



PSBUSINESSPARKS

**Analysis of Operating Results
and Financial Condition**

June 30, 2005

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2005**

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

OPERATING DATA								
	FOR THE QUARTER ENDED			FOR THE SIX MONTHS ENDED				
	06/30/05	06/30/04	Difference	06/30/05	06/30/04	Difference		
Total operating revenues	\$ 55,501	\$ 52,008	6.7%	\$ 109,506	\$ 103,858	5.4%		
Net income allocable to common shareholders	\$ 5,772	\$ 5,206	10.9%	\$ 13,096	\$ 9,364	39.9%		
Net income per common share - diluted:								
Continuing operations	\$ 0.20	\$ 0.20	0.0%	\$ 0.40	\$ 0.34	17.6%		
Discontinued operations	\$ 0.06	\$ 0.04	50.0%	\$ 0.19	\$ 0.09	111.1%		
Net income per common share - diluted	\$ 0.26	\$ 0.24	8.3%	\$ 0.59	\$ 0.43	37.2%		
Weighted average common shares outstanding - Basic	21,893	21,808	0.4%	21,872	21,710	0.7%		
Weighted average common shares outstanding - Diluted	22,029	22,016	0.1%	22,015	21,942	0.3%		
Weighted average common OP units outstanding	7,305	7,305	0.0%	7,305	7,305	0.0%		
Total pro forma fully-converted shares	29,334	29,321	0.0%	29,320	29,247	0.2%		

FUNDS FROM OPERATIONS								
	FOR THE QUARTER ENDED			FOR THE SIX MONTHS ENDED				
	06/30/05	06/30/04	Difference	06/30/05	06/30/04	Difference		
FFO allocable to common shareholders before adjustments	\$ 26,062	\$ 25,448	2.4%	\$ 51,942	\$ 51,028	1.8%		
EITF Topic D-42	(301)	-	100.0%	(301)	(2,133)	(85.9%)		
FFO allocable to common shareholders, reported	\$ 25,761	\$ 25,448	1.2%	\$ 51,641	\$ 48,895	5.6%		
FFO per common share and units - before adjustments	\$ 0.89	\$ 0.87	2.3%	\$ 1.77	\$ 1.74	1.7%		
FFO per common share and units - as reported	\$ 0.88	\$ 0.87	1.1%	\$ 1.76	\$ 1.67	5.4%		

PROPERTY INFORMATION								
	FOR THE QUARTER ENDED			FOR THE SIX MONTHS ENDED				
	06/30/05	06/30/04	Difference	06/30/05	06/30/04	Difference		
<u>Total Owned Portfolio</u>								
(excluding discontinued operations)								
Net rentable square footage at period end	17,283	17,175	0.6%	17,283	17,212	0.4%		
Weighted average occupancy	91.8%	88.4%	3.8%	91.6%	88.6%	3.4%		
Annualized realized rent per sq. ft. (1)	\$ 13.69	\$ 13.47	1.6%	\$ 13.52	\$ 13.40	0.9%		
REVPAR (2)	\$ 12.57	\$ 11.91	5.5%	\$ 12.38	\$ 11.87	4.3%		
<u>Same Park Portfolio</u>								
Net rentable square footage	17,118	17,118	0.0%	17,118	17,118	0.0%		
Weighted average occupancy	91.8%	88.4%	3.8%	91.6%	88.6%	3.4%		
Annualized realized rent per sq. ft. (1)	\$ 13.62	\$ 13.46	1.2%	\$ 13.46	\$ 13.44	0.1%		
REVPAR (2)	\$ 12.50	\$ 11.90	5.0%	\$ 12.33	\$ 11.91	3.5%		

- (1) Represents the actual revenues earned per occupied square foot.
(2) Represents the actual revenues earned per total square foot.

BALANCE SHEET DATA				
	06/30/05	12/31/04	Difference	
Total assets	\$ 1,444,060	\$ 1,363,829	5.9%	
Minority interest - preferred	\$ 115,750	\$ 127,750	(9.4%)	
Minority interest - common	\$ 168,994	\$ 169,295	(0.2%)	
Perpetual preferred stock	\$ 593,350	\$ 510,850	16.1%	
Common shareholders' equity	\$ 506,525	\$ 506,114	0.1%	
Total common shares outstanding at period end	21,896	21,840	0.3%	
Book value per common share	\$ 23.13	\$ 23.17	(0.2%)	

MARKET VALUE INFORMATION				
	06/30/05	12/31/04	Difference	
Market value of common stock and common OP units	\$ 1,298,015	\$ 1,314,441	(1.2%)	
Total debt	11,161	11,367	(1.8%)	
Total preferred stock and preferred OP units	721,100	638,600	12.9%	
Total market capitalization	\$ 2,030,276	\$ 1,964,408	3.4%	
Stock price at the end of the period	\$ 44.45	\$ 45.10	(1.4%)	

PS BUSINESS PARKS, INC.

Sources and Uses of Funds (in thousands)

FOR THE SIX MONTHS ENDED
June 30, 2005

Sources of Funds:

Funds from operations, before EITF Topic D-42	\$	51,942
Proceeds from disposition of real estate		16,283
Proceeds from placement of preferred stock, net		79,701
Exercise of stock options		1,291
Total Sources of Funds		149,217

Uses of Funds:

Property renovations and other capital expenditures		(2,246)
Recurring capital expenditures		(16,443)
Common dividends and OP distributions		(16,928)
Principal payments on mortgage notes payable		(206)
Change in working capital		(3,932)
Total Uses of Funds		(39,755)
Net increase in cash balance		109,462
Beginning cash balance		39,688
Ending cash balance	\$	149,150

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

FOR THE QUARTER ENDED		Increase (Decrease)	% Change
06/30/05	06/30/04		

FOR THE SIX MONTHS ENDED		Increase (Decrease)	% Change
06/30/05	06/30/04		

Funds from operations (FFO):

Net income allocable to common shareholders	\$	5,772	\$	5,206	\$	566		10.9%
Adjustments:								
(Gain) loss on disposition of real estate		(1,016)		168		1,184		704.8%
Depreciation and amortization		19,084		18,330		754		4.1%
Minority interest in income - common units		1,921		1,744		177		10.1%
FFO allocable to common shareholders/unitholders	\$	25,761	\$	25,448	\$	313		1.2%
Weighted average common shares outstanding		21,893		21,808		85		0.4%
Weighted average common OP units outstanding		7,305		7,305		-		0.0%
Weighted average dilutive stock options		136		208		(72)		(34.6%)
Total pro forma fully-converted shares		29,334		29,321		13		0.0%
Fully diluted FFO per common share/OP unit	\$	0.88	\$	0.87	\$	0.01		1.1%

Net income allocable to common shareholders	\$	13,096	\$	9,364	\$	3,732		39.9%
Adjustments:								
(Gain) loss on disposition of real estate		(3,930)		168		4,098		2439.3%
Depreciation and amortization		38,100		36,214		1,886		5.2%
Minority interest in income - common units		4,375		3,149		1,226		38.9%
FFO allocable to common shareholders/unitholders	\$	51,641	\$	48,895	\$	2,746		5.6%
Weighted average common shares outstanding		21,872		21,710		162		0.7%
Weighted average common OP units outstanding		7,305		7,305		-		0.0%
Weighted average dilutive stock options		143		232		(89)		(38.4%)
Total pro forma fully-converted shares		29,320		29,247		73		0.2%
Fully diluted FFO per common share/OP unit	\$	1.76	\$	1.67	\$	0.09		5.4%

Funds available for distribution (FAD):

Funds from operations	\$	25,761	\$	25,448	\$	313		1.2%
Adjustments:								
Maintenance capital expenditures		(1,165)		(802)		363		45.3%
Tenant improvements		(5,259)		(6,160)		(901)		(14.6%)
Lease commissions		(1,679)		(2,321)		(642)		(27.7%)
Straight-line rent		(1,069)		(727)		342		47.0%
Stock compensation expense		306		174		132		76.1%
In-place rents adjustment (SFAS 141)		39		39		-		0.0%
Redemption amount over carrying amount related to preferred equity called for redemption or redeemed		301		-		301		100.0%
FAD	\$	17,235	\$	15,651	\$	1,584		10.1%
FAD per common share/OP unit	\$	0.59	\$	0.53	\$	0.06		11.3%

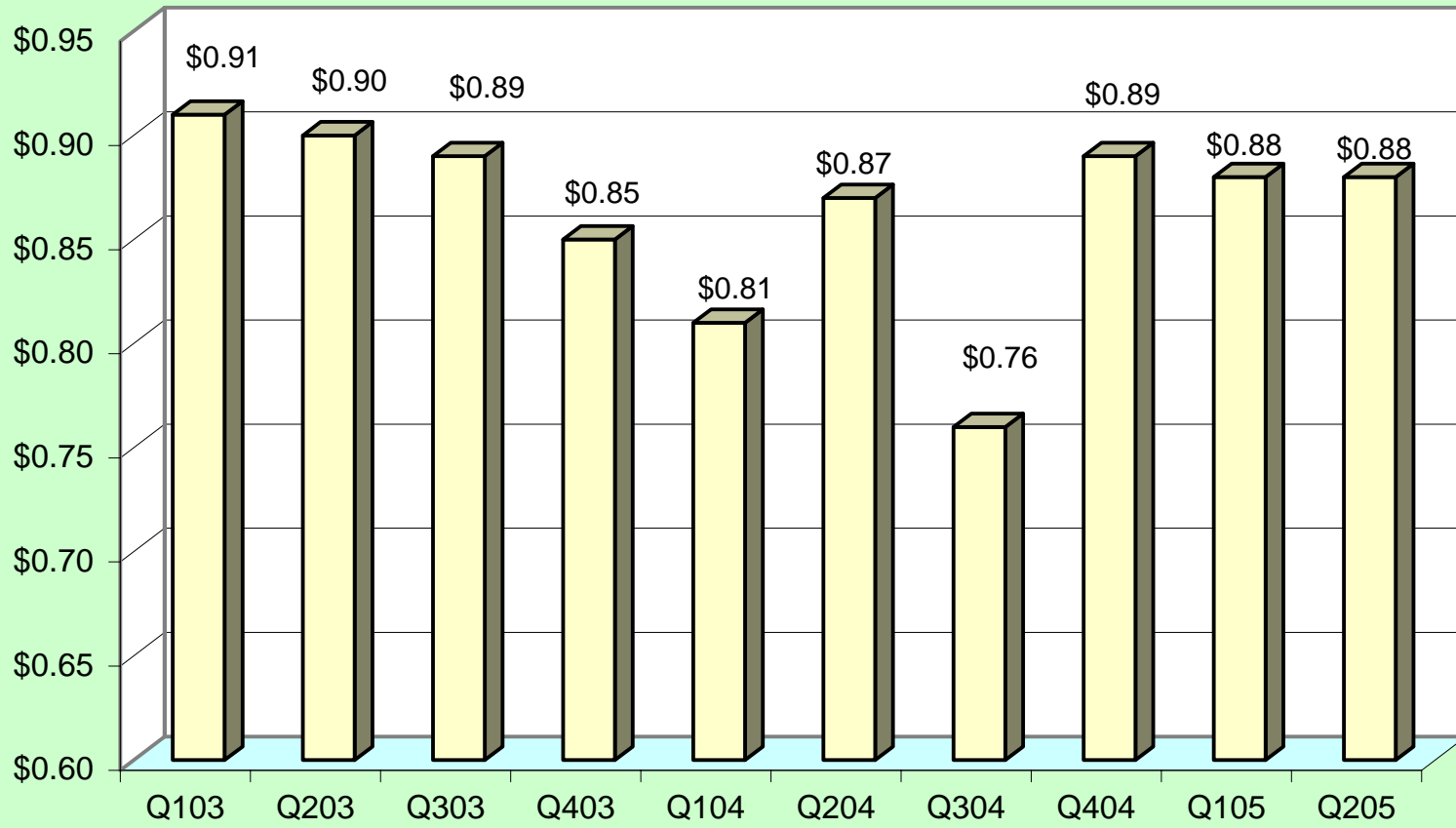
Funds from operations	\$	51,641	\$	48,895	\$	2,746		5.6%
Adjustments:								
Maintenance capital expenditures		(1,504)		(1,682)		(178)		(10.6%)
Tenant improvements		(11,706)		(9,387)		2,319		24.7%
Lease commissions		(3,233)		(3,734)		(501)		(13.4%)
Straight-line rent		(2,257)		(1,379)		878		63.7%
Stock compensation expense		434		496		(62)		(12.6%)
In-place rents adjustment (SFAS 141)		78		78		-		0.0%
Redemption amount over carrying amount related to preferred equity called for redemption or redeemed		301		2,133		(1,832)		(85.9%)
FAD	\$	33,754	\$	35,420	\$	3,370		9.5%
FAD per common share/OP unit	\$	1.15	\$	1.21	\$	(0.06)		(5.0%)

Cash available for debt repayments and reinvestments:

FAD	\$	17,235	\$	15,651	\$	1,584		10.1%
Distributions to common shareholders		(6,342)		(6,325)		17		0.3%
Distributions to common OP unitholders		(2,118)		(2,118)		-		0.0%
Cash available for debt repayments and reinvestments	\$	8,775	\$	7,208	\$	1,567		21.7%
FAD payout ratio		49.1%		53.9%		(8.9%)		

FAD	\$	33,754	\$	35,420	\$	(1,666)		(4.7%)
Distributions to common shareholders		(12,691)		(12,604)		87		0.7%
Distributions to common OP unitholders		(4,237)		(4,237)		-		0.0%
Cash available for debt repayments and reinvestments	\$	16,826	\$	18,579	\$	(1,753)		(9.4%)
FAD payout ratio		50.2%		47.5%		(8.9%)		

Diluted FFO Per Common Share/OP Unit



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

	As of June 30, 2005			As of December 31, 2004		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
Long-Term Debt:						
8.190% mortgage note, secured by one commercial property, due March 2007	\$ 5,443			\$ 5,578		
7.290% mortgage note, secured by one commercial property, due February 2009	5,718			5,789		
Total mortgage notes payable (1)	<u>11,161</u>	<u>0.6%</u>	<u>7.73%</u>	<u>11,367</u>	<u>0.6%</u>	<u>7.73%</u>
Short-Term Debt:						
\$100 million unsecured line of credit	-			-		
Total Short-Term Debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt	<u>11,161</u>	<u>0.6%</u>	<u>7.73%</u>	<u>11,367</u>	<u>0.6%</u>	<u>7.73%</u>
8.875% Series Y preferred operating partnership units (480,000 units outstanding) callable 7/12/05 (3)	12,000			12,000		
9.500% Series D preferred stock (2,634,000 depository shares outstanding) callable 5/10/06	65,850			65,850		
9.250% Series E preferred operating partnership units (2,120,000 units outstanding) callable 9/21/06	53,000			53,000		
8.750% Series F preferred stock (2,000,000 units outstanding) callable 1/28/07	50,000			50,000		
7.950% Series G preferred operating partnership units (800,000 units outstanding) callable 10/30/07	20,000			20,000		
7.000% Series H preferred stock (8,200,000 units outstanding) callable 1/30/09	205,000			205,000		
6.875% Series I preferred stock (3,000,000 units outstanding) callable 4/21/09	75,000			75,000		
7.500% Series J preferred operating partnership units (1,710,000 units outstanding) callable 5/27/09	42,750			42,750		
7.950% Series K preferred stock (2,300,000 units outstanding) callable 6/30/09	57,500			57,500		
7.600% Series L preferred stock (2,300,000 units outstanding) callable 8/31/09	57,500			57,500		
7.200% Series M preferred stock (3,300,000 units outstanding) callable 5/2/10	82,500			-		
Total preferred equity	<u>721,100</u>	<u>35.5%</u>	<u>7.74%</u>	<u>638,600</u>	<u>32.5%</u>	<u>7.80%</u>
Total debt and preferred equity	<u>732,261</u>	<u>36.1%</u>	<u>7.74%</u>	<u>649,967</u>	<u>33.1%</u>	<u>7.80%</u>
Common stock (21,896,338 and 21,839,667 shares outstanding in June 30, 2005 and December 31, 2004 respectively)	973,292			\$ 984,969		
Common operating partnership units (7,305,355 units outstanding as of June 30, 2005 and December 31, 2004)	324,723			329,472		
Total common equity (2)	<u>1,298,015</u>	<u>63.9%</u>		<u>1,314,441</u>	<u>66.9%</u>	
Total market capitalization	<u>\$ 2,030,276</u>	<u>100%</u>		<u>\$ 1,964,408</u>	<u>100%</u>	

(1) Principal Maturity Dates are represented by the following chart:

Principal Maturity Dates				
2005	2006	2007	2008	2009

Park East I & II	\$ 141	\$ 300	\$ 5,002	-	-
Park East III	73	155	167	\$ 179	\$ 5,144
	<u>\$ 214</u>	<u>\$ 455</u>	<u>\$ 5,169</u>	<u>\$ 179</u>	<u>\$ 5,144</u>

(2) Closing stock price was \$44.45 and \$45.10 as of June 30, 2005 and December 31, 2004, respectively.

(3) Subsequent to June 30, 2005, Series Y preferred operating partnership units were redeemed at par.

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

	06/30/05	12/31/04	Increase (Decrease)	% Change
<u>ASSETS</u>				
Cash and cash equivalents	\$ 149,150	\$ 39,688	\$ 109,462	(a) 275.8%
Real estate facilities, at cost:				
Land	368,764	368,764	-	0.0%
Buildings and equipment	1,153,288	1,135,772	17,516	1.5%
	<u>1,522,052</u>	<u>1,504,536</u>	<u>17,516</u>	(b) 1.2%
Accumulated depreciation	(317,258)	(280,215)	37,043	13.2%
	<u>1,204,794</u>	<u>1,224,321</u>	<u>(19,527)</u>	(1.6%)
Properties held for disposition, net	56,643	67,632	(10,989)	(c) (16.2%)
Land held for development	10,236	11,583	(1,347)	(d) (11.6%)
	<u>1,271,673</u>	<u>1,303,536</u>	<u>(31,863)</u>	(2.4%)
Rent receivable	3,127	2,079	1,048	(e) 50.4%
Deferred rent receivables	17,602	15,470	2,132	13.8%
Other assets	2,508	3,056	(548)	(f) (17.9%)
Total assets	<u>\$ 1,444,060</u>	<u>\$ 1,363,829</u>	<u>\$ 80,231</u>	<u>5.9%</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Accrued and other liabilities	\$ 36,280	\$ 38,453	\$ (2,173)	(g) (5.7%)
Preferred operating units called for redemption	12,000	-	12,000	100.0%
Mortgage notes payable	11,161	11,367	(206)	(1.8%)
Total liabilities	59,441	49,820	9,621	19.3%
Minority interests:				
Preferred units	115,750	127,750	(12,000)	(9.4%)
Common units	168,994	169,295	(301)	(0.2%)
Shareholders' equity:				
Preferred stock	593,350	510,850	82,500	16.1%
Common stock	219	218	1	0.5%
Paid-in capital	420,356	420,351	5	(h) 0.0%
Cumulative net income	377,127	343,529	33,598	9.8%
Cumulative distributions	(291,177)	(257,984)	33,193	(i) 12.9%
Total shareholders' equity	<u>1,099,875</u>	<u>1,016,964</u>	<u>82,911</u>	<u>8.2%</u>
Total liabilities and shareholders' equity	<u>\$ 1,444,060</u>	<u>\$ 1,363,829</u>	<u>\$ 80,231</u>	<u>5.9%</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED BALANCE SHEETS
VARIANCE EXPLANATIONS

(a)	See sources and uses of funds on page 2		
(b)	Change in real estate facilities, at cost:		
	Property renovations	\$	2,051
	Maintenance capital expenditures		1,504
	Tenant improvements		11,706
	Lease commissions		3,233
	Capital expenditures, properties held for sale		(978)
		<u>\$</u>	<u>17,516</u>
(c)	Change in discontinued operations, net:		
	Beaverton / Woodside	\$	(245)
	MICC - Retail		(10,192)
	MICC - Center 17 (Cape Cod)		(552)
		<u>\$</u>	<u>(10,989)</u>
(d)	Change in land held for sale:		
	Cornell Oaks Land Sold	\$	(1,543)
	Improvements on Land		196
		<u>\$</u>	<u>(1,347)</u>
(e)	Rent receivable consists of the following:	<u>06/30/05</u>	<u>12/31/04</u>
	U.S. Government Tenants	\$ 1,698	\$ 1,132
	Other	1,979	1,497
	Allowance for bad debt	(550)	(550)
		<u>\$ 3,127</u>	<u>\$ 2,079</u>
(f)	Change in other assets:		
	Due on rental properties sold	\$	(1,438)
	Prepaid Insurance		1,018
	Amortization of prepaid costs		(55)
	Other		(73)
		<u>\$</u>	<u>(548)</u>
(g)	Accrued and other liabilities consists of:	<u>06/30/05</u>	<u>12/31/04</u>
		<u>Change</u>	
	Prepaid Rent	\$ 5,944	\$ 6,778
	Property taxes	6,683	3,109
	Security deposits	16,013	15,220
	Reserves for acquisition costs	4,767	5,051
	Other	2,873	8,295
		<u>\$ 36,280</u>	<u>\$ 38,453</u>
		<u>\$</u>	<u>(2,173)</u>
(h)	Change in paid-in capital:		
	Beginning paid-in capital	\$	420,351
	Preferred stock issuance costs		(2,799)
	Redemption of preferred units (EITF Topic D-42)		301
	Exercise of stock options		1,290
	Stock option amortization		188
	Restricted stock amortization		586
	Change in minority interest, common		439
	Ending paid in capital	<u>\$</u>	<u>420,356</u>
(i)	Change in cumulative distributions:		
	Distributions to preferred shareholders	\$	(20,502)
	Distributions to common shareholders		(12,691)
		<u>\$</u>	<u>(33,193)</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE QUARTER ENDED
(in thousands, except per share amounts)

	06/30/05	06/30/04	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 55,357	\$ 51,848	\$ 3,509 (a)	6.8%
Facility management fees primarily from affiliates	144	160	(16)	(10.0%)
Total operating revenues	<u>55,501</u>	<u>52,008</u>	<u>3,493</u>	<u>6.7%</u>
Expenses:				
Property operations	16,646	15,335	1,311 (b)	8.5%
Depreciation and amortization	18,513	17,247	1,266	7.3%
General and administrative	1,326	1,004	322 (c)	32.1%
Total operating expenses	<u>36,485</u>	<u>33,586</u>	<u>2,899</u>	<u>8.6%</u>
Other income and expenses:				
Interest and other income	982	51	931	1825.5%
Interest expense	(280)	(833)	(553) (d)	(66.4%)
Total other income and expenses	<u>702</u>	<u>(782)</u>	<u>(1,484)</u>	<u>(189.8%)</u>
Income from continuing operations before minority interests	<u>19,718</u>	<u>17,640</u>	<u>2,078</u>	<u>11.8%</u>
Minority interests in continuing operations:				
Minority interest in income - preferred units				
Distributions paid to preferred unit holders	(2,691)	(4,805)	(2,114)	(44.0%)
Redemption of preferred operating partnership units	(301)	-	301	100.0%
Minority interest in income - common units	(1,497)	(1,439)	58	4.0%
Total minority interests in continuing operations	<u>(4,489)</u>	<u>(6,244)</u>	<u>(1,755)</u>	<u>(28.1%)</u>
Income from continuing operations	<u>15,229</u>	<u>11,396</u>	<u>3,833</u>	<u>33.6%</u>
Discontinued operations:				
Income from discontinued operations	684	1,368	(684) (e)	(50.0%)
Gain (loss) on disposition of real estate	1,016	(168)	1,184	704.8%
Minority interest in earnings attributable to discontinued operations - common units	(424)	(305)	119	39.0%
Income from discontinued operations	<u>1,276</u>	<u>895</u>	<u>381</u>	<u>42.6%</u>
Net Income	<u>16,505</u>	<u>12,291</u>	<u>4,214</u>	<u>34.3%</u>
Net Income allocable to preferred shareholders				
Preferred distributions				
Preferred distributions paid	10,733	7,085	3,648 (f)	51.5%
Redemption of preferred stock	-	-	-	N/A
Total preferred distributions	<u>10,733</u>	<u>7,085</u>	<u>3,648</u>	<u>51.5%</u>
Net Income allocable to common shareholders	<u>\$ 5,772</u>	<u>\$ 5,206</u>	<u>\$ 566</u>	<u>10.9%</u>
Net income per common share - basic:				
Continuing operations	\$ 0.21	\$ 0.20	\$ 0.01	5.0%
Discontinued operations	\$ 0.06	\$ 0.04	\$ 0.02	50.0%
Net Income	\$ 0.26	\$ 0.24	\$ 0.02	8.3%
Net income per common share - diluted				
Continuing operations	\$ 0.20	\$ 0.20	\$ -	0.0%
Discontinued operations	\$ 0.06	\$ 0.04	\$ 0.02	50.0%
Net Income	\$ 0.26	\$ 0.24	\$ 0.02	8.3%
Weighted average common shares outstanding:				
Basic	<u>21,893</u>	<u>21,808</u>	<u>85 (g)</u>	<u>0.4%</u>
Diluted	<u>22,029</u>	<u>22,016</u>	<u>13</u>	<u>0.1%</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENT OF INCOME
VARIANCE EXPLANATIONS
FOR THE THREE MONTHS ENDED JUNE 30, 2005

(a) Rental income has increased due to the following:			
Same Park facilities	\$		2,549
Acquisitions			618
Straight-line rent			342
			<u>3,509</u>
(b) Cost of operations have increased due to the following:			
Same Park facilities	\$		(32)
Acquisitions			1,343
			<u>1,311</u>
(c) General and administrative expenses for the three months ended:			
	June 30, 2005	June 30, 2004	
Compensation expense	\$ 735	\$ 416	
Stock compensation expense	134	93	
Professional fees	176	74	
Other	281	421	
	<u>\$ 1,326</u>	<u>\$ 1,004</u>	
(d) Interest expense for the three months ended:			
	June 30, 2005	June 30, 2004	
Mortgage notes payable	\$ 217	\$ 363	
Facilities fees & other charges	63	51	
Line of Credit interest (Wells Fargo)	-	419	
	<u>\$ 280</u>	<u>\$ 833</u>	
(e) Net operating income from discontinued operations for the three months ended:			
	June 30, 2005	June 30, 2004	
Rental revenue (MICC Retail and Cape Cods, and Woodside)	\$ 1,799	\$ 3,515	
Operating expenses	(544)	(1,064)	
Depreciation expense	(571)	(1,083)	
	<u>\$ 684</u>	<u>\$ 1,368</u>	
(f) Increase relates to issuance of additional preferred stock .			
(g) Net increase relates to stock option exercises and vesting of restricted stock units.			

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED
(in thousands, except per share amounts)

	06/30/05	06/30/04	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 109,217	\$ 103,543	\$ 5,674 (a)	5.5%
Facility management fees primarily from affiliates	289	315	(26)	(8.3%)
Total operating revenues	<u>\$ 109,506</u>	<u>\$ 103,858</u>	<u>5,648</u>	<u>5.4%</u>
Expenses:				
Property operations	32,544	31,036	1,508 (b)	4.9%
Depreciation and amortization	36,965	34,061	2,904	8.5%
General and administrative	2,764 (c)	2,095 (c)	669	31.9%
Total operating expenses	<u>72,273</u>	<u>67,192</u>	<u>5,081</u>	<u>7.6%</u>
Other income and expenses:				
Interest and other income	1,380	78	1,302	1669.2%
Interest expense	(562) (d)	(2,099) (d)	(1,537)	(73.2%)
Total other income and expenses	<u>818</u>	<u>(2,021)</u>	<u>2,839</u>	<u>140.5%</u>
Income from continuing operations before minority interests	<u>38,051</u>	<u>34,645</u>	<u>3,406</u>	<u>9.8%</u>
Minority interests in continuing operations:				
Minority interest in income - preferred units				
Distributions paid to preferred unit holders	(5,382)	(9,615)	(4,233)	44.0%
Redemption of preferred operating partnership units	(301)	(267)	(34)	12.7%
Minority interest in income - common units	(2,971)	(2,478)	493	19.9%
Total minority interests in continuing operations	<u>(8,654)</u>	<u>(12,360)</u>	<u>3,706</u>	<u>(30.0%)</u>
Income from continuing operations	<u>29,397</u>	<u>22,285</u>	<u>7,112</u>	<u>31.9%</u>
Discontinued operations:				
Income from discontinued operations	1,675 (e)	2,828 (e)	(1,153)	(40.8%)
Gain (loss) on disposition of real estate	3,930	(168)	4,098	2439.3%
Minority interest in earnings attributable to discontinued operations - common units	(1,404)	(671)	733	109.2%
Income from discontinued operations	<u>4,201</u>	<u>1,989</u>	<u>2,212</u>	<u>111.2%</u>
Net Income	<u>33,598</u>	<u>24,274</u>	<u>9,324</u>	<u>38.4%</u>
Net Income allocable to preferred shareholders				
Preferred distributions				
Preferred distributions paid	20,502	13,044	7,458	57.2%
Redemption of preferred stock	-	1,866	(1,866)	(100.0%)
Total preferred distributions	<u>20,502</u>	<u>14,910</u>	<u>5,592 (f)</u>	<u>37.5%</u>
Net Income allocable to common shareholders	<u>\$ 13,096</u>	<u>\$ 9,364</u>	<u>3,732</u>	<u>39.9%</u>
Net income per common share - basic:				
Continuing operations	\$ 0.41	\$ 0.34	\$ 0.07	20.6%
Discontinued operations	\$ 0.19	\$ 0.09	\$ 0.10	111.1%
	\$ 0.60	\$ 0.43	\$ 0.17	39.5%
Net income per common share - diluted				
Continuing operations	\$ 0.40	\$ 0.34	\$ 0.06	17.6%
Discontinued operations	\$ 0.19	\$ 0.09	\$ 0.10	111.1%
	\$ 0.59	\$ 0.43	\$ 0.16	37.2%
Weighted average common shares outstanding:				
Basic	<u>21,872</u>	<u>21,710</u>	<u>162 (g)</u>	<u>0.7%</u>
Diluted	<u>22,015</u>	<u>21,942</u>	<u>73</u>	<u>0.3%</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENT OF INCOME
VARIANCE EXPLANATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2005

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

Same Park facilities	\$	3,489
Acquisitions		1,307
Straight-line rent		878
		<u>5,674</u>

(b) Cost of operations have increased due to the following:

Same Park facilities	\$	946
Acquisitions		562
		<u>1,508</u>

(c) General and administrative expenses for the six months ended:

	June 30, 2005	June 30, 2004
Compensation expense	\$ 1,580	\$ 900
Stock compensation expense	253	220
Professional fees	347	143
Other	584	832
	<u>\$ 2,764</u>	<u>\$ 2,095</u>

(d) Interest expense for the six months ended:

	June 30, 2005	June 30, 2004
Mortgage notes payable	\$ 436	\$ 731
Facilities fees & other charges	126	247
Line of Credit interest (Wells Fargo)	-	484
Interest Rate Swap Charges	-	128
Term Loan Interest (Fleet)	-	145
Affiliated Loan (PSI)	-	364
	<u>\$ 562</u>	<u>\$ 2,099</u>

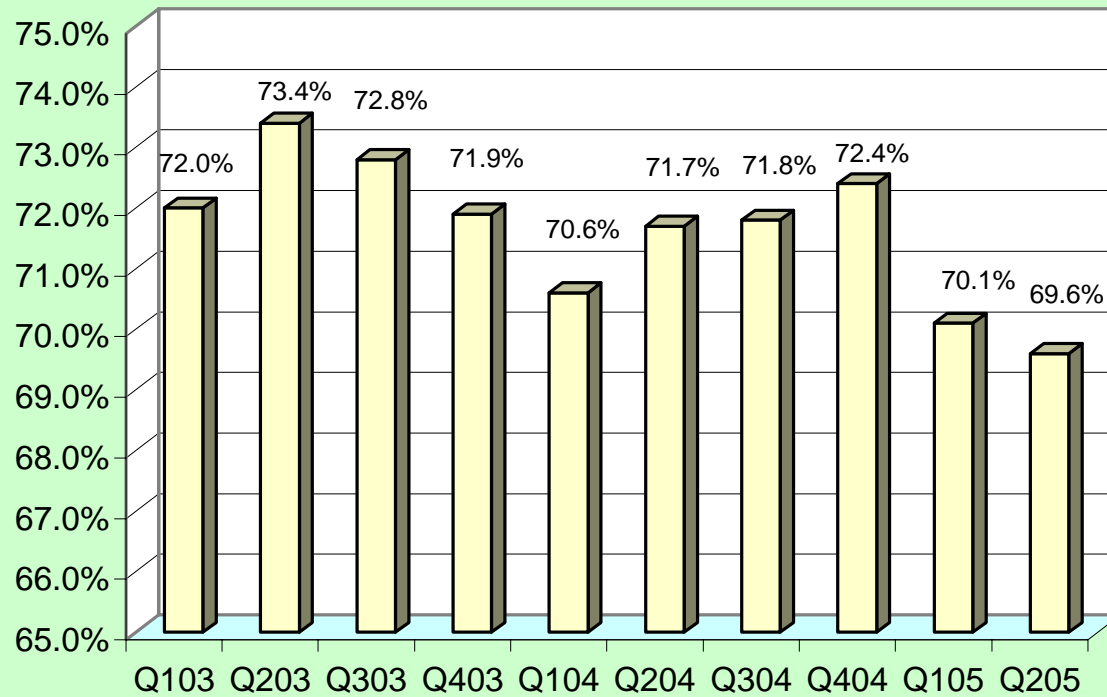
(e) Net operating income from discontinued operations for the six months ended:

	June 30, 2005	June 30, 2004
Rental revenue (MICC Retail and Cape Cods, and Woodside)	\$ 3,932	\$ 7,039
Operating expenses	(1,122)	(2,058)
Depreciation expense	(1,135)	(2,153)
	<u>\$ 1,675</u>	<u>\$ 2,828</u>

(f) Increase relates to issuance of additional preferred stock .

(g) Net increase relates to stock option exercises and vesting of restricted stock units.

Gross Operating Margin Percentage* (Same Park)



* Gross margin is computed by dividing property net operating income by rental income (excluding straight-line rent adjustment) for operating assets owned in period disclosed .

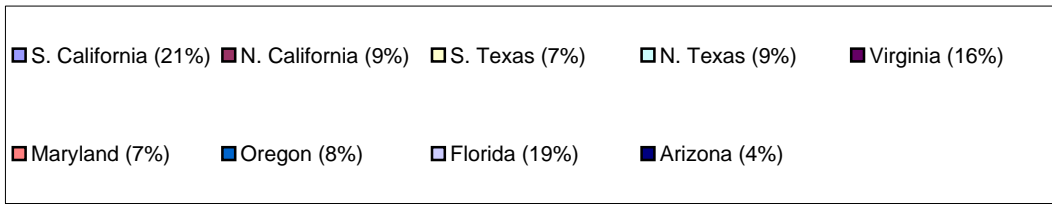
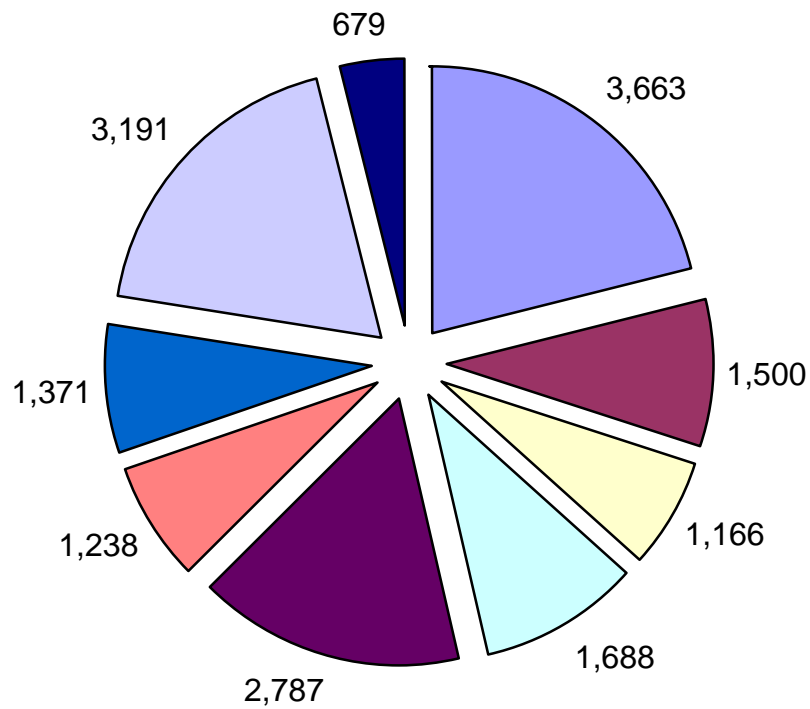
PS BUSINESS PARKS, INC.
Analysis of Capital Expenditures
(in thousands)

<u>Recurring capital expenditures (1)</u>	<u>Six Months Ended June 30, 2005 Costs</u>	<u>Cost per Weighted Average Square Foot</u>
Maintenance capital expenditures (2)	\$1,503	\$0.09
Tenant improvements	11,707	\$0.65
Leasing commissions	3,233	\$0.18
Total recurring capital expenditures	<u>\$16,443</u>	<u>\$0.92</u>
<u>Non-recurring capital expenditures</u>		
Property renovations	\$2,051	
Total non-recurring capital expenditures	<u>\$2,051</u>	

- (1) The company defines "recurring capital expenditures" as those capitalized costs necessary to continue to operate the property at its current economic value. Costs in excess of \$1,000 for tenant improvements and \$2,000 for maintenance capital expenditures with a useful life greater than 24 months are capitalized. It excludes deferred maintenance and leasing costs committed to by previous owners for acquired properties, leasing costs committed to by previous owners for acquired properties, renovations that substantially enhance the value of a property and first generation leasing costs on development properties. Lease-up costs on acquired properties are included in recurring capital expenditures. Repairs and maintenance were \$7.8 million or approximately \$0.43 per weighted average square foot for the six months ended June 30, 2005 compared to \$7.6 million or \$0.41 per square foot during the six months ended June 30, 2004.
- (2) Major costs include roof and HVAC replacement, parking lot replacement and other major repairs that extend the life of the respective component of the building.

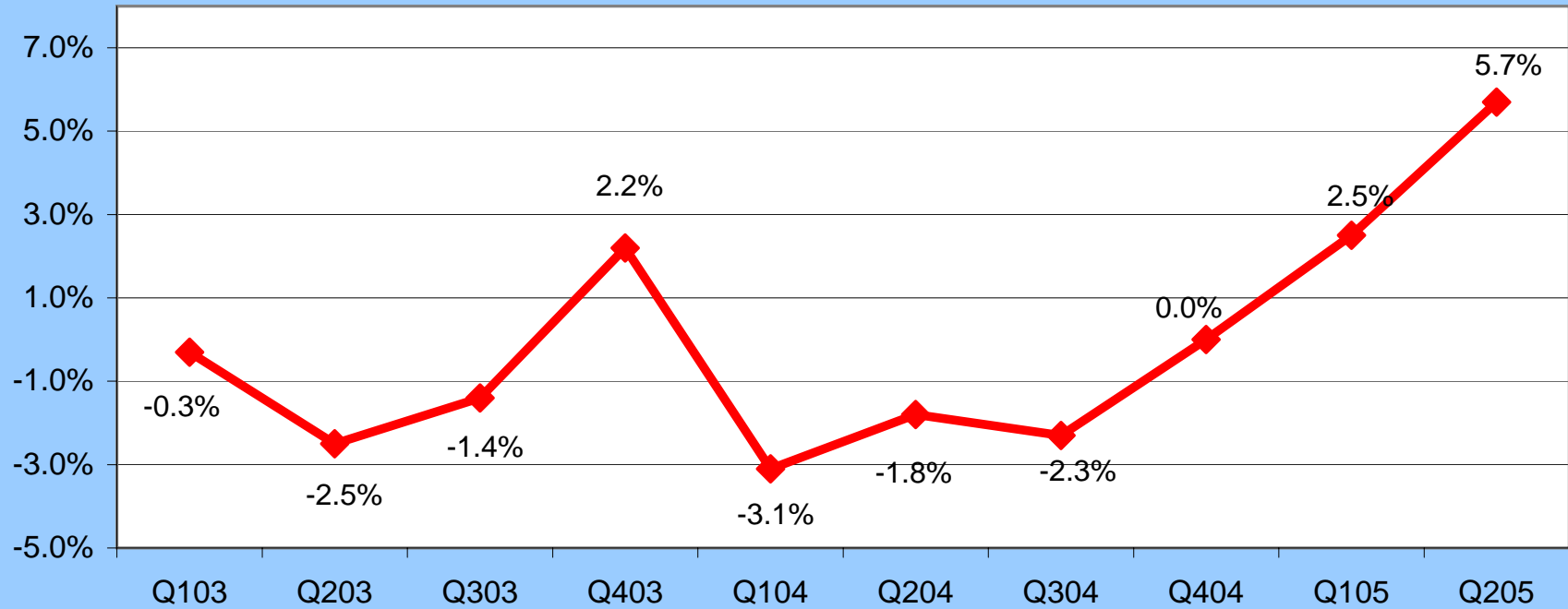
Total Owned Rentable Square Footage by Region *

December 31, 2004 and June 30, 2005
(17,283 square feet, in thousands)



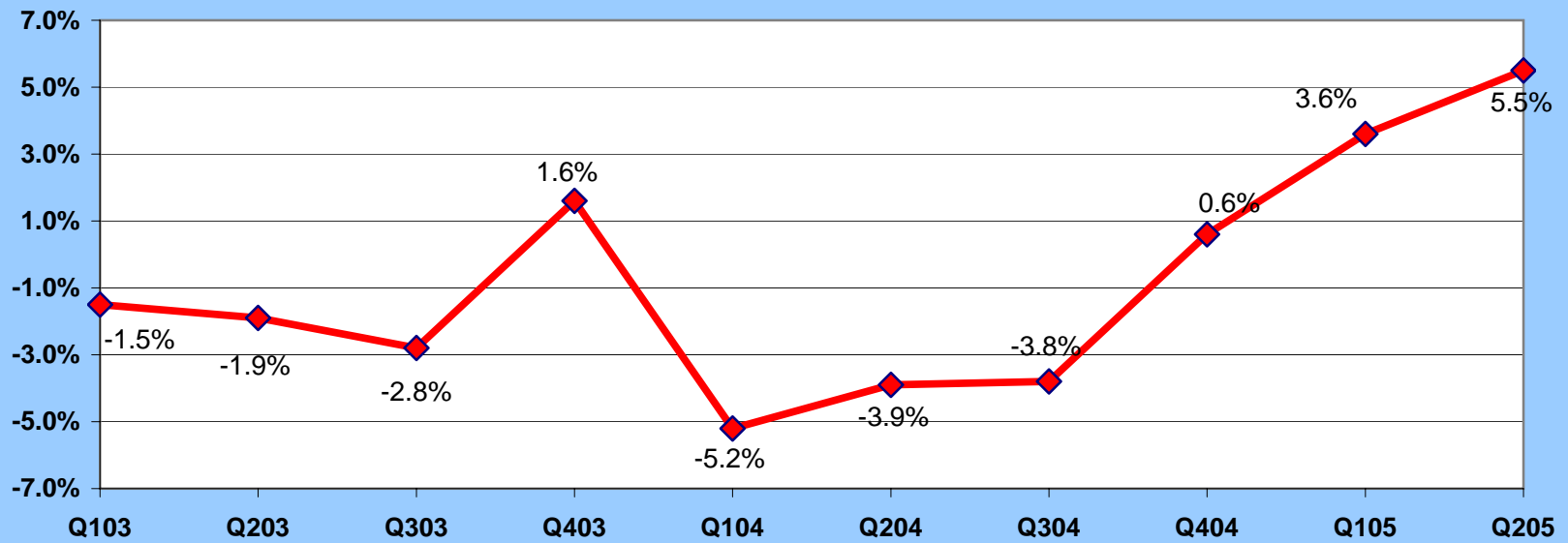
* Square footage excludes discontinued operations.

Change in Same Park Revenue *



* Percentage represents the change from the same period in the prior year based on the defined Same Park assets for each period disclosed.

Change in Same Park NOI *



* Percentage represents the change from the same period in the prior year based on the defined Same Park assets for each period disclosed.

PS BUSINESS PARKS, INC.
OWNED PORTFOLIO ANALYSIS
(in thousands)

Industry Concentration as of June 30, 2005

	<u>% of Total Rents</u>
Computer Hardware, software and related services	12.2%
Business services	12.1%
Government	10.0%
Contractors	9.8%
Financial services	9.2%
Warehouse, Transportation and Logistics	8.8%
Retail	6.3%
Home furnishings	4.6%
Communications	4.0%
Electronics	3.8%
	<u>80.8%</u>

Top Ten Customers by Total Annual Revenues as of June 30, 2005

<u>Tenant</u>	<u>Square Footage</u>	<u>Annualized Rental Income</u>	<u>% of Total Annualized Rental Income</u>
U.S. Government	463	\$ 10,215	4.7%
Intel	214	3,120	1.4%
County of Santa Clara	97	2,951	1.4%
Citigroup	262	2,836	1.3%
Axcelis Technologies	89	1,653	0.8%
Wells Fargo	102	1,571	0.7%
AARP	102	1,398	0.6%
TRW Systems	58	1,319	0.6%
Welch Allen Protocol, Inc	91	1,260	0.6%
MCI	72	1,162	0.5%
	<u>1,550</u>	<u>\$ 27,485</u>	<u>12.6%</u>

PS BUSINESS PARKS, INC.
TOTAL OWNED PORTFOLIO OVERVIEW
(in thousands)

Rentable Square Footage of Properties as of June 30, 2005					
Primary Markets	Industrial	Office	Flex	Total	%
Miami	2,556	12	623	3,191	18.5%
Northern Virginia	-	948	1,839	2,787	16.1%
Portland	-	187	1,184	1,371	7.9%
Dallas	231	-	1,457	1,688	9.8%
Orange County	-	704	911	1,615	9.3%
Los Angeles County	712	31	770	1,513	8.8%
Northern California	407	430	663	1,500	8.7%
Maryland	-	717	521	1,238	7.2%
Austin	-	-	792	792	4.6%
Phoenix	-	-	679	679	3.9%
San Diego County	-	-	535	535	3.0%
Houston	-	131	243	374	2.2%
	<u>3,906</u>	<u>3,160</u>	<u>10,217</u>	<u>17,283</u>	<u>100.0%</u>

Average Occupancy Rates by Product Type for the Quarter Ending June 30, 2005				
Primary Markets	Industrial	Office	Flex	Total
Miami	90.8%	100.0%	95.8%	91.8%
Northern Virginia	-	97.3%	94.7%	95.6%
Portland	-	85.3%	84.8%	84.9%
Dallas	100.0%	-	84.3%	86.5%
Orange County	-	86.4%	98.0%	93.0%
Los Angeles County	96.7%	92.7%	95.9%	96.2%
Northern California	85.7%	91.7%	97.9%	92.8%
Maryland	-	94.1%	96.7%	95.2%
Austin	-	-	82.7%	82.7%
Phoenix	-	-	95.4%	95.4%
San Diego County	-	-	94.5%	94.5%
Houston	-	75.1%	90.2%	84.9%
	<u>91.9%</u>	<u>91.7%</u>	<u>91.8%</u>	<u>91.8%</u>

Weighted Average Occupancy Rates by Portfolio Type for the Quarter Ending June 30, 2005			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	91.3%	95.9%	91.8%
Northern Virginia	94.9%	96.8%	95.6%
Portland	85.4%	82.2%	84.9%
Dallas	88.2%	78.4%	86.5%
Orange County	90.5%	95.2%	93.0%
Los Angeles County	96.7%	95.7%	96.2%
Northern California	91.5%	94.8%	92.8%
Maryland	95.5%	82.4%	95.2%
Austin	80.6%	89.3%	82.7%
Phoenix	-	95.4%	95.4%
San Diego County	-	94.5%	94.5%
Houston	-	84.9%	84.9%
	<u>91.1%</u>	<u>93.2%</u>	<u>91.8%</u>

Note:

Includes all properties reported in continuing operations as of June 30, 2005.

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.
SAME PARK PORTFOLIO OVERVIEW
(in thousands)

Rentable Square Footage of Properties as of June 30, 2005					
Primary Markets	Industrial	Office	Flex	Total	%
Miami	2,556	12	623	3,191	18.7%
Northern Virginia	-	782	1,839	2,621	15.3%
Portland	-	187	1,184	1,371	8.0%
Dallas	231	-	1,457	1,688	9.9%
Orange County	-	704	911	1,615	9.4%
Los Angeles County	712	31	770	1,513	8.8%
Northern California	407	431	663	1,501	8.8%
Maryland	-	717	521	1,238	7.2%
Austin	-	-	792	792	4.6%
Phoenix	-	-	679	679	4.0%
San Diego County	-	-	535	535	3.1%
Houston	-	131	243	374	2.2%
	<u>3,906</u>	<u>2,995</u>	<u>10,217</u>	<u>17,118</u>	<u>100.0%</u>

Average Occupancy Rates by Product Type for the Quarter Ending June 30, 2005				
Primary Markets	Industrial	Office	Flex	Total
Miami	90.8%	100.0%	95.8%	91.8%
Northern Virginia	-	98.2%	94.7%	95.8%
Portland	-	85.3%	84.8%	84.9%
Dallas	100.0%	-	84.3%	86.5%
Orange County	-	86.4%	98.0%	93.0%
Los Angeles County	96.7%	92.7%	95.9%	96.2%
Northern California	85.7%	91.7%	97.9%	92.8%
Maryland	-	94.1%	96.7%	95.2%
Austin	-	-	82.7%	82.7%
Phoenix	-	-	95.4%	95.4%
San Diego County	-	-	94.5%	94.5%
Houston	-	75.1%	90.2%	84.9%
	<u>91.9%</u>	<u>91.7%</u>	<u>91.8%</u>	<u>91.8%</u>

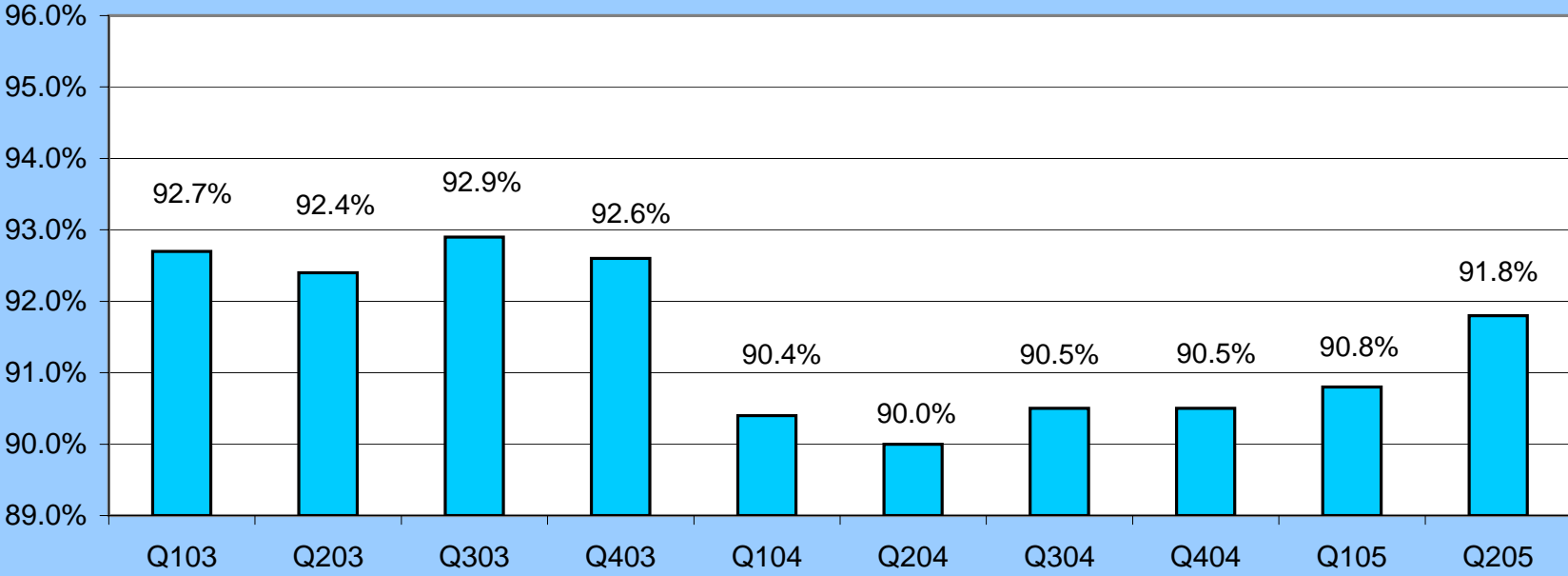
Weighted Average Occupancy Rates by Portfolio Type for the Quarter Ending June 30, 2005			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	91.3%	95.9%	91.8%
Northern Virginia	94.9%	97.5%	95.8%
Portland	85.4%	82.2%	84.9%
Dallas	88.2%	78.4%	86.5%
Orange County	90.5%	95.2%	93.0%
Los Angeles County	96.7%	95.7%	96.2%
Northern California	91.5%	94.8%	92.8%
Maryland	95.5%	82.4%	95.2%
Austin	80.6%	89.3%	82.7%
Phoenix	-	95.4%	95.4%
San Diego County	-	94.5%	94.5%
Houston	-	84.9%	84.9%
	<u>91.1%</u>	<u>93.3%</u>	<u>91.8%</u>

Note:

Includes all properties included in continuing operations owned since January 1, 2005.

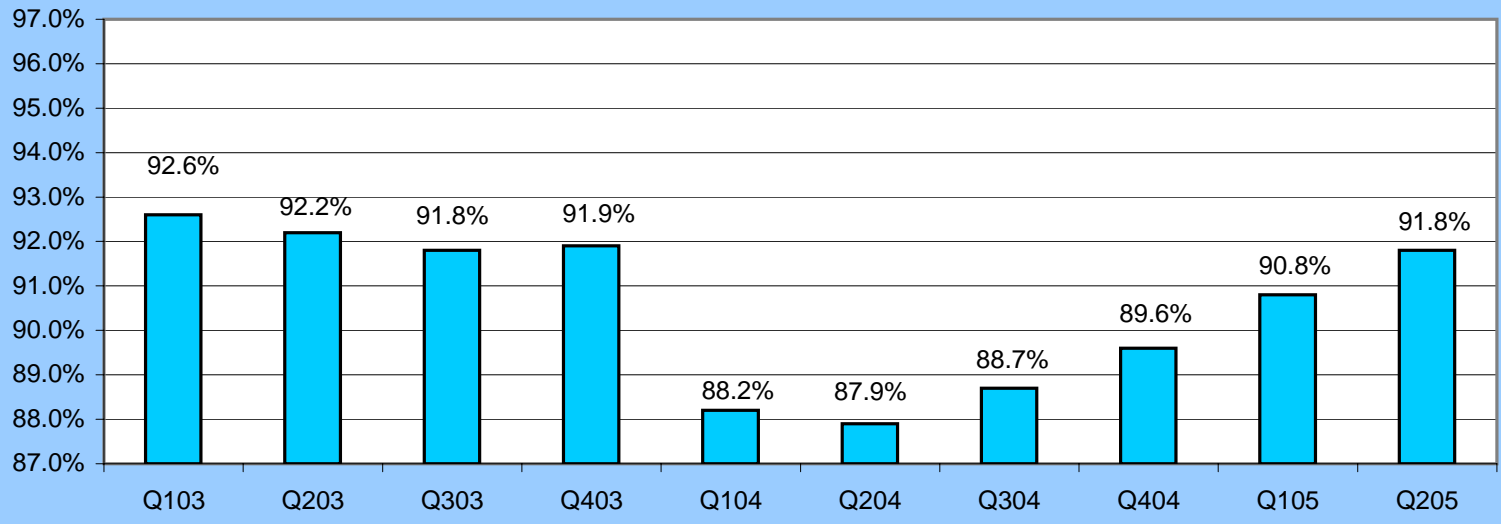
The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet while the "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

Same Park Weighted Average Occupancy



Percentage represents the change from the same period in the prior year based on the defined Same Park assets for each period disclosed.

Total Owned Portfolio Weighted Average Occupancy *



* Represents weighted average occupancy for operating assets owned in period disclosed.

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of June 30, 2005

(in thousands)

Lease Expirations - Flex					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	1,129	\$ 12,567	10.8%	6.1%	
2006	2,082	24,885	21.3%	12.2%	
2007	1,852	21,983	18.8%	10.7%	
2008	1,436	18,885	16.2%	9.2%	
2009	1,003	10,791	9.3%	5.3%	
Thereafter	2,009	27,533	23.6%	13.5%	
	<u>9,511</u>	<u>\$ 116,644</u>	<u>100.0%</u>	<u>57.0%</u>	

Lease Expirations - Office					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	373	\$ 7,996	12.5%	3.9%	
2006	684	14,301	22.4%	7.0%	
2007	477	9,576	15.0%	4.7%	
2008	481	10,787	16.9%	5.3%	
2009	277	5,347	8.4%	2.6%	
Thereafter	651	15,707	24.8%	7.6%	
	<u>2,943</u>	<u>\$ 63,714</u>	<u>100.0%</u>	<u>31.1%</u>	

Lease Expirations - Industrial					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	415	\$ 2,744	11.2%	1.3%	
2006	775	5,075	20.8%	2.5%	
2007	712	4,774	19.6%	2.3%	
2008	646	4,595	18.8%	2.2%	
2009	313	1,902	7.8%	0.9%	
Thereafter	826	5,324	21.8%	2.7%	
	<u>3,687</u>	<u>\$ 24,414</u>	<u>100.0%</u>	<u>11.9%</u>	

Lease Expirations - Total					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	1,917	\$ 23,307	11.4%	11.4%	
2006	3,541	44,261	21.6%	21.6%	
2007	3,041	36,333	17.8%	17.8%	
2008	2,563	34,267	16.7%	16.7%	
2009	1,593	18,040	8.8%	8.8%	
Thereafter	3,486	48,564	23.7%	23.7%	
	<u>16,141</u>	<u>\$ 204,772</u>	<u>100.0%</u>	<u>100.0%</u>	

PS BUSINESS PARKS, INC.
Owned Portfolio Lease Expirations as of June 30, 2005
(in thousands)

Southern California					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	428	\$ 6,324	12.8%	3.1%	
2006	1,126	13,749	27.9%	6.7%	
2007	751	10,580	21.4%	5.2%	
2008	530	8,154	16.5%	4.0%	
2009	289	4,225	8.6%	2.1%	
Thereafter	368	6,330	12.8%	3.0%	
	<u>3,492</u>	<u>\$ 49,362</u>	<u>100.0%</u>	<u>24.1%</u>	

Northern California					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	116	\$ 1,487	8.5%	0.7%	
2006	321	3,634	20.7%	1.8%	
2007	283	3,168	18.1%	1.5%	
2008	271	5,283	30.1%	2.6%	
2009	122	1,217	6.9%	0.6%	
Thereafter	259	2,754	15.7%	1.3%	
	<u>1,372</u>	<u>\$ 17,543</u>	<u>100.0%</u>	<u>8.5%</u>	

Southern Texas					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	194	\$ 1,185	13.3%	0.6%	
2006	172	1,765	19.8%	0.9%	
2007	158	1,488	16.7%	0.7%	
2008	195	1,333	14.9%	0.7%	
2009	192	1,304	14.6%	0.6%	
Thereafter	159	1,853	20.7%	0.9%	
	<u>1,070</u>	<u>\$ 8,928</u>	<u>100.0%</u>	<u>4.4%</u>	

Northern Texas					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	161	\$ 1,564	11.9%	0.8%	
2006	259	3,117	23.8%	1.5%	
2007	155	1,162	8.9%	0.6%	
2008	150	1,486	11.4%	0.7%	
2009	186	917	7.0%	0.4%	
Thereafter	579	4,842	37.0%	2.3%	
	<u>1,490</u>	<u>\$ 13,088</u>	<u>100.0%</u>	<u>6.3%</u>	

PS BUSINESS PARKS, INC.
Owned Portfolio Lease Expirations as of June 30, 2005
(in thousands)

Florida					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	361	\$ 2,503	11.0%	1.2%	
2006	692	5,534	24.4%	2.7%	
2007	616	4,511	19.9%	2.2%	
2008	605	4,489	19.8%	2.3%	
2009	190	1,489	6.6%	0.7%	
Thereafter	577	4,153	18.3%	2.0%	
	<u>3,041</u>	<u>\$ 22,679</u>	<u>100.0%</u>	<u>11.1%</u>	

Northern Virginia					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	224	\$ 3,288	7.4%	1.6%	
2006	480	8,856	19.8%	4.3%	
2007	337	4,753	10.6%	2.3%	
2008	446	7,993	17.9%	3.9%	
2009	328	4,897	11.0%	2.4%	
Thereafter	843	14,934	33.3%	7.2%	
	<u>2,658</u>	<u>\$ 44,721</u>	<u>100.0%</u>	<u>21.7%</u>	

Maryland					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	203	\$ 4,311	17.5%	2.1%	
2006	120	2,986	12.1%	1.5%	
2007	223	4,693	19.1%	2.3%	
2008	165	3,365	13.7%	1.6%	
2009	152	2,074	8.4%	1.0%	
Thereafter	343	7,177	29.2%	3.5%	
	<u>1,206</u>	<u>\$ 24,606</u>	<u>100.0%</u>	<u>12.0%</u>	

Oregon					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	127	\$ 1,543	9.0%	0.8%	
2006	188	2,674	15.6%	1.3%	
2007	307	3,951	23.1%	1.9%	
2008	147	1,600	9.4%	0.8%	
2009	70	1,221	7.1%	0.6%	
Thereafter	333	6,100	35.8%	3.0%	
	<u>1,172</u>	<u>\$ 17,089</u>	<u>100.0%</u>	<u>8.4%</u>	

PS BUSINESS PARKS, INC.
Owned Portfolio Lease Expirations as of June 30, 2005
(in thousands)

Arizona					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2005	103	\$ 1,102	16.3%	0.6%	
2006	183	1,946	28.8%	0.9%	
2007	211	2,027	30.0%	1.1%	
2008	54	564	8.3%	0.3%	
2009	64	696	10.3%	0.3%	
Thereafter	25	421	6.3%	0.3%	
	<u>640</u>	<u>\$ 6,756</u>	<u>100.0%</u>	<u>3.5%</u>	

Total					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2005	1,917	\$ 23,307	11.4%	11.4%	
2006	3,541	44,261	21.6%	21.6%	
2007	3,041	36,333	17.8%	17.8%	
2008	2,563	34,267	16.7%	16.7%	
2009	1,593	18,040	8.8%	8.8%	
Thereafter	3,486	48,564	23.7%	23.7%	
	<u>16,141</u>	<u>\$ 204,772</u>	<u>100.0%</u>	<u>100.0%</u>	

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of June 30, 2005

(in thousands)

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Rentable Square Footage		Annual Rents	%	% of Company Annual rents
2005	1,101	\$	13,041	10.5%	6.4%
2006	1,886		22,230	17.8%	10.9%
2007	1,688		18,380	14.7%	9.0%
2008	1,770		22,084	17.7%	10.8%
2009	1,098		10,285	8.2%	5.0%
Thereafter	2,956		38,772	31.1%	18.8%
Total	10,499	\$	124,792	100.0%	60.9%

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Rentable Square Footage		Annual Rents	%	% of Company Annual rents
2005	816	\$	10,266	12.8%	5.0%
2006	1,655		22,031	27.5%	10.8%
2007	1,353		17,953	22.5%	8.8%
2008	793		12,183	15.2%	5.9%
2009	495		7,755	9.7%	3.8%
Thereafter	530		9,792	12.3%	4.8%
Total	5,642	\$	79,980	100.0%	39.1%

Lease Expirations - Total					
Year of Lease Expiration	Rentable Square Footage		Annual Rents	%	% of Company Annual rents
2005	1,917	\$	23,307	11.4%	11.4%
2006	3,541		44,261	21.6%	21.6%
2007	3,041		36,333	17.8%	17.8%
2008	2,563		34,267	16.7%	16.7%
2009	1,593		18,040	8.8%	8.8%
Thereafter	3,486		48,564	23.7%	23.7%
Total	16,141	\$	204,772	100.0%	100.0%