,062,000)	48.0%
Total capitalized expenditures	(4,169,000)	(4,190,000)	21,000	(0.5%)	(11,767,000)	(11,679,000)	(88,000)	0.8%
FAD	\$ 17,989,000	\$ 15,315,000	\$ 2,674,000	17.5%	\$ 74,210,000	\$ 64,674,000	\$ 9,536,000	14.7%
FAD per common share/OP unit	\$ 0.59	\$ 0.49	\$ 0.10	20.4%	\$ 2.42	\$ 2.08	\$ 0.34	16.3%

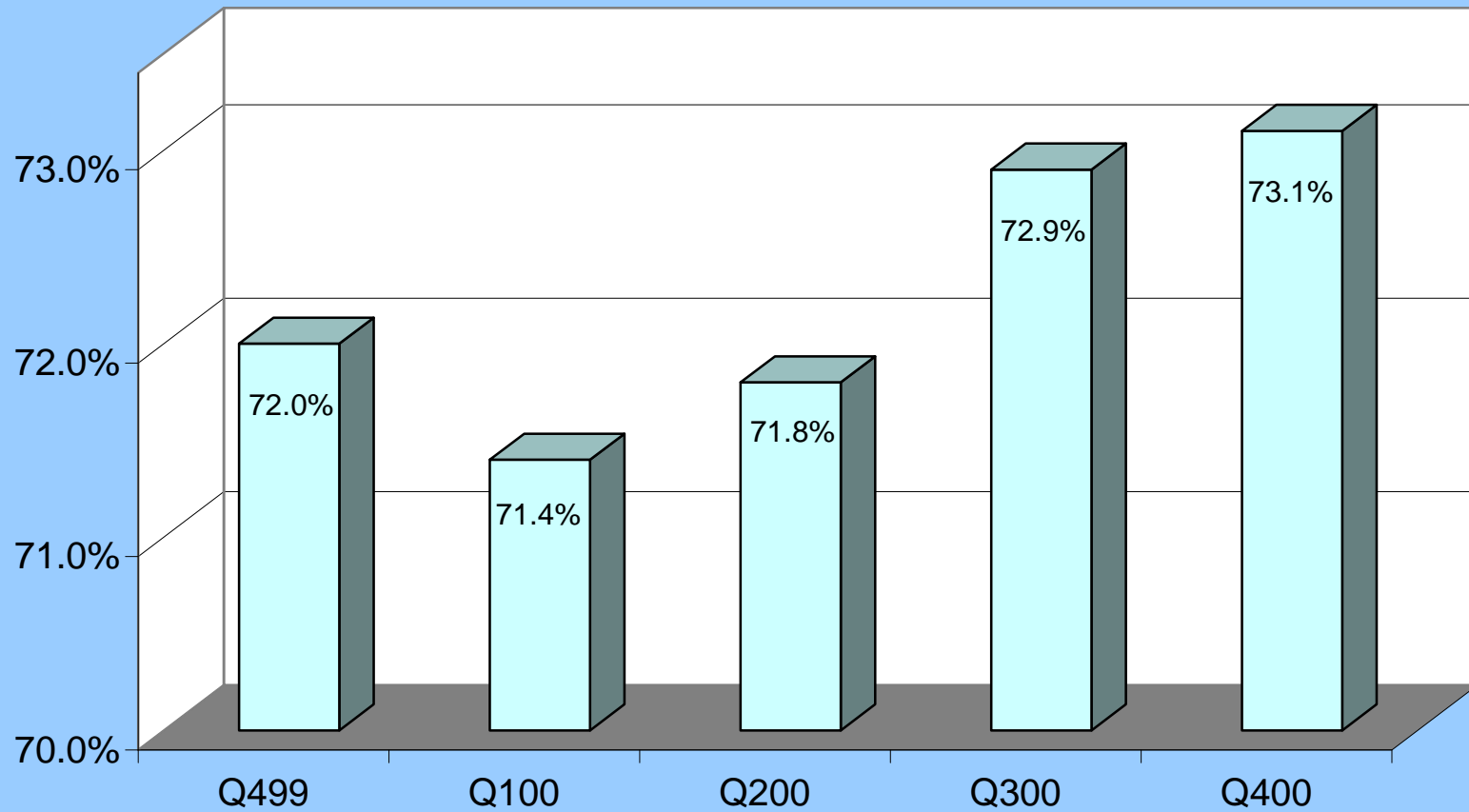
Cash available for debt repayments and reinvestments:

FAD	\$ 17,989,000	\$ 15,315,000	\$ 2,674,000	17.5%	\$ 74,210,000	\$ 64,674,000	\$ 9,536,000	14.7%
Realized gain on PAG	6,139,000	-	6,139,000	N/A	6,139,000	-	6,139,000	N/A
Distributions to common shareholders	(5,761,000)	(5,912,000)	151,000	(2.6%)	(23,241,000)	(23,641,000)	400,000	(1.7%)
Distributions to common OP unitholders	(1,834,000)	(1,861,000)	27,000	(1.5%)	(7,363,000)	(7,429,000)	66,000	(0.9%)
Cash available for debt repayments and reinvestments	\$ 16,533,000	\$ 7,542,000	\$ 8,991,000	119.2%	\$ 49,745,000	\$ 33,604,000	\$ 16,141,000	48.0%

Diluted FFO Per Common Share/OP Unit



Gross Operating Margin Percentage* (Entire Portfolio)



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

PS BUSINESS PARKS, INC.
CAPITAL STRUCTURE

Principal Maturity Dates

Debt at December 31, 2000 consists of the following:

	Total	2001	2002	2003	2004	2005	Thereafter
7.125% mortgage note, secured by one commercial property, due May 2006	8,570,000	193,000	207,000	223,000	239,000	257,000	7,451,000
8.190% mortgage note, secured by one commercial property, due March 2007	6,482,000	199,000	216,000	235,000	254,000	276,000	5,302,000
7.290% mortgage note, secured by one commercial property, due February 2009	6,272,000	108,000	116,000	125,000	134,000	144,000	5,645,000
7.280% mortgage note, secured by two commercial properties, due February 2003	4,186,000	127,000	137,000	3,922,000	-	-	-
8.000% mortgage note, secured by one commercial property, due April 2003	2,022,000	92,000	100,000	1,830,000	-	-	-
8.500% mortgage note, secured by one commercial property, due July 2007	1,850,000	53,000	58,000	63,000	69,000	75,000	1,532,000
8.000% mortgage note, secured by one commercial property, due April 2003	1,589,000	56,000	60,000	1,473,000	-	-	-
Total mortgage notes payable (1)	<u>30,971,000</u>	<u>828,000</u>	<u>894,000</u>	<u>7,871,000</u>	<u>696,000</u>	<u>752,000</u>	<u>19,930,000</u>

\$100 million unsecured line of credit

-

Total debt

30,971,000 3%

Equity at December 31, 2000 consists of the following:

9.250% Series A preferred stock (2,200,000 depository shares outstanding)	55,000,000	
8.875% Series B preferred operating partnership units (510,000 units outstanding)	12,750,000	
8.750% Series C preferred operating partnership units (3,200,000 units outstanding)	80,000,000	
8.875% Series X preferred operating partnership units (1,600,000 units outstanding)	40,000,000	
8.875% Series Y preferred operating partnership units (480,000 units outstanding)	12,000,000	
Total preferred equity (2)	<u>199,750,000</u>	19%
Common stock (23,044,635 shares outstanding)	640,641,000	(3)
Common operating partnership units (7,335,839 units outstanding)	203,936,000	(3)
Total common equity (3)	<u>844,577,000</u>	78%
Total market capitalization	<u>1,075,298,000</u>	100%

- (1) The weighted average interest rate and maturity was 7.59% and 5.4 years, respectively.
- (2) The weighted average dividend rate is 8.93%.
- (3) Value based on December 31, 2000 closing stock price of \$27.80.
- (4) Does not include 81,000 shares related to stock options for the year ending December 31, 2000 computed using the Treasury Stock method. These stock options are treated as common stock equivalents for purposes of calculating weighted average common shares outstanding used in computing net income and FFO per common share.

PS BUSINESS PARKS, INC.
CONSOLIDATED BALANCE SHEETS

	12/31/00	12/31/99	Increase (Decrease)	% Change
ASSETS				
Cash and equivalents	\$ 49,295,000	\$ 74,220,000	\$ (24,925,000) (a)	-33.6%
Marketable securities	6,065,000	18,263,000	(12,198,000)	-66.8%
Real estate facilities, at cost:				
Land	214,020,000	194,140,000	19,880,000	10.2%
Buildings and equipment	709,328,000	636,261,000	73,067,000	11.5%
	923,348,000	830,401,000	92,947,000 (b)	11.2%
Accumulated depreciation	(83,841,000)	(50,976,000)	(32,865,000)	64.5%
	839,507,000	779,425,000	60,082,000	7.7%
Properties held for disposition, net	-	14,235,000	(14,235,000)	-100.0%
Land held for development	5,737,000	3,052,000	2,685,000	88.0%
Construction in progress	19,467,000 (c)	5,564,000	13,903,000	249.9%
	864,711,000	802,276,000	62,435,000	7.8%
Receivables	461,000	771,000	(310,000)	-40.2%
Deferred rent receivables	7,697,000	5,493,000	2,204,000	40.1%
Intangible assets, net	981,000	1,282,000	(301,000)	-23.5%
Other assets	1,546,000	1,436,000	110,000	7.7%
Total assets	\$ 930,756,000	\$ 903,741,000	\$ 27,015,000	3.0%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accrued and other liabilities	\$ 28,964,000 (d)	\$ 21,195,000	\$ 7,769,000	36.7%
Mortgage notes payable	30,971,000	37,066,000	(6,095,000) (e)	-16.4%
Total liabilities	59,935,000	58,261,000	1,674,000	2.9%
Minority interest:				
Preferred units	144,750,000	132,750,000	12,000,000	9.0%
Common units	161,728,000	157,199,000	4,529,000	2.9%
Shareholders' equity:				
Preferred stock	55,000,000	55,000,000	-	0.0%
Common stock	230,000	236,000	(6,000)	-2.5%
Paid-in capital	464,855,000	478,889,000	(14,034,000) (f)	-2.9%
Cumulative net income	124,990,000	73,809,000	51,181,000 (g)	69.3%
Cumulative distributions	(80,732,000)	(52,403,000)	(28,329,000) (h)	54.1%
Total shareholders' equity	564,343,000	555,531,000	8,812,000	1.6%
Total liabilities and shareholders' equity	\$ 930,756,000	\$ 903,741,000	\$ 27,015,000	3.0%

(a) See sources and uses of funds on page 2

(b) Property acquisitions and renovations	\$ 82,335,000
Disposition of additional properties	(9,281,000)
Additional acquisition/development costs	4,898,000
Developed projects	3,228,000
Maintenance capital expenditures	3,228,000
Tenant improvements	5,264,000
Lease commissions	3,275,000
	<u>\$ 92,947,000</u>

(c) The Company has five projects under development in:

Beaverton, OR (Greystone II)	\$ 2,442,000
Beaverton, OR (Greystone III)	2,346,000
Chantilly, VA (Lafayette)	7,087,000
Irving, TX (Royal Tech 17)	7,592,000
	<u>\$ 19,467,000</u>

(d) Accrued and other liabilities at December 31, 2000 consists of:

Deferred rental revenue	\$ 1,805,000
Accounts payable	2,180,000
Property taxes	4,928,000
Security deposits	9,080,000
Other	3,329,000
Reserves for acquisition costs	7,642,000
	<u>\$ 28,964,000</u>

(e) Mortgage notes payable decreased due to the following:

Prepayment	\$ (5,302,000)
Scheduled principal payments	(793,000)
	<u>\$ (6,095,000)</u>

(f) Paid-in capital decreased due to the following:

Repurchased shares	\$ (16,634,000)
Conversion of OP units	2,530,000
Exercise of stock options	261,000
Minority interest adjustment	(191,000)
	<u>\$ (14,034,000)</u>

(g) Represents net income for the year ended December 31, 2000

(h) Distributions to preferred shareholders	\$ (5,088,000)
Distributions to common shareholders	(23,241,000)
	<u>\$ (28,329,000)</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED

	12/31/00	12/31/99	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 36,906,000	\$ 32,783,000	\$ 4,123,000 (a)	12.6%
Facility management fees from affiliates	198,000	120,000	78,000	65.0%
Business services	156,000	-	156,000 (b)	N/A
Interest income	1,030,000	1,511,000	(481,000) (c)	(31.8%)
Dividend income	4,000	419,000	(415,000) (d)	(99.0%)
	<u>38,294,000</u>	<u>34,833,000</u>	<u>3,461,000</u>	<u>9.9%</u>
Expenses:				
Cost of operations	9,858,000	8,940,000	918,000 (e)	10.3%
Cost of facility management	34,000	24,000	10,000	41.7%
Cost of business services	202,000	-	202,000	N/A
Depreciation and amortization	8,914,000	8,121,000	793,000	9.8%
General and administrative	1,095,000 (f)	814,000	281,000	34.5%
Interest expense	235,000 (g)	495,000	(260,000)	(52.5%)
	<u>20,338,000</u>	<u>18,394,000</u>	<u>1,944,000</u>	<u>10.6%</u>
Income before disposition of real estate, minority interest and extraordinary item	17,956,000	16,439,000	1,517,000	9.2%
Gain on investment in PAG	7,849,000	-	7,849,000 (d)	N/A
Income before minority interest and extraordinary item	25,805,000	16,439,000	9,366,000	57.0%
Minority interest in income - preferred units	(3,187,000)	(2,920,000)	(267,000)	9.1%
Minority interest in income - common units	(5,163,000)	(2,421,000)	(2,742,000)	113.3%
Income before extraordinary item	17,455,000	11,098,000	6,357,000	57.3%
Extraordinary loss on early extinguishment of debt, net of minority interest	-	(195,000)	195,000	(100.0%)
Net income	<u>\$ 17,455,000</u>	<u>\$ 10,903,000</u>	<u>\$ 6,552,000</u>	<u>60.1%</u>
Net income allocation:				
Allocable to preferred shareholders	\$ 1,272,000	\$ 1,272,000	\$ -	0.0%
Allocable to common shareholders	16,183,000	9,631,000	6,552,000	68.0%
	<u>\$ 17,455,000</u>	<u>\$ 10,903,000</u>	<u>\$ 6,552,000</u>	<u>60.1%</u>
Net income per common share - Basic:				
Income before extraordinary item	\$ 0.70	\$ 0.42	\$ 0.28	66.7%
Extraordinary loss, net of minority interest	-	(0.01)	0.01	(100.0%)
Net income	<u>\$ 0.70</u>	<u>\$ 0.41</u>	<u>\$ 0.29</u>	<u>70.7%</u>
Net income per common share - Diluted:				
Income before extraordinary item	\$ 0.70	\$ 0.42	\$ 0.28	66.7%
Extraordinary loss, net of minority interest	-	(0.01)	0.01	(100.0%)
Net income	<u>\$ 0.70</u>	<u>\$ 0.41</u>	<u>\$ 0.29</u>	<u>70.7%</u>
Weighted average common shares outstanding:				
Basic	23,073,000	23,645,000	(572,000) (h)	(2.4%)
Diluted	<u>23,196,000</u>	<u>23,704,000</u>	<u>(508,000) (h)</u>	<u>(2.1%)</u>

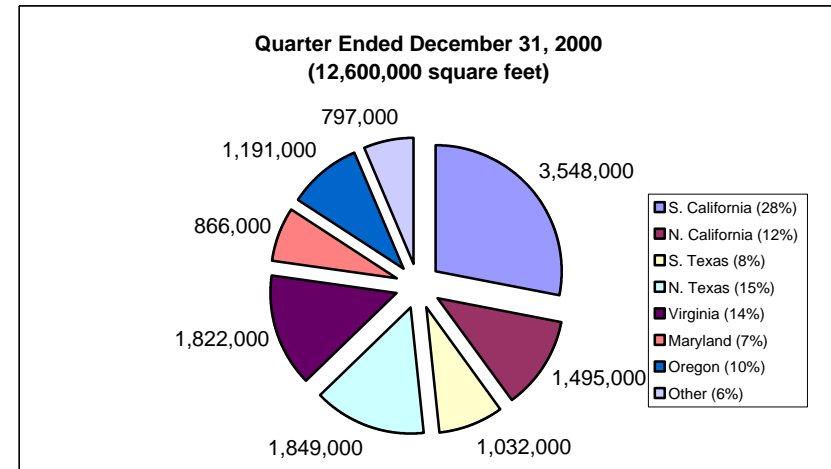
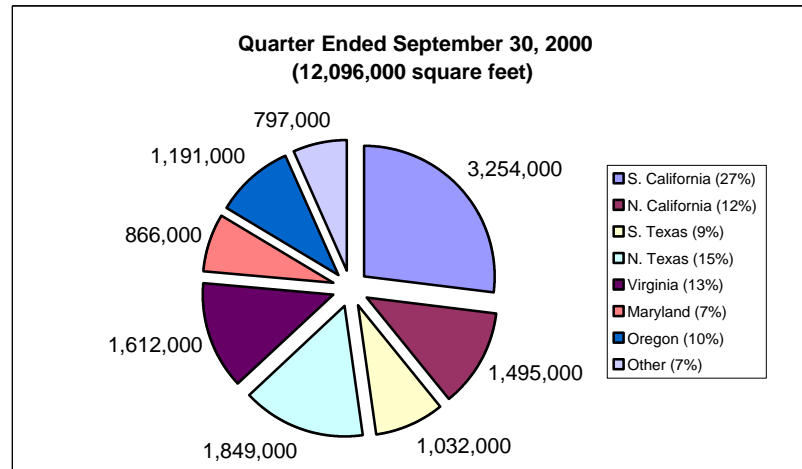
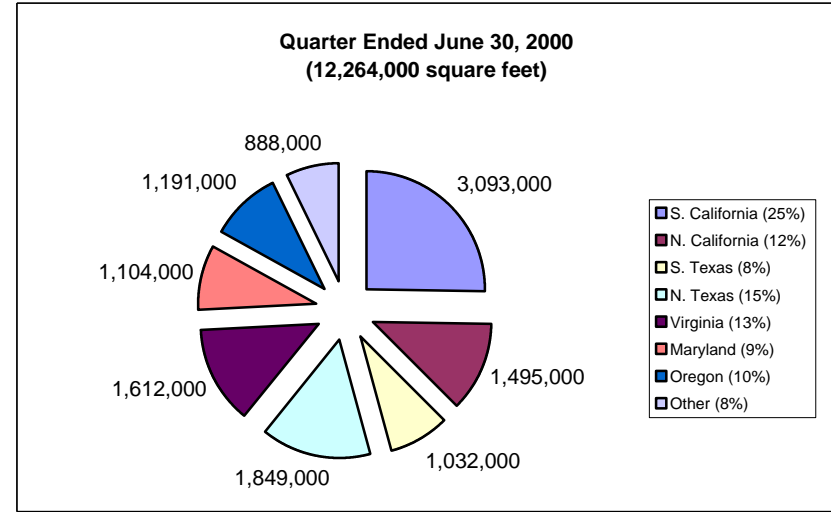
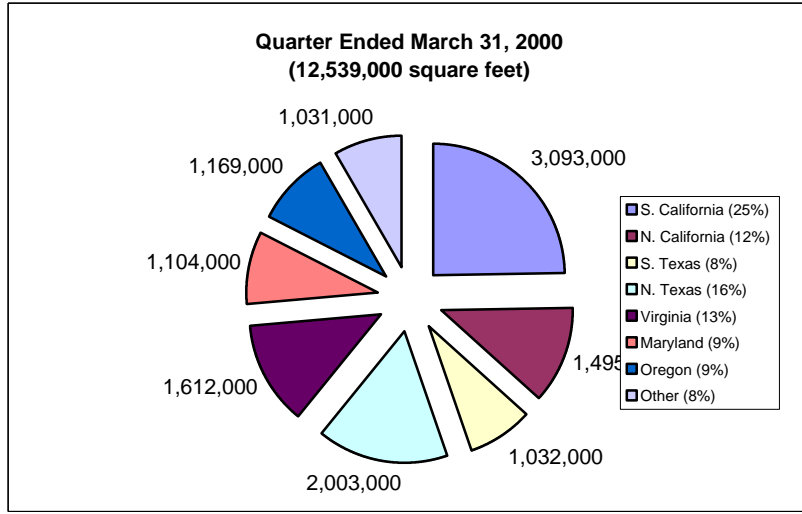
(a) Rental income has increased due to the following:	
Acquisitions/Dispositions/Developments during 1999 and 2000 "Same Park" facilities	\$ 2,305,000
Straight line rent adjustment	2,428,000
	<u>(610,000)</u>
	<u>\$ 4,123,000</u>
(b) Business services includes construction management fees and licensing fees from telecommunication service providers.	
(c) Interest income decreased as a result of lower average cash balances.	
(d) The Company received a liquidating distribution from its investment in Pacific Gulf Properties and recognized a gain of approximately \$7.8 million (\$6.1 million was realized and \$1.7 million was unrealized). No dividend income associated with this investment was recognized during the quarter ended December 31, 2000.	
(e) Cost of operations has increased due to the following:	
Acquisitions/Dispositions/Developments during 1999 and 2000 "Same Park" facilities	\$ 517,000
	401,000
	<u>\$ 918,000</u>
(f) General and administrative expenses for the three months ended December 31, 2000 consists of:	
Professional fees	\$ 491,000
Salaries	217,000
General administrative costs	141,000
Internal acquisition costs	175,000
Other	71,000
	<u>\$ 1,095,000</u>
(g) Interest expense for the three months ended December 31, 2000 consists of:	
Mortgages	\$ 591,000
Line of credit facility fee	63,000
Capitalized interest	(419,000)
	<u>\$ 235,000</u>
(h) Decrease relates to the repurchase of common shares.	

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED

	12/31/00	12/31/99	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 144,171,000	\$ 125,327,000	\$ 18,844,000 (a)	15.0%
Facility management fees from affiliates	581,000	471,000	110,000	23.4%
Business services	505,000	-	505,000 (b)	N/A
Interest income	4,076,000	2,356,000	1,720,000 (c)	73.0%
Dividend income	1,301,000	459,000	842,000 (d)	183.4%
	<u>150,634,000</u>	<u>128,613,000</u>	<u>22,021,000</u>	<u>17.1%</u>
Expenses:				
Cost of operations	39,290,000	34,891,000	4,399,000 (e)	12.6%
Cost of facility management	111,000	94,000	17,000	18.1%
Cost of business services	344,000	-	344,000	N/A
Depreciation and amortization	35,637,000	29,762,000	5,875,000	19.7%
General and administrative	3,954,000 (f)	3,153,000	801,000	25.4%
Interest expense	1,481,000 (g)	3,153,000	(1,672,000)	(53.0%)
	<u>80,817,000</u>	<u>71,053,000</u>	<u>9,764,000</u>	<u>13.7%</u>
Income before disposition of real estate, minority interest and extraordinary item	69,817,000	57,560,000	12,257,000	21.3%
Gain on investment in PAG	7,849,000	-	7,849,000 (d)	N/A
Gain on disposition of properties	256,000	-	256,000	N/A
Income before minority interest and extraordinary item	77,922,000	57,560,000	20,362,000	35.4%
Minority interest in income - preferred units	(12,185,000)	(4,156,000)	(8,029,000)	193.2%
Minority interest in income - common units	(14,556,000)	(11,954,000)	(2,602,000)	21.8%
Income before extraordinary item	51,181,000	41,450,000	9,731,000	23.5%
Extraordinary loss on early extinguishment of debt, net of minority interest	-	(195,000)	195,000	(100.0%)
Net income	<u>\$ 51,181,000</u>	<u>\$ 41,255,000</u>	<u>\$ 9,926,000</u>	<u>24.1%</u>
Net income allocation:				
Allocable to preferred shareholders	\$ 5,088,000	\$ 3,406,000	\$ 1,682,000	49.4%
Allocable to common shareholders	46,093,000	37,849,000	8,244,000	21.8%
	<u>\$ 51,181,000</u>	<u>\$ 41,255,000</u>	<u>\$ 9,926,000</u>	<u>24.1%</u>
Net income per common share - basic:				
Income before extraordinary item	\$ 1.98	\$ 1.61	\$ 0.37	23.0%
Extraordinary loss, net of minority interest	-	(0.01)	0.01	(100.0%)
Net income	<u>\$ 1.98</u>	<u>\$ 1.60</u>	<u>\$ 0.38</u>	<u>23.8%</u>
Net income per common share - basic:				
Income before extraordinary item	\$ 1.97	\$ 1.61	\$ 0.36	22.5%
Extraordinary loss, net of minority interest	-	(0.01)	0.01	(100.0%)
Net income	<u>\$ 1.97</u>	<u>\$ 1.60</u>	<u>\$ 0.37</u>	<u>23.3%</u>
Weighted average common shares outstanding:				
Basic	<u>23,284,000</u>	<u>23,641,000</u>	<u>(357,000) (h)</u>	<u>(1.5%)</u>
Diluted	<u>23,365,000</u>	<u>23,709,000</u>	<u>(344,000) (h)</u>	<u>(1.5%)</u>

(a)	Rental income has increased due to the following:	
	Acquisitions/Dispositions/Developments during 1999 and 2000	\$ 11,749,000
	"Same Park" facilities	8,298,000
	Straight line rent adjustment	(1,203,000)
		<u>\$ 18,844,000</u>
(b)	Business services includes construction management fees and licensing fees from telecommunication service providers.	
(c)	Interest income increased as a result of higher average cash balances and better interest rates.	
(d)	Dividend income increased due to the Company's investment in Pacific Gulf Properties Inc. ("PAG"). The Company received a liquidating distribution from its investment in PAG during the quarter ended December 31, 2000 and recognized a gain of approximately \$7.8 million (\$6.1 million was realized and \$1.7 million was unrealized). No dividend income associated with this investment was recognized during the quarter ended December 31, 2000.	
(e)	Cost of operations have increased due to the following:	
	Acquisitions/Dispositions/Developments during 1999 and 2000	\$ 3,547,000
	"Same Park" facilities	852,000
		<u>\$ 4,399,000</u>
(f)	General and administrative expenses for the year ended December 31, 2000 consists of:	
	Professional fees	\$ 1,234,000
	Salaries	1,213,000
	General administrative costs	616,000
	Internal acquisition costs	553,000
	Abandoned projects	7,000
	Other	331,000
		<u>\$ 3,954,000</u>
(g)	Interest expense for the year ended December 31, 2000 consists of:	
	Mortgage notes payable	\$ 2,490,000
	Line of credit renewal fees	152,000
	Line of credit facility fees	254,000
	Capitalized interest	(1,415,000)
		<u>\$ 1,481,000</u>
(h)	Decrease relates to the repurchase of common shares	

Rentable Square Footage by Region



PS BUSINESS PARKS, INC.
PORTFOLIO OVERVIEW

Rentable Square Footage of Properties as of December 31, 2000					
Primary Markets	Industrial	Office	Flex	Total	%
Dallas	-	-	1,475,000	1,475,000	11.7%
Northern Virginia	-	233,000	1,589,000	1,822,000	14.5%
Los Angeles County	1,006,000	88,000	770,000	1,864,000	14.8%
Northern California	405,000	64,000	1,026,000	1,495,000	11.9%
Maryland	-	29,000	837,000	866,000	6.9%
Portland	-	187,000	1,004,000	1,191,000	9.5%
Orange County	-	161,000	911,000	1,072,000	8.5%
Austin	-	-	833,000	833,000	6.6%
San Diego County	-	234,000	378,000	612,000	4.9%
Phoenix	-	-	569,000	569,000	4.5%
Other	-	331,000	470,000	801,000	6.2%
	1,411,000	1,327,000	9,862,000	12,600,000	100.0%

Average Occupancy Rates for the Quarter Ending December 31, 2000				
Primary Markets	Industrial	Office	Flex	Total
Dallas	-	-	98.0%	98.0%
Northern Virginia	-	95.7%	97.7%	97.5%
Los Angeles County	99.6%	91.4%	96.4%	97.0%
Northern California	100.0%	95.8%	95.9%	96.9%
Maryland	-	100.0%	98.5%	98.6%
Portland	-	100.0%	99.1%	99.3%
Orange County	-	-	97.8%	97.8%
Austin	-	-	96.1%	96.1%
San Diego County	-	97.9%	99.2%	98.7%
Phoenix	-	-	92.9%	92.9%
Other	-	89.4%	92.1%	91.0%
	99.7%	94.4%	97.0%	97.0%

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS

Industry Concentration as of December 31, 2000

Computer hardware, software and related service	12.6%
Business services	11.4%
Financial services	7.7%
Home furnishings	7.2%
Retail	6.9%
Manufacturing and assembly	5.1%
Communications	5.0%
Electronics	4.5%
General Contractors	3.8%
Government	3.5%
	<u>67.7%</u>

Top Ten Customers by Annual Rent as of December 31, 2000

<u>Tenant</u>	<u>Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
IBM	313,000	4,139,000	2.9%
The Associates	198,000	3,215,000	2.2%
Pycon, Inc.	134,000	1,986,000	1.4%
U.S. Government	127,000	1,835,000	1.3%
Footstar	116,000	1,603,000	1.1%
County of Santa Clara	97,000	1,528,000	1.1%
Sun Microsystems	86,000	1,469,000	1.0%
Protocol Systems, Inc.	95,000	1,329,000	0.9%
Allstate Insurance	67,000	1,186,000	0.8%
AARP	102,000	1,160,000	0.8%
	<u>1,335,000</u>	<u>\$ 19,450,000</u>	<u>13.5%</u>

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF DECEMBER 31, 2000

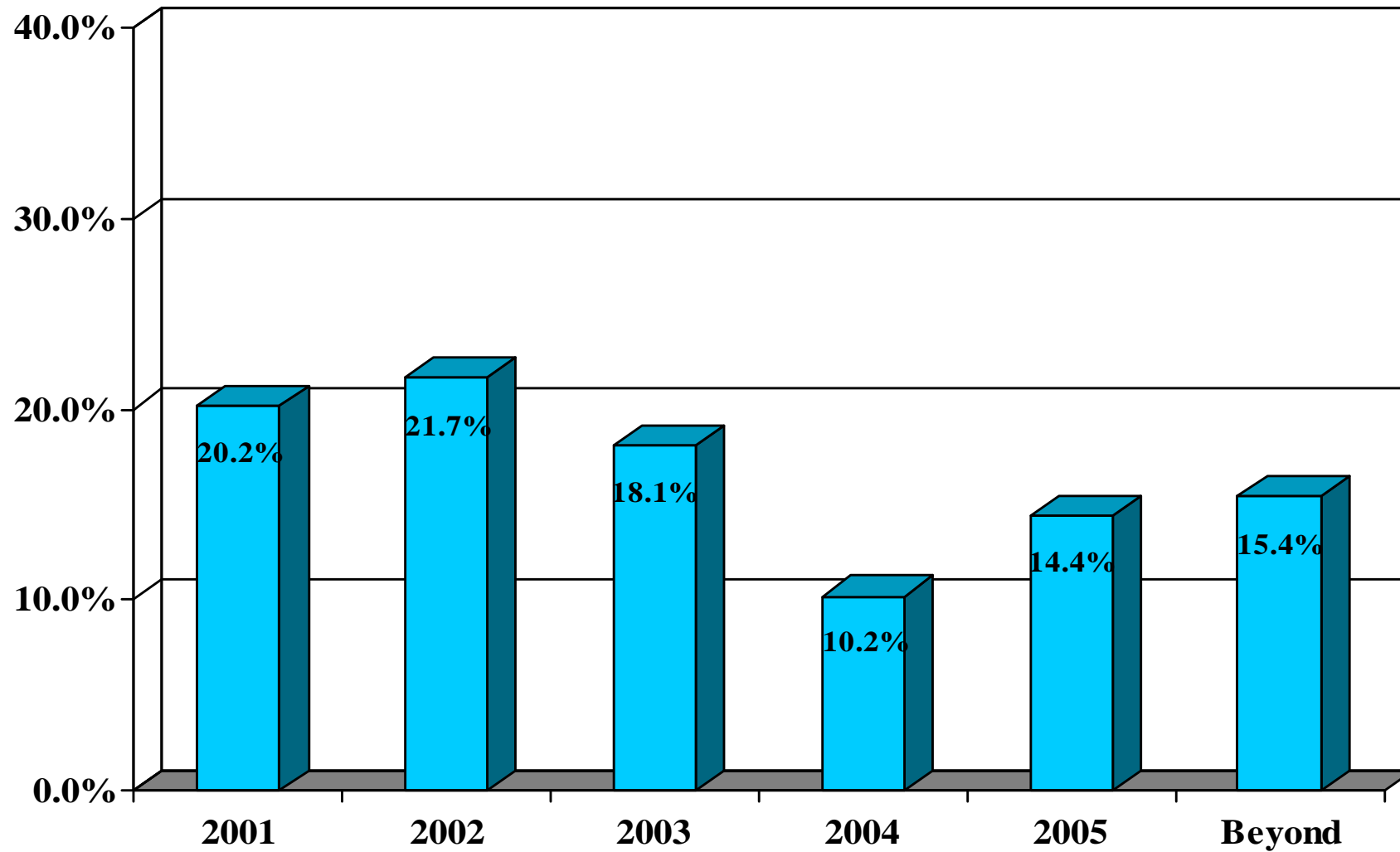
Lease Expirations - Flex			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2001	2,132,000	22,023,000	20.5%
2002	2,276,000	23,499,000	21.9%
2003	1,618,000	19,018,000	17.7%
2004	1,046,000	11,473,000	10.7%
2005	996,000	13,180,000	12.3%
Thereafter	1,375,000	18,005,000	16.9%
	<u>9,443,000</u>	<u>\$ 107,198,000</u>	<u>100.0%</u>

Lease Expirations - Office			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2001	275,000	4,517,000	18.2%
2002	285,000	5,035,000	20.3%
2003	274,000	5,258,000	21.2%
2004	76,000	1,612,000	6.5%
2005	195,000	5,409,000	21.8%
Thereafter	132,000	3,019,000	12.0%
	<u>1,237,000</u>	<u>\$ 24,850,000</u>	<u>100.0%</u>

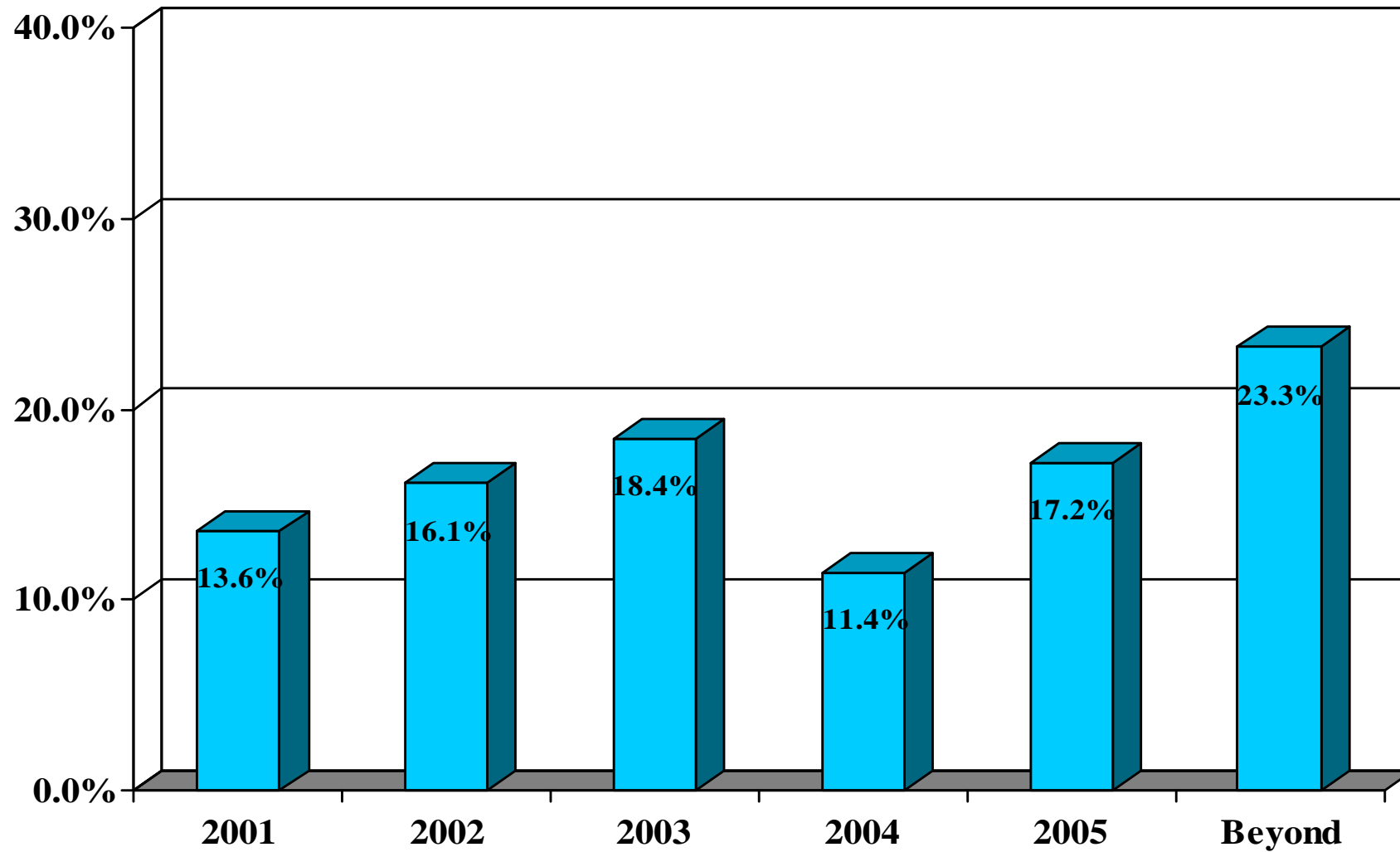
Lease Expirations - Industrial			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2001	294,000	1,533,000	21.8%
2002	391,000	1,623,000	23.1%
2003	171,000	935,000	13.3%
2004	198,000	1,068,000	15.2%
2005	227,000	1,398,000	19.9%
Thereafter	71,000	466,000	6.7%
	<u>1,352,000</u>	<u>\$ 7,023,000</u>	<u>100.0%</u>

Lease Expirations - Total			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2001	2,701,000	28,073,000	20.2%
2002	2,952,000	30,157,000	21.7%
2003	2,063,000	25,211,000	18.1%
2004	1,320,000	14,153,000	10.2%
2005	1,418,000	19,987,000	14.4%
Thereafter	1,578,000	21,490,000	15.4%
	<u>12,032,000</u>	<u>\$ 139,071,000</u>	<u>100.0%</u>

Lease Expirations (Entire Portfolio) as of December 31, 2000



Lease Expirations (Large Tenant Portfolio) as of December 31, 2000



Lease Expirations (Small Tenant Portfolio) as of December 31, 2000

