



## **Analysis of Operating Results and Financial Condition**

**For the Quarter Ended June 30, 2001**

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION  
FOR THE QUARTER ENDED JUNE 30, 2001**

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**PS BUSINESS PARKS, INC.  
SECOND QUARTER FACT SHEET**

**OPERATING DATA**

	Three Months Ended			Six Months Ended		
	06/30/01	06/30/00	Difference	06/30/01	06/30/00	Difference
Total revenues	\$ 41,082,000	\$ 37,991,000	8.1%	\$ 80,557,000	\$ 73,855,000	9.1%
Net income allocable to common shareholders	\$ 10,927,000	\$ 10,240,000	6.7%	\$ 21,120,000	\$ 19,711,000	7.1%
Net income per common share:						
Basic	\$ 0.48	\$ 0.44	9.1%	\$ 0.93	\$ 0.84	10.7%
Diluted	\$ 0.48	\$ 0.44	9.1%	\$ 0.92	\$ 0.84	9.5%
Weighted average common shares outstanding:						
Basic	22,610,000	23,356,000	(3.2%)	22,814,000	23,474,000	(2.8%)
Diluted	22,679,000	23,428,000	(3.2%)	22,885,000	23,537,000	(2.8%)

**FUNDS FROM OPERATIONS**

	Three Months Ended			Six Months Ended		
	06/30/01	06/30/00	Difference	06/30/01	06/30/00	Difference
FFO allocable to common shareholders	\$ 17,916,000	\$ 16,400,000	9.2%	\$ 35,243,000	\$ 31,775,000	10.9%
Weighted average common shares outstanding - diluted	22,679,000	23,428,000	(3.2%)	22,885,000	23,537,000	(2.8%)
FFO per common share - diluted	\$ 0.79	\$ 0.70	12.9%	\$ 1.54	\$ 1.35	14.1%

**PROPERTY INFORMATION**

	Three Months Ended			Six Months Ended		
	06/30/01	06/30/00	Difference	06/30/01	06/30/00	Difference
Net rentable square footage at period end	13,258,000	12,264,000	8.1%	13,258,000	12,264,000	8.1%
<u>Same Park Facilities</u>						
Weighted average occupancy	95.5%	96.5%	(1.0%)	95.9%	96.5%	(0.6%)
Annualized realized rent per sq. ft. (1)	\$ 12.71	\$ 11.80	7.7%	\$ 12.57	\$ 11.60	8.4%

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

**BALANCE SHEET DATA**

	06/30/01	12/31/00	Difference
Total assets	\$ 991,062,000	\$ 930,756,000	6.5%
Minority interest - preferred	\$ 144,750,000	\$ 144,750,000	0.0%
Minority interest - common	\$ 162,272,000	\$ 161,728,000	0.3%
Perpetual preferred stock	\$ 121,000,000	\$ 55,000,000	120.0%
Common shareholders' equity	\$ 500,063,000	\$ 509,343,000	(1.8%)
Total common shares outstanding at period end	22,475,000	23,045,000	(2.5%)
Book value per common share	\$ 22.25	\$ 22.10	0.7%

**MARKET VALUE INFORMATION**

	06/30/01	12/31/00	Difference
Market value of common stock and OP units	\$ 833,855,000	\$ 844,577,000	(1.3%)
Total debt	30,563,000	30,971,000	(1.3%)
Total preferred stock and OP units	265,750,000	199,750,000	33.0%
Total market capitalization	\$ 1,130,168,000	\$ 1,075,298,000	5.1%
Stock price	\$ 28.00	\$ 27.80	0.7%

PS BUSINESS PARKS, INC.

Sources and Uses of Funds  
For the Six Months Ended June 30, 2001

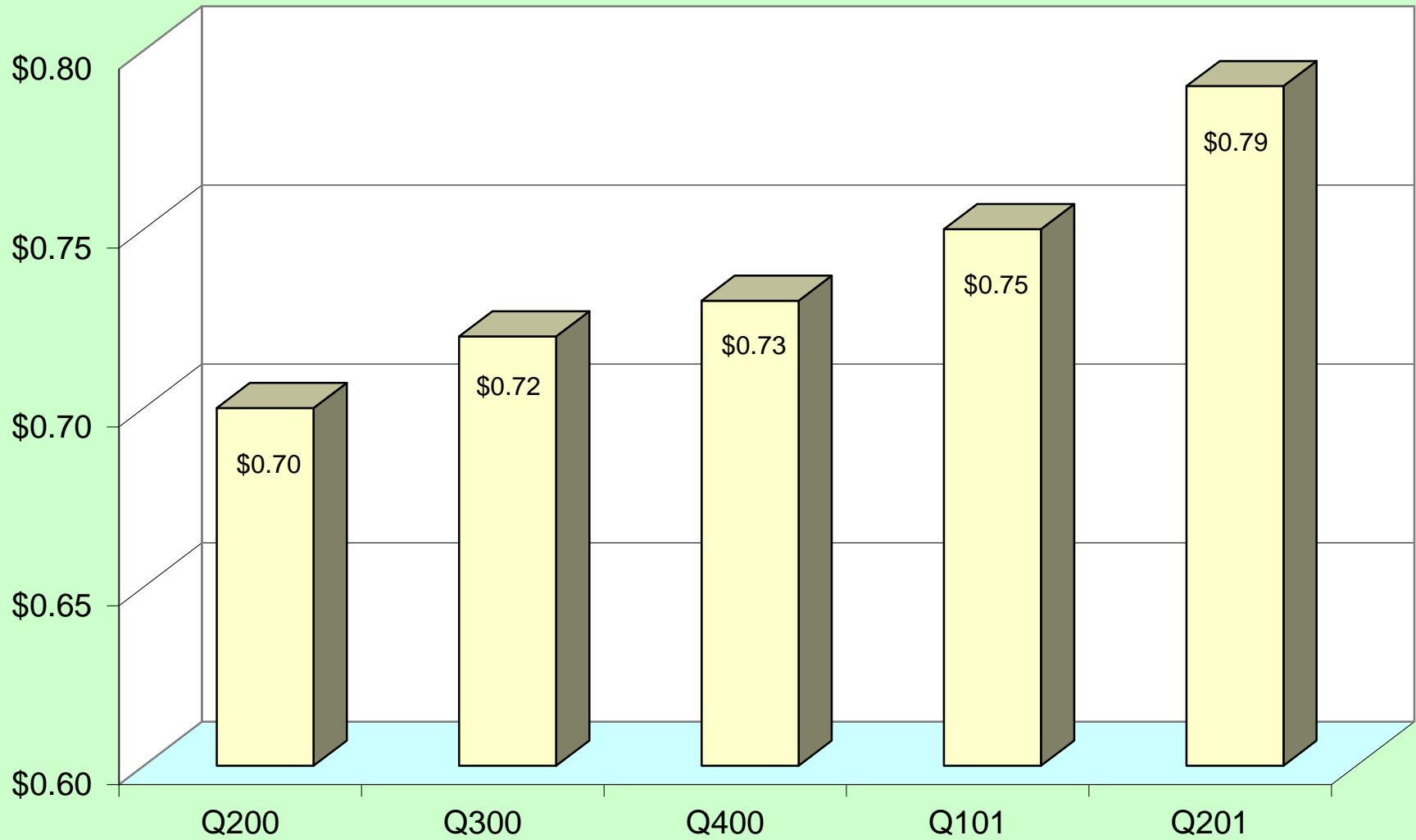
	<u>FY01</u> <u>(YTD Actual)</u>
<b><u>Sources of Funds:</u></b>	
Funds from operations	\$ 46,380,000
Issuance of preferred stock, net	64,526,000
Exercise of stock options	1,331,000
Sale of PAG common stock	6,079,000
Change in working capital	3,833,000
Total Sources of Funds	<u>122,149,000</u>
<b><u>Uses of Funds:</u></b>	
Property acquisitions	(90,239,000)
Additional acquisition/development costs	(186,000)
Recurring capital expenditures	(3,840,000)
Construction in progress	(7,626,000)
Investment in marketable securities	(9,440,000)
Common dividends and OP distributions	(17,452,000)
Repurchase of common stock/OP units	(18,199,000)
Principal payments on mortgage notes payable	(408,000)
Total Uses of Funds	<u>(147,390,000)</u>
Net decrease in cash balance	<u>(25,241,000)</u>
Beginning cash balance	49,295,000
Ending cash balance	<u>\$ 24,054,000</u>

**PS BUSINESS PARKS, INC.**  
**ANALYSIS OF FUNDS FROM OPERATIONS**

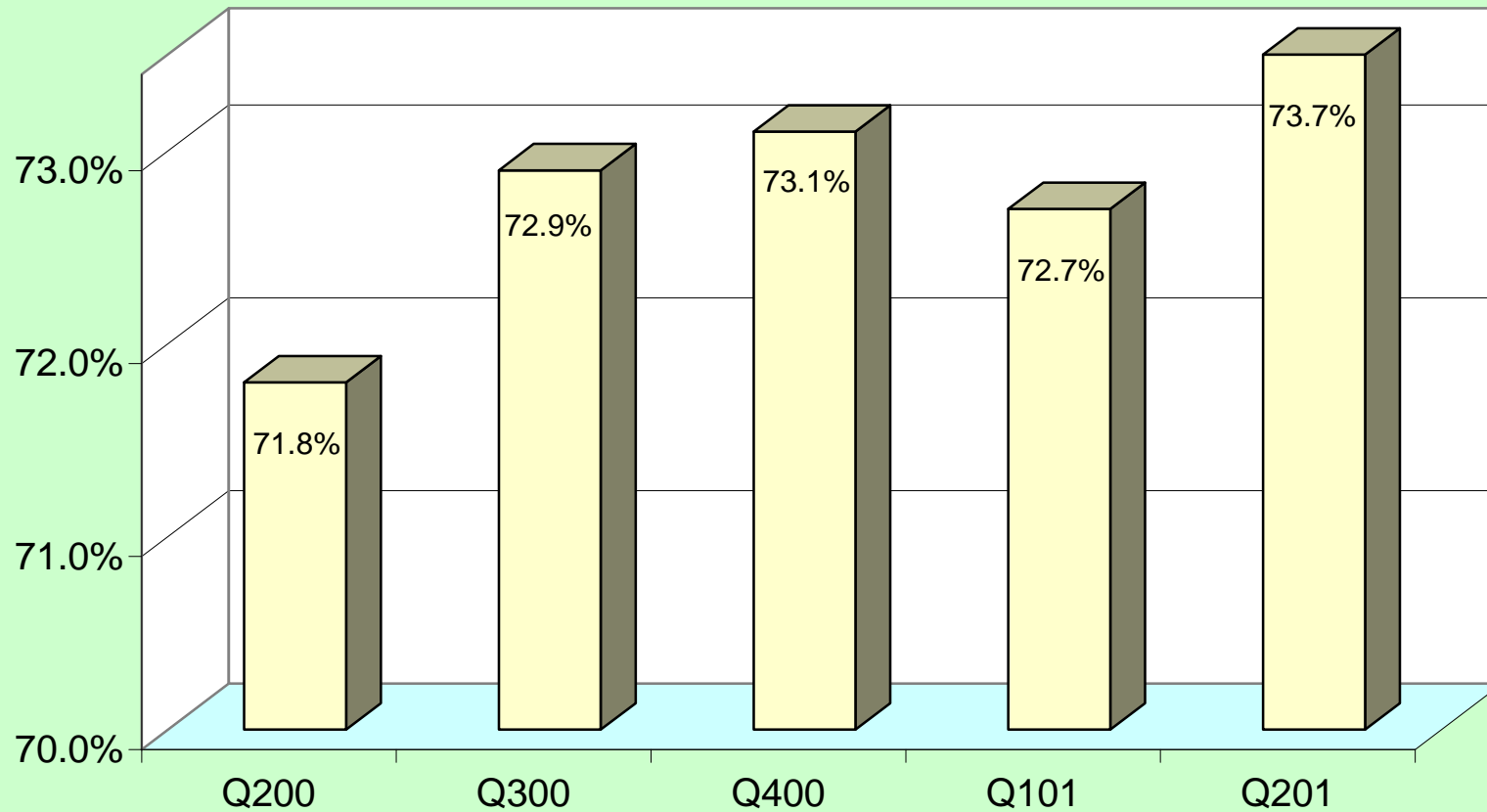
	Three Months Ended		Increase (Decrease)	% Change	Six Months Ended		Increase (Decrease)	% Change
	06/30/01	06/30/00			06/30/01	06/30/00		
<b><u>Funds from operations (FFO):</u></b>								
Net income allocable to common shareholders	\$ 10,927,000	\$ 10,240,000	\$ 687,000	6.7%	\$ 21,120,000	\$ 19,711,000	\$ 1,409,000	7.1%
Less gain on investment in PAG	-	-	-	N/A	(15,000)	-	(15,000)	N/A
Less gain on disposition of properties	-	(97,000)	97,000	(100.0%)	-	(97,000)	97,000	(100.0%)
Depreciation and amortization	9,733,000	8,898,000	835,000	9.4%	19,379,000	17,274,000	2,105,000	12.2%
Minority interest in income	3,543,000	3,199,000	344,000	10.8%	6,779,000	6,190,000	589,000	9.5%
Less effects of straight line rents	(513,000)	(594,000)	81,000	(13.6%)	(883,000)	(1,224,000)	341,000	(27.9%)
FFO allocable to common shareholders/unitholders	<u>\$ 23,690,000</u>	<u>\$ 21,646,000</u>	<u>\$ 2,044,000</u>	<u>9.4%</u>	<u>\$ 46,380,000</u>	<u>\$ 41,854,000</u>	<u>\$ 4,526,000</u>	<u>10.8%</u>
Weighted average common shares outstanding	22,610,000	23,356,000	(746,000)	(3.2%)	22,814,000	23,474,000	(660,000)	(2.8%)
Weighted average common OP units outstanding	7,305,000	7,336,000	(31,000)	(0.4%)	7,307,000	7,390,000	(83,000)	(1.1%)
Weighted average dilutive stock options	69,000	72,000	(3,000)	(4.2%)	71,000	63,000	8,000	12.7%
Total pro forma fully-converted shares	<u>29,984,000</u>	<u>30,764,000</u>	<u>(780,000)</u>	<u>(2.5%)</u>	<u>30,192,000</u>	<u>30,927,000</u>	<u>(735,000)</u>	<u>(2.4%)</u>
FFO per common share/OP unit	<u>\$ 0.79</u>	<u>\$ 0.70</u>	<u>\$ 0.09</u>	<u>12.9%</u>	<u>\$ 1.54</u>	<u>\$ 1.35</u>	<u>\$ 0.19</u>	<u>14.1%</u>
<b><u>Funds available for distribution (FAD):</u></b>								
Total funds from operations	\$ 23,690,000	\$ 21,646,000	\$ 2,044,000	9.4%	\$ 46,380,000	\$ 41,854,000	\$ 4,526,000	10.8%
Less capitalized expenditures:								
Maintenance capital expenditures	(650,000)	(649,000)	(1,000)	0.2%	(1,223,000)	(1,181,000)	(42,000)	3.6%
Tenant improvements (a)	(709,000)	(1,044,000)	335,000	(32.1%)	(1,638,000)	(2,074,000)	436,000	(21.0%)
Capitalized lease commissions (a)	(588,000)	(827,000)	239,000	(28.9%)	(979,000)	(1,492,000)	513,000	(34.4%)
Total capitalized expenditures	<u>(1,947,000)</u>	<u>(2,520,000)</u>	<u>573,000</u>	<u>(22.7%)</u>	<u>(3,840,000)</u>	<u>(4,747,000)</u>	<u>907,000</u>	<u>(19.1%)</u>
FAD	<u>\$ 21,743,000</u>	<u>\$ 19,126,000</u>	<u>\$ 2,617,000</u>	<u>13.7%</u>	<u>\$ 42,540,000</u>	<u>\$ 37,107,000</u>	<u>\$ 5,433,000</u>	<u>14.6%</u>
FAD per common share/OP unit	<u>\$ 0.73</u>	<u>\$ 0.62</u>	<u>\$ 0.11</u>	<u>17.7%</u>	<u>\$ 1.41</u>	<u>\$ 1.20</u>	<u>\$ 0.21</u>	<u>17.5%</u>
<b><u>Cash available for debt repayments and reinvestments:</u></b>								
FAD	\$ 21,743,000	\$ 19,126,000	\$ 2,617,000	13.7%	\$ 42,540,000	\$ 37,107,000	\$ 5,433,000	14.6%
Distributions to common shareholders	(6,543,000)	(5,825,000)	(718,000)	12.3%	(13,214,000)	(11,702,000)	(1,512,000)	12.9%
Distributions to common OP unitholders	(2,119,000)	(1,834,000)	(285,000)	15.5%	(4,238,000)	(3,695,000)	(543,000)	14.7%
Cash available for debt repayments and reinvestments	<u>\$ 13,081,000</u>	<u>\$ 11,467,000</u>	<u>\$ 1,614,000</u>	<u>14.1%</u>	<u>\$ 25,088,000</u>	<u>\$ 21,710,000</u>	<u>\$ 3,378,000</u>	<u>15.6%</u>

(a) Decrease due to a reduction in the dollar value of leases signed during the year and the implementation of an employee incentive program to control lease turnover costs

## 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 June 30, 2001 consists of the following:*

	Total	2001	2002	2003	2004	2005	Thereafter
7.050% mortgage note, secured by one commercial property, due May 2006	8,474,000	100,000	211,000	226,000	242,000	260,000	7,435,000
8.190% mortgage note, secured by one commercial property, due March 2007	6,384,000	101,000	216,000	235,000	254,000	276,000	5,302,000
7.290% mortgage note, secured by one commercial property, due February 2009	6,219,000	55,000	116,000	125,000	134,000	144,000	5,645,000
7.280% mortgage note, secured by two commercial properties, due February 2003	4,124,000	65,000	137,000	3,922,000	-	-	-
8.000% mortgage note, secured by one commercial property, due April 2003	1,977,000	47,000	100,000	1,830,000	-	-	-
8.500% mortgage note, secured by one commercial property, due July 2007	1,824,000	27,000	58,000	63,000	69,000	75,000	1,532,000
8.000% mortgage note, secured by one commercial property, due April 2003	1,561,000	28,000	60,000	1,473,000	-	-	-
Total mortgage notes payable (1)	30,563,000	423,000	898,000	7,874,000	699,000	755,000	19,914,000

\$100 million unsecured line of credit

-

Total debt

30,563,000 2.7%

*Equity at June 30, 2001 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	
9.500% Series D preferred stock (2,640,000 depository shares outstanding)	66,000,000	
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)	265,750,000	23.5%
Common stock (22,475,178 shares outstanding)	629,305,000	(3)
Common operating partnership units (7,305,355 units outstanding)	204,550,000	(3)
Total common equity (3)	833,855,000	73.8%
Total market capitalization	1,130,168,000	100%

(1) The weighted average interest rate and maturity was 7.56% and 4.9 years, respectively.

(2) The weighted average dividend rate is 9.07%.

(3) Value based on June 30, 2001 closing stock price of \$28.00.

(4) Does not include 71,000 shares related to stock options for the six months ending June 30, 2001 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**

	06/30/01	12/31/00	Increase (Decrease)	% Change
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,054,000	\$ 49,295,000	\$ (25,241,000) (a)	-51.2%
Marketable securities	8,605,000	6,065,000	2,540,000	41.9%
Real estate facilities, at cost:				
Land	235,933,000	214,020,000	21,913,000	10.2%
Buildings and equipment	775,876,000	709,328,000	66,548,000 (b)	9.4%
	1,011,809,000	923,348,000	88,461,000	9.6%
Accumulated depreciation	(102,375,000)	(83,841,000)	(18,534,000)	22.1%
	909,434,000	839,507,000	69,927,000	8.3%
Properties held for disposition, net	5,110,000	-	5,110,000	N/A
Land held for development	5,837,000	5,737,000	100,000	1.7%
Construction in progress	26,993,000 (c)	19,467,000	7,526,000	38.7%
	947,374,000	864,711,000	82,663,000	9.6%
Receivables	496,000	461,000	35,000	7.6%
Deferred rent receivables	8,580,000	7,697,000	883,000	11.5%
Intangible assets, net	830,000	981,000	(151,000)	-15.4%
Other assets	1,123,000	1,546,000	(423,000)	-27.4%
Total assets	<u>\$ 991,062,000</u>	<u>\$ 930,756,000</u>	<u>\$ 60,306,000</u>	<u>6.5%</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Accrued and other liabilities	\$ 32,414,000 (d)	\$ 28,964,000	\$ 3,450,000	11.9%
Mortgage notes payable	30,563,000	30,971,000	(408,000)	-1.3%
Total liabilities	62,977,000	59,935,000	3,042,000	5.1%
Minority interest:				
Preferred units	144,750,000	144,750,000	-	0.0%
Common units	162,272,000	161,728,000	544,000	0.3%
Shareholders' equity:				
Preferred stock	121,000,000	55,000,000	66,000,000	120.0%
Common stock	225,000	230,000	(5,000)	-2.2%
Paid-in capital	448,510,000	464,855,000	(16,345,000) (e)	-3.5%
Comprehensive income	(836,000)	-	(836,000)	N/A
Cumulative net income	149,285,000	124,990,000	24,295,000 (f)	19.4%
Cumulative distributions	(97,121,000)	(80,732,000)	(16,389,000) (g)	20.3%
Total shareholders' equity	621,063,000	564,343,000	56,720,000	10.1%
Total liabilities and shareholders' equity	<u>\$ 991,062,000</u>	<u>\$ 930,756,000</u>	<u>\$ 60,306,000</u>	<u>6.5%</u>

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

(b) Property acquisitions	\$ 90,239,000
Additional acquisition/development costs	186,000
Properties held for disposition	(5,804,000)
Maintenance capital expenditures	1,223,000
Tenant improvements	1,638,000
Lease commissions	979,000
	<u>\$ 88,461,000</u>

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

Beaverton, OR (Greystone II/III)	\$ 9,217,000
Chantilly, VA (Lafayette)	9,623,000
Irving, TX (Royal Tech 17)	8,153,000
	<u>\$ 26,993,000</u>

(d) Accrued and other liabilities at June 30, 2001 consists of:

Deferred rental revenue	\$ 3,111,000
Accounts payable	2,291,000
Property taxes	5,350,000
Security deposits	9,672,000
Other	3,102,000
Reserves for acquisition costs	8,888,000
	<u>\$ 32,414,000</u>

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

Repurchased shares	\$ (17,385,000)
Exercise of stock options	1,330,000
Preferred stock issuance costs	(1,474,000)
Minority interest adjustment	1,184,000
	<u>\$ (16,345,000)</u>

(f) Represents net income for the six months ended June 30, 2001

(g) Distributions to preferred shareholders	\$ (3,175,000)
Distributions to common shareholders	(13,214,000)
	<u>\$ (16,389,000)</u>

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

	06/30/01	06/30/00	Increase (Decrease)	% Change
<b>Revenues:</b>				
Rental income	\$ 40,281,000	\$ 36,414,000	\$ 3,867,000 (a)	10.6%
Facility management fees from affiliates	168,000	129,000	39,000	30.2%
Business services	76,000	267,000	(191,000) (b)	N/A
Interest income	553,000	741,000	(188,000) (c)	(25.4%)
Dividend income	4,000	440,000	(436,000) (d)	(99.1%)
	<u>41,082,000</u>	<u>37,991,000</u>	<u>3,091,000</u>	<u>8.1%</u>
<b>Expenses:</b>				
Cost of operations	10,475,000	10,118,000	357,000 (e)	3.5%
Cost of facility management	37,000	25,000	12,000	48.0%
Cost of business services	129,000	64,000	65,000	N/A
Depreciation and amortization	9,733,000	8,898,000	835,000	9.4%
General and administrative	992,000 (f)	981,000	11,000	1.1%
Interest expense	157,000 (g)	370,000	(213,000)	(57.6%)
	<u>21,523,000</u>	<u>20,456,000</u>	<u>1,067,000</u>	<u>5.2%</u>
Income before disposition of real estate investments and minority interest	19,559,000	17,535,000	2,024,000	11.5%
Gain on disposition of properties	-	97,000	(97,000)	N/A
Income before minority interest	19,559,000	17,632,000	1,927,000	10.9%
Minority interest in income - preferred units	(3,186,000)	(2,921,000)	(265,000)	9.1%
Minority interest in income - common units	(3,543,000)	(3,199,000)	(344,000)	10.8%
Net income	<u>\$ 12,830,000</u>	<u>\$ 11,512,000</u>	<u>\$ 1,318,000</u>	<u>11.4%</u>
<b>Net income allocation:</b>				
Allocable to preferred shareholders	\$ 1,903,000	\$ 1,272,000	\$ 631,000	49.6%
Allocable to common shareholders	10,927,000	10,240,000	687,000	6.7%
	<u>\$ 12,830,000</u>	<u>\$ 11,512,000</u>	<u>\$ 1,318,000</u>	<u>11.4%</u>
<b>Net income per common share:</b>				
Basic	\$ 0.48	\$ 0.44	\$ 0.04	9.1%
Diluted	<u>\$ 0.48</u>	<u>\$ 0.44</u>	<u>\$ 0.04</u>	<u>9.1%</u>
<b>Weighted average common shares outstanding:</b>				
Basic	22,610,000	23,356,000	(746,000) (h)	(3.2%)
Diluted	<u>22,679,000</u>	<u>23,428,000</u>	<u>(749,000) (h)</u>	<u>(3.2%)</u>

(a) Rental income has increased due to the following:

Newly acquired/developed facilities, net of dispositions	\$ 1,869,000
"Same Park" facilities	2,079,000
Straight line rent adjustment	(81,000)
	<u>\$ 3,867,000</u>

(b) Business services include licensing fees from telecommunication service providers.

(c) Interest income decreased as a result of lower interest rates (4.3% in Q201 vs 6.0% in Q200).

(d) No dividend income was received from Pacific Gulf Properties Inc. ("PAG") during the three months ended June 30, 2001.

(e) Cost of operations has increased due to the following:

Newly acquired/developed facilities, net of dispositions	\$ 322,000
"Same Park" facilities	35,000
	<u>\$ 357,000</u>

(f) General and administrative expenses for the three months ended June 30, 2001 consists of:

Professional fees	\$ 278,000
Salaries	392,000
General administrative costs	134,000
Internal acquisition costs	114,000
Abandoned projects	5,000
Other	69,000
	<u>\$ 992,000</u>

(g) Interest expense for the three months ended June 30, 2001 consists of:

Mortgages	\$ 581,000
Line of credit facility fee	62,000
Capitalized interest	(486,000)
	<u>\$ 157,000</u>

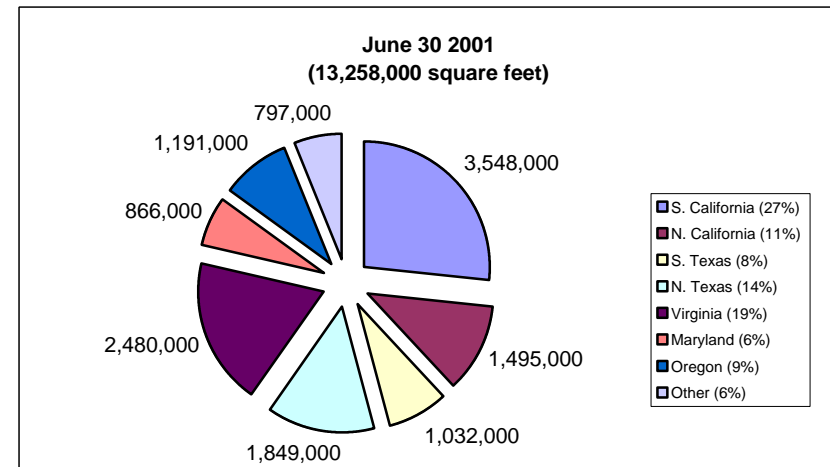
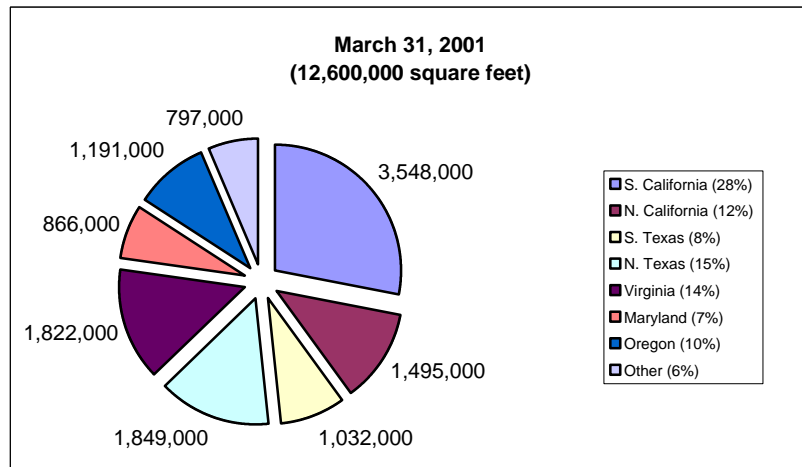
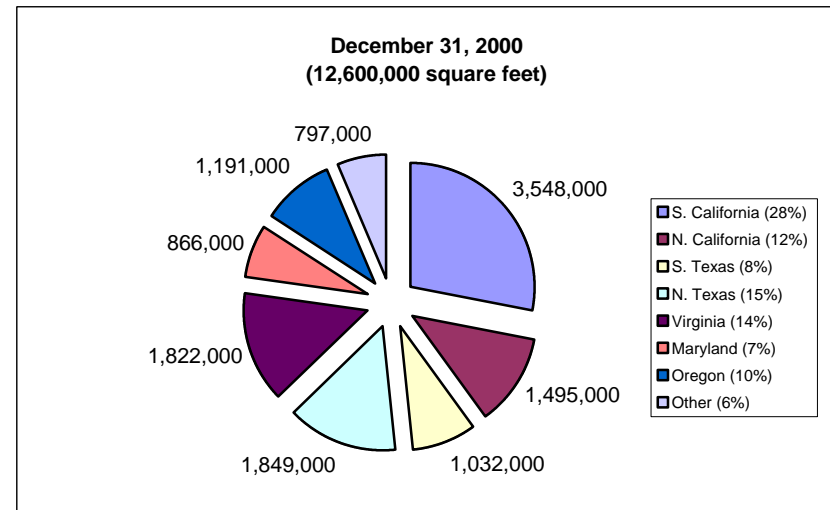
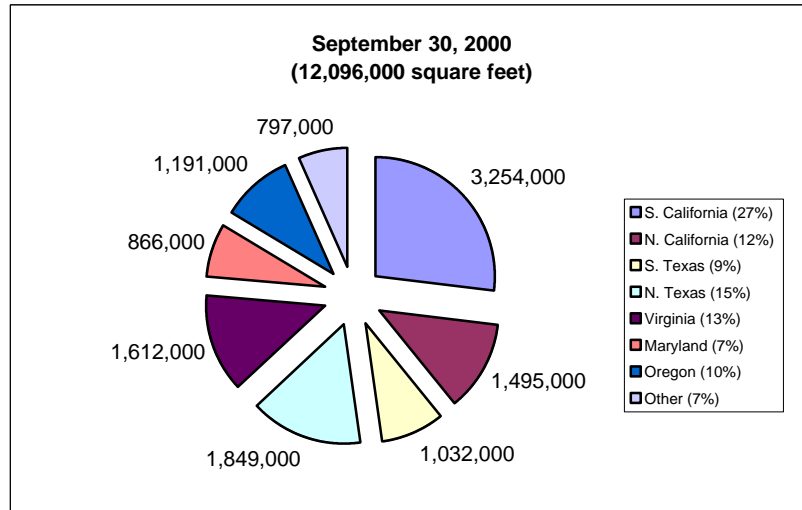
(h) Decrease relates to the repurchase of common shares.

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

	06/30/01	06/30/00	Increase (Decrease)	% Change
<b>Revenues:</b>				
Rental income	\$ 78,674,000	\$ 70,467,000	\$ 8,207,000 (a)	11.6%
Facility management fees primarily from affiliates	329,000	252,000	77,000	30.6%
Business services	233,000	267,000	(34,000) (b)	N/A
Interest income	1,313,000	2,011,000	(698,000) (c)	(34.7%)
Dividend income	8,000	858,000	(850,000) (d)	(99.1%)
	<u>80,557,000</u>	<u>73,855,000</u>	<u>6,702,000</u>	<u>9.1%</u>
<b>Expenses:</b>				
Cost of operations	20,846,000	19,670,000	1,176,000 (e)	6.0%
Cost of facility management	73,000	50,000	23,000	46.0%
Cost of business services	313,000	64,000	249,000	N/A
Depreciation and amortization	19,379,000	17,274,000	2,105,000	12.2%
General and administrative	2,120,000 (f)	1,864,000	256,000	13.7%
Interest expense	394,000 (g)	744,000	(350,000)	(47.0%)
	<u>43,125,000</u>	<u>39,666,000</u>	<u>3,459,000</u>	<u>8.7%</u>
Income before disposition of real estate investments and minority interest	37,432,000	34,189,000	3,243,000	9.5%
Gain on investment in PAG	15,000	-	15,000	N/A
Gain on disposition of properties	-	97,000	(97,000)	N/A
Income before minority interest	37,447,000	34,286,000	3,161,000	9.2%
Minority interest in income - preferred units	(6,373,000)	(5,841,000)	(532,000)	9.1%
Minority interest in income - common units	(6,779,000)	(6,190,000)	(589,000)	9.5%
Net income	<u>\$ 24,295,000</u>	<u>\$ 22,255,000</u>	<u>\$ 2,040,000</u>	<u>9.2%</u>
<b>Net income allocation:</b>				
Allocable to preferred shareholders	\$ 3,175,000	\$ 2,544,000	\$ 631,000	24.8%
Allocable to common shareholders	21,120,000	19,711,000	1,409,000	7.1%
	<u>\$ 24,295,000</u>	<u>\$ 22,255,000</u>	<u>\$ 2,040,000</u>	<u>9.2%</u>
<b>Net income per common share:</b>				
Basic	\$ 0.93	\$ 0.84	\$ 0.09	10.7%
Diluted	\$ 0.92	\$ 0.84	\$ 0.08	9.5%
<b>Weighted average common shares outstanding:</b>				
Basic	22,814,000	23,474,000	(660,000) (h)	(2.8%)
Diluted	22,885,000	23,537,000	(652,000) (h)	(2.8%)

(a)	Rental income has increased due to the following:	
	Newly acquired/developed facilities, net of dispositions	\$ 3,649,000
	"Same Park" facilities	4,899,000
	Straight line rent adjustment	(341,000)
		<u>\$ 8,207,000</u>
(b)	Business services include licensing fees from telecommunication service providers.	
(c)	Interest income decreased as a result of lower average cash balances (\$54.7M in 2001 vs. \$69.9M in 2000) and interest rates (4.8% in 2001 vs. 5.8% in 2000).	
(d)	No dividend income was received from Pacific Gulf Properties Inc. ("PAG") during the six months ended June 30, 2001.	
(e)	Cost of operations have increased due to the following:	
	Newly acquired/developed facilities, net of dispositions	\$ 531,000
	"Same Park" facilities	645,000
		<u>\$ 1,176,000</u>
(f)	General and administrative expenses for the six months ended June 30, 2001 consists of:	
	Professional fees	\$ 423,000
	Salaries	726,000
	General administrative costs	336,000
	Internal acquisition costs	317,000
	Abandoned projects	7,000
	Other	311,000
		<u>\$ 2,120,000</u>
(g)	Interest expense for the six months ended June 30, 2001 consists of:	
	Mortgage notes payable	\$ 1,167,000
	Line of credit facility fees	125,000
	Capitalized interest	(898,000)
		<u>\$ 394,000</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 June 30, 2001					
Primary Markets	Industrial	Office	Flex	Total	%
Northern Virginia	-	589,000	1,891,000	2,480,000	18.7%
Los Angeles County	1,006,000	88,000	770,000	1,864,000	14.1%
Northern California	405,000	64,000	1,026,000	1,495,000	11.3%
Dallas	-	-	1,475,000	1,475,000	11.1%
Portland	-	187,000	1,004,000	1,191,000	9.0%
Orange County	-	161,000	911,000	1,072,000	8.1%
Maryland	-	29,000	837,000	866,000	6.5%
Austin	-	-	833,000	833,000	6.3%
San Diego County	-	234,000	378,000	612,000	4.6%
Phoenix	-	-	569,000	569,000	4.3%
Other	-	331,000	470,000	801,000	6.0%
	1,411,000	1,683,000	10,164,000	13,258,000	100.0%

Average Occupancy Rates for the Quarter Ending June 30, 2001				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	96.4%	98.4%	98.1%
Los Angeles County	97.3%	94.7%	93.5%	95.5%
Northern California	100.0%	97.4%	95.5%	96.8%
Dallas	-	-	95.1%	95.1%
Portland	-	100.0%	98.0%	98.4%
Orange County	-	-	93.9%	93.9%
Maryland	-	100.0%	97.7%	97.8%
Austin	-	-	94.2%	94.2%
San Diego County	-	98.6%	99.1%	98.9%
Phoenix	-	-	91.7%	91.7%
Other	-	82.4%	91.6%	87.8%
	98.1%	93.8%	95.7%	95.7%

**PS BUSINESS PARKS, INC.**  
**PORTFOLIO ANALYSIS**

Industry Concentration as of June 30, 2001

Computer hardware, software and related service	12.6%
Business services	12.5%
Financial services	7.3%
Home furnishings	6.6%
Retail	6.5%
Communications	6.3%
Manufacturing and assembly	4.9%
Electronics	4.9%
General Contractors	4.5%
Government	4.4%
	<u>70.5%</u>

Top Ten Customers by Annual Rent as of June 30, 2001

Tenant	Square Footage	Annual Rents	%
IBM	333,000	4,736,000	2.9%
Citigroup	262,000	3,419,000	2.1%
U.S. Government	127,000	2,954,000	1.8%
Pycon, Inc.	134,000	1,986,000	1.2%
MCI Worldcom	121,000	1,664,000	1.0%
Footstar	116,000	1,558,000	1.0%
County of Santa Clara	97,000	1,545,000	1.0%
Sun Microsystems	86,000	1,517,000	0.9%
Welch Allyn Protocol, Inc.	95,000	1,339,000	0.8%
TRW System	58,000	1,256,000	0.8%
	<u>1,429,000</u>	<u>\$ 21,974,000</u>	<u>13.5%</u>

**PS BUSINESS PARKS, INC.**  
**PORTFOLIO ANALYSIS AS OF JUNE 30, 2001**

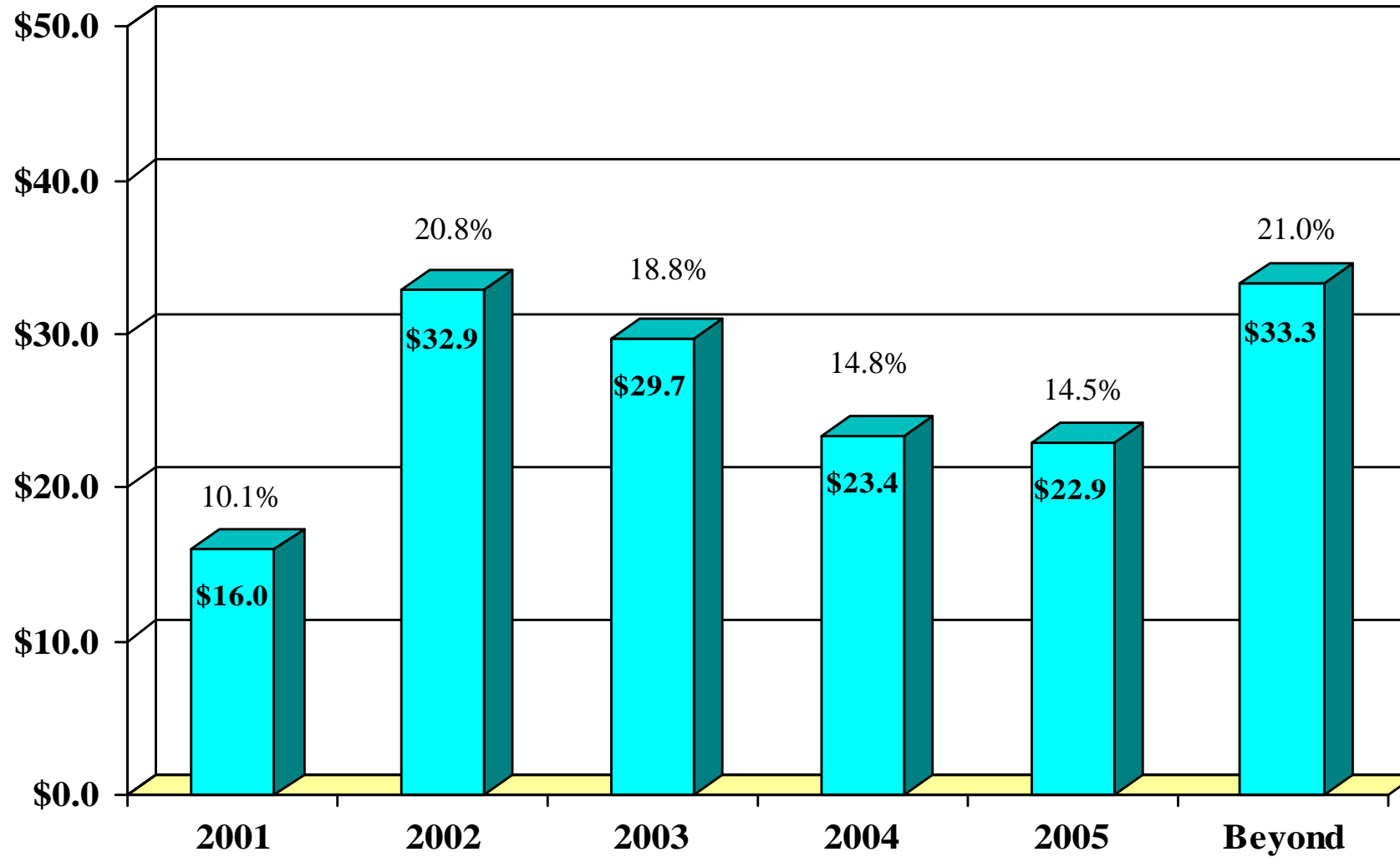
Lease Expirations - Flex			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2001	1,204,000	11,669,000	9.8%
2002	2,386,000	25,975,000	21.8%
2003	1,892,000	22,521,000	18.9%
2004	1,549,000	18,793,000	15.8%
2005	1,201,000	16,743,000	14.0%
Thereafter	1,787,000	23,615,000	19.7%
	<u>10,019,000</u>	<u>\$ 119,316,000</u>	<u>100.0%</u>

Lease Expirations - Office			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2001	201,000	3,518,000	11.2%
2002	298,000	5,309,000	16.9%
2003	322,000	6,153,000	19.5%
2004	162,000	3,372,000	10.7%
2005	211,000	4,562,000	14.5%
Thereafter	340,000	8,579,000	27.2%
	<u>1,534,000</u>	<u>\$ 31,493,000</u>	<u>100.0%</u>

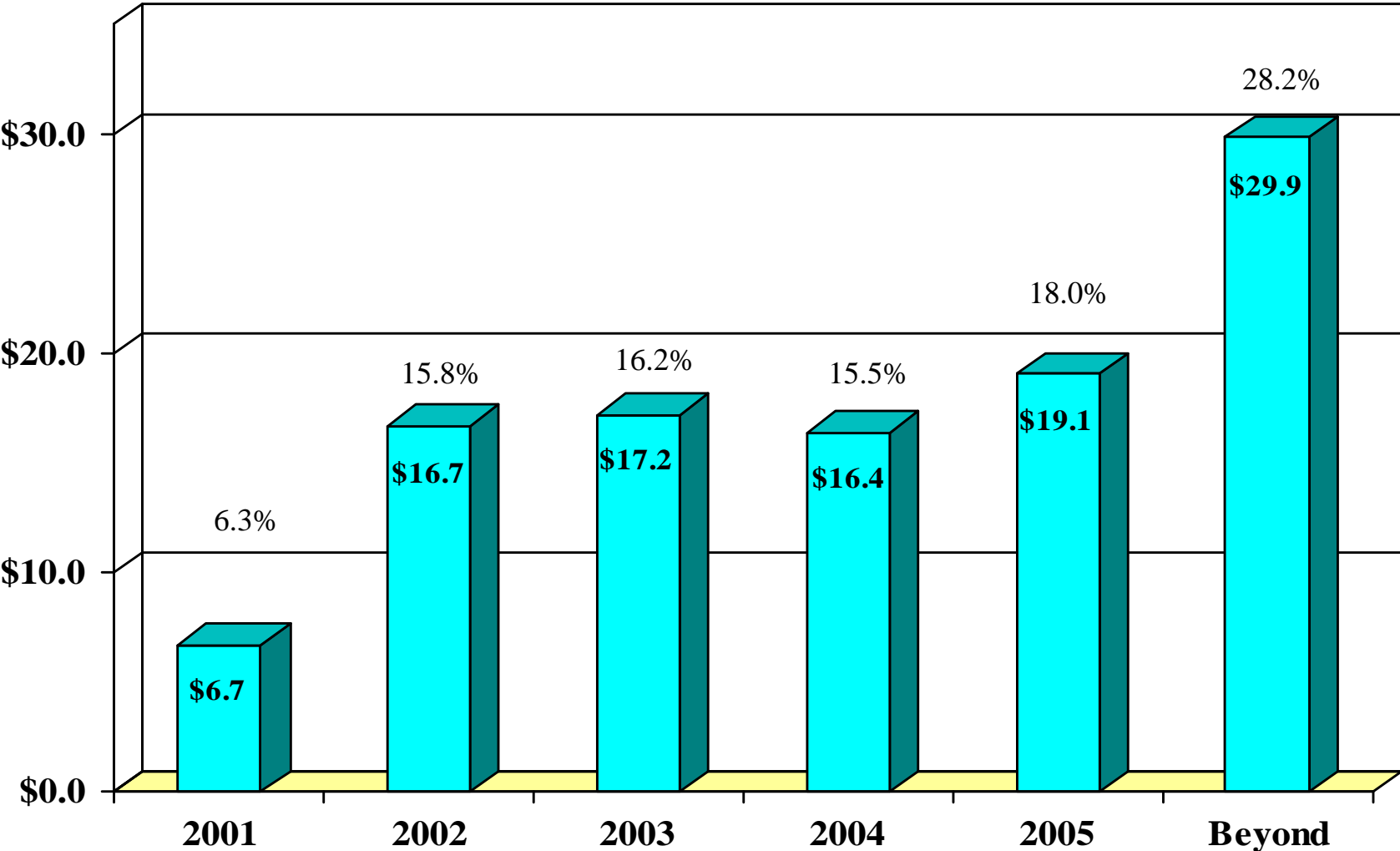
Lease Expirations - Industrial			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2001	145,000	802,000	11.0%
2002	391,000	1,632,000	22.3%
2003	178,000	1,002,000	13.7%
2004	217,000	1,214,000	16.6%
2005	252,000	1,577,000	21.6%
Thereafter	178,000	1,079,000	14.8%
	<u>1,361,000</u>	<u>\$ 7,306,000</u>	<u>100.0%</u>

Lease Expirations - Total			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2001	1,550,000	15,989,000	10.1%
2002	3,075,000	32,916,000	20.8%
2003	2,392,000	29,676,000	18.8%
2004	1,928,000	23,379,000	14.8%
2005	1,664,000	22,882,000	14.5%
Thereafter	2,305,000	33,273,000	21.0%
	<u>12,914,000</u>	<u>\$ 158,115,000</u>	<u>100.0%</u>

**Lease Expirations (Entire Portfolio) as of June 30, 2001 (\$ in millions)**



**Lease Expirations (Large Tenant Portfolio) as of June 30, 2001 (\$ in millions)**



**Lease Expirations (Small Tenant Portfolio) as of June 30, 2001 (\$ in millions)**

