



PSBUSINESSPARKS

**Analysis of Operating Results
and Financial Condition**

For the Period Ended September 30, 2003

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE PERIOD ENDED SEPTEMBER 30, 2003**

INDEX

	<u>Page</u>
Fact Sheet	1
Sources and Uses of Funds	2
Funds from Operations (FFO)	3 - 4
Gross Margins.....	5
Capital Structure	6
Consolidated Balance Sheets.....	7
Consolidated Income Statements.....	8 - 9
Capital Expenditure Analysis	10
Rentable Square Footage by Region.....	11
Portfolio Analyses	12 - 24

PS BUSINESS PARKS, INC.
THIRD QUARTER FACT SHEET

OPERATING DATA

	Three Months Ended			Nine Months Ended		
	09/30/03	09/30/02	Difference	09/30/03	09/30/02	Difference
Total revenues	\$ 49,063,000	\$ 48,067,000	2.1%	\$ 148,169,000	\$ 144,997,000	2.2%
Net income allocable to common shareholders	\$ 7,792,000	\$ 9,911,000	(21.4%)	\$ 26,586,000	\$ 32,535,000	(18.3%)
Net income per common share - basic:						
Continuing operations	\$ 0.32	\$ 0.37	(13.5%)	\$ 1.13	\$ 1.14	(0.9%)
Discontinued operations	\$ 0.04	\$ 0.09	(51.3%)	\$ 0.11	\$ 0.37	(69.1%)
	\$ 0.36	\$ 0.46	(20.9%)	\$ 1.24	\$ 1.51	(17.6%)
Net income per common share - diluted:						
Continuing operations	\$ 0.32	\$ 0.37	(13.5%)	\$ 1.13	\$ 1.13	0.0%
Discontinued operations	\$ 0.04	\$ 0.09	(55.0%)	\$ 0.11	\$ 0.36	(70.6%)
	\$ 0.36	\$ 0.46	(21.6%)	\$ 1.24	\$ 1.49	(17.1%)
Weighted average common shares outstanding:						
Basic	21,417,000	21,552,000	(0.6%)	21,368,000	21,548,000	(0.8%)
Diluted	21,617,000	21,772,000	(0.7%)	21,514,000	21,763,000	(1.1%)

FUNDS FROM OPERATIONS

	Three Months Ended			Nine Months Ended		
	09/30/03	09/30/02	Difference	09/30/03	09/30/02	Difference
FFO allocable to common shareholders	\$ 25,813,000	\$ 26,605,000	(3.0%)	\$ 77,877,000	\$ 79,683,000	(2.3%)
Weighted average common shares outstanding - diluted	28,922,000	29,077,000	(0.5%)	28,819,000	29,068,000	(0.9%)
FFO per common share - diluted	\$ 0.89	\$ 0.91	(2.2%)	\$ 2.70	\$ 2.74	(1.5%)

PROPERTY INFORMATION

	Three Months Ended			Nine Months Ended		
	09/30/03	09/30/02	Difference	09/30/03	09/30/02	Difference
Net rentable square footage at period end (wholly-owned) (1)	14,784,000	14,817,000	(0.2%)	14,784,000	14,817,000	(0.2%)
<u>Same Park Facilities</u>						
Weighted average occupancy	92.5%	93.9%	(1.5%)	92.6%	94.5%	(2.0%)
Annualized realized rent per sq. ft. (2)	\$ 14.54	\$ 14.45	0.6%	\$ 14.61	\$ 14.41	1.4%

(1) Includes square footage for properties held for disposition of 343,000 feet.

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

BALANCE SHEET DATA

	09/30/03	12/31/02	Difference
Total assets	\$ 1,162,327,000	\$ 1,156,802,000	0.5%
Minority interest - preferred	\$ 217,750,000	\$ 217,750,000	0.0%
Minority interest - common	\$ 169,726,000	\$ 167,469,000	1.3%
Perpetual preferred stock	\$ 168,673,000	\$ 170,813,000	(1.3%)
Common shareholders' equity	\$ 499,668,000	\$ 493,589,000	1.2%
Total common shares outstanding at period end	21,509,000	21,531,000	(0.1%)
Book value per common share	\$ 23.23	\$ 22.92	1.3%

MARKET VALUE INFORMATION

	09/30/03	12/31/02	Difference
Market value of common stock and OP units	\$ 1,087,444,000	\$ 917,009,000	18.6%
Total debt	69,844,000	70,279,000	(0.6%)
Total preferred stock and OP units	386,423,000	388,563,000	(0.6%)
Total market capitalization	\$ 1,543,711,000	\$ 1,375,851,000	12.2%
Stock price	\$ 37.74	\$ 31.80	18.7%

PS BUSINESS PARKS, INC.

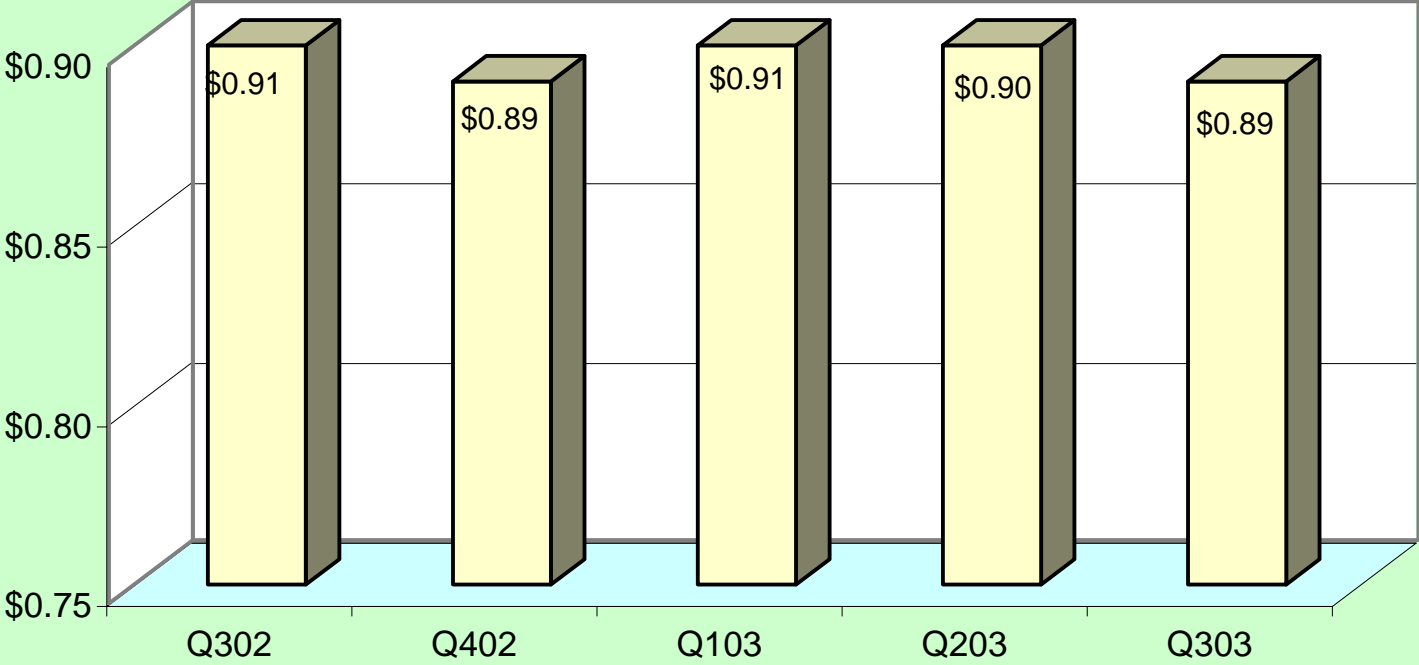
Sources and Uses of Funds
For the Nine Months Ended September 30, 2003

	FY03 <u>(YTD Actual)</u>
<u>Sources of Funds:</u>	
Funds from operations	\$ 77,877,000
Exercise of stock options	6,120,000
Proceeds from property sales	12,108,000
Proceeds from liquidation of investments	7,600,000
Disposition proceeds from joint venture, net of incentive fees	1,476,000
Total Sources of Funds	<u>105,181,000</u>
<u>Uses of Funds:</u>	
Developed projects	(492,000)
Property renovations	(7,931,000)
Recurring capital expenditures	(15,611,000)
Acquisition costs	(1,026,000)
Acquisition of property	(52,976,000)
Repurchase of preferred stock	(2,198,000)
Investment in marketable securities	(1,396,000)
Common dividends and OP distributions	(24,981,000)
Repurchase of common stock	(8,119,000)
Principal payments on mortgage notes payable	(435,000)
Change in working capital	(811,000)
Total Uses of Funds	<u>(115,976,000)</u>
Net increase/(decrease) in cash balance	<u>(10,795,000)</u>
Beginning cash balance	44,812,000
Ending cash balance	<u>\$ 34,017,000</u>

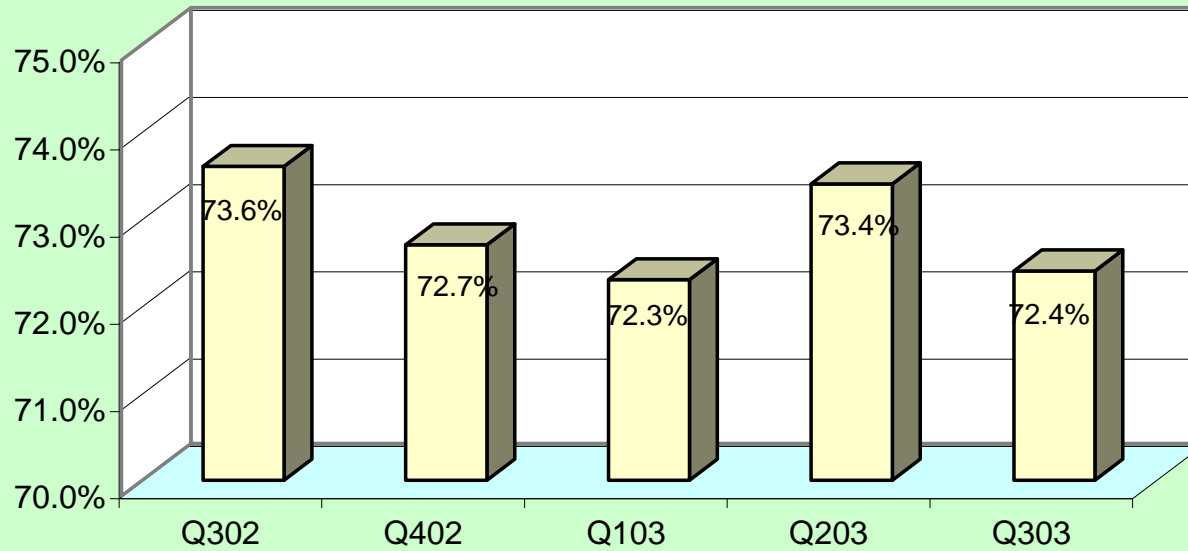
PS BUSINESS PARKS, INC.
ANALYSIS OF FUNDS FROM OPERATIONS

	Three Months Ended		Increase (Decrease)	% Change	Nine months ended		Increase (Decrease)	% Change
	09/30/03	09/30/02			09/30/03	09/30/02		
Funds from operations (FFO):								
Net income allocable to common shareholders	\$ 7,792,000	\$ 9,911,000	\$ (2,119,000)	(21.4%)	\$ 26,586,000	\$ 32,535,000	\$ (5,949,000)	(18.3%)
Less: Gain on investment in marketable securities	-	(16,000)	16,000	(100.0%)	(2,043,000)	(41,000)	\$ (2,002,000)	4882.9%
Less: Gain on disposition of properties	(14,000)	(2,041,000)	2,027,000	(99.3%)	(3,498,000)	(7,407,000)	\$ 3,909,000	(52.8%)
Less: Equity income from sale of joint venture properties	-	(117,000)	117,000	(100.0%)	(1,376,000)	(265,000)	\$ (1,111,000)	419.2%
Add: Impairment charge on properties held for sale	-	900,000	(900,000)	(100.0%)	5,907,000	900,000	\$ 5,007,000	556.3%
Add: Depreciation and amortization	15,382,000	14,595,000	787,000	5.4%	43,237,000	42,885,000	\$ 352,000	0.8%
Add: Depreciation from unconsolidated joint venture	-	17,000	(17,000)	100.0%	-	57,000	\$ (57,000)	(100.0%)
Add: Minority interest in income - common units	2,653,000	3,356,000	(703,000)	(20.9%)	9,064,000	11,019,000	\$ (1,955,000)	(17.7%)
FFO allocable to common shareholders/unitholders	\$ 25,813,000	\$ 26,605,000	\$ (792,000)	(3.0%)	\$ 77,877,000	\$ 79,683,000	\$ (1,806,000)	(2.3%)
Weighted average common shares outstanding	21,417,000	21,552,000	(135,000)	(0.6%)	21,368,000	21,548,000	(180,000)	(0.8%)
Weighted average common OP units outstanding	7,305,000	7,305,000	-	0.0%	7,305,000	7,305,000	-	0.0%
Weighted average dilutive stock options	200,000	220,000	(20,000)	(9.1%)	146,000	215,000	(69,000)	(32.1%)
Total pro forma fully-converted shares	28,922,000	29,077,000	(155,000)	(0.5%)	28,819,000	29,068,000	(249,000)	(0.9%)
Fully diluted FFO per common share/OP unit	\$ 0.89	\$ 0.91	\$ (0.02)	(2.2%)	\$ 2.70	\$ 2.74	\$ (0.04)	(1.5%)
Funds available for distribution (FAD):								
Total funds from operations	\$ 25,813,000	\$ 26,605,000	\$ (792,000)	(3.0%)	\$ 77,877,000	\$ 79,683,000	\$ (1,806,000)	(2.3%)
Less capitalized expenditures:								
Maintenance capital expenditures	(1,614,000)	(890,000)	(724,000)	81.3%	(2,798,000)	(3,508,000)	710,000	(20.2%)
Tenant improvements	(2,835,000)	(2,618,000)	(217,000)	8.3%	(9,236,000)	(7,313,000)	(1,923,000)	26.3%
Capitalized lease commissions	(1,420,000)	(1,812,000)	392,000	(21.6%)	(3,577,000)	(2,861,000)	(716,000)	25.0%
Total capitalized expenditures	(5,869,000)	(5,320,000)	(549,000)	10.3%	(15,611,000)	(13,682,000)	(1,929,000)	14.1%
Less: Straight line rent adjustment	(793,000)	(541,000)	(252,000)	46.6%	(1,352,000)	(2,278,000)	926,000	(40.6%)
Add: Stock compensation expense	270,000	502,000	(232,000)	(46.2%)	723,000	714,000	9,000	1.3%
FAD	\$ 19,421,000	\$ 21,246,000	\$ (1,825,000)	(8.6%)	\$ 61,637,000	\$ 64,437,000	\$ (2,800,000)	(4.3%)
Cash available for debt repayments and reinvestments:								
FAD	\$ 19,421,000	\$ 21,246,000	\$ (1,825,000)	(8.6%)	\$ 61,637,000	\$ 64,437,000	\$ (2,800,000)	(4.3%)
Distributions to common shareholders	(6,192,000)	(6,250,000)	58,000	(0.9%)	(18,582,000)	(18,748,000)	166,000	(0.9%)
Distributions to common OP unitholders	(2,119,000)	(2,118,000)	(1,000)	0.0%	(6,357,000)	(6,354,000)	(3,000)	0.0%
Cash available for debt repayments and reinvestments	\$ 11,110,000	\$ 12,878,000	\$ (1,768,000)	(13.7%)	\$ 36,698,000	\$ 39,335,000	\$ (2,637,000)	(6.7%)

Diluted FFO Per Common Share/OP Unit



Gross Operating Margin Percentage* (Same Park)



* 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 September 30, 2003 consists of the following:

7.050% mortgage note, secured by one commercial property, due May 2006
8.190% mortgage note, secured by one commercial property, due March 2007
7.290% mortgage note, secured by one commercial property, due February 2009
Total mortgage notes payable **(1) (4)**

Total	2003	2004	2005	2006	2007	Thereafter
\$ 7,996,054	\$ 58,054	\$ 243,000	\$ 260,000	\$ 7,435,000	\$ -	\$ -
5,892,443	60,443	254,000	276,000	300,000	5,002,000	-
5,955,022	32,022	134,000	144,000	155,000	167,000	5,323,000
\$ 19,843,519	\$ 150,519	\$ 631,000	\$ 680,000	\$ 7,890,000	\$ 5,169,000	\$ 5,323,000

\$100 million unsecured line of credit
Term Facility Loan (4.46% @ 9/30/03)
Total debt **(3) (4)**

\$ -
50,000,000
\$ 69,843,519
5%

Equity at September 30, 2003 consists of the following:

9.250% Series A preferred stock (2,112,900 depository shares outstanding) callable 4/30/04
8.875% Series B preferred operating partnership units (510,000 units outstanding) callable 4/23/04
8.750% Series C preferred operating partnership units (3,200,000 units outstanding) callable 9/3/04
9.500% Series D preferred stock (2,634,000 depository shares outstanding) callable 5/10/06
9.250% Series E preferred operating partnership units (2,120,000 units outstanding) callable 9/21/06
8.750% Series F preferred stock (2,000,000 units outstanding) callable 1/28/07
7.95% Series G preferred operating partnership units (800,000 units outstanding) callable 10/30/07
8.875% Series X preferred operating partnership units (1,600,000 units outstanding) callable 9/23/04
8.875% Series Y preferred operating partnership units (480,000 units outstanding) callable 7/12/05
Total preferred equity **(2) (4)**

\$ 52,822,500	
12,750,000	
80,000,000	
65,850,000	
53,000,000	
50,000,000	
20,000,000	
40,000,000	
12,000,000	
\$ 386,422,500	25%

Common stock (21,508,735 shares outstanding)
Common operating partnership units (7,305,355 units outstanding)
Total common equity **(6)**

\$ 811,740,000	(5)
275,704,000	(5)
\$ 1,087,444,000	70%

Total market capitalization

\$ 1,543,710,019	100%
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- (1) The weighted average interest rate and maturity for mortgage debt was 7.46% and 4 years, respectively.
- (2) The weighted average distribution rate on preferred equity is 8.99%.
- (3) The weighted average interest rate on debt was 5.32%.
- (4) The total weighted average interest/distribution rate on all debt/preferred equity was 8.43%.
- (5) Value based on September 30, 2003 closing stock price of \$37.74.
- (6) Does not include 146,000 shares related to stock options for the nine months ended September 30, 2003 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

	09/30/03	12/31/02	Increase (Decrease)	% Change
ASSETS				
Cash and cash equivalents	\$ 34,017,000	\$ 44,812,000	\$ (10,795,000) (a)	-24.1%
Marketable securities	-	5,278,000	(5,278,000) (b)	-100.0%
Real estate facilities, at cost:				
Land	285,593,000	286,301,000	(708,000)	-0.2%
Buildings and equipment	993,536,000	968,473,000	25,063,000	2.6%
	1,279,129,000	1,254,774,000	24,355,000 (c)	1.9%
Accumulated depreciation	(211,630,000)	(177,229,000)	(34,401,000)	19.4%
	1,067,499,000	1,077,545,000	(10,046,000)	-0.9%
Properties held for disposition, net	34,649,000	-	34,649,000 (d)	100.0%
Land held for development	10,161,000	11,989,000	(1,828,000)	-15.2%
	1,112,309,000	1,089,534,000	22,775,000	2.1%
Investment in unconsolidated joint venture	100,000	1,057,000	(957,000) (e)	-90.5%
Rent receivable	1,603,000 (f)	1,814,000 (f)	(211,000)	-11.6%
Deferred rent receivables	12,110,000	11,507,000	603,000	5.2%
Intangible assets, net	151,000	378,000	(227,000)	-60.1%
Other assets	2,037,000	2,422,000	(385,000)	-15.9%
Total assets	<u>\$ 1,162,327,000</u>	<u>\$ 1,156,802,000</u>	<u>\$ 5,525,000</u>	<u>0.5%</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accrued and other liabilities	\$ 36,666,000 (g)	\$ 36,902,000	\$ (236,000)	-0.6%
Mortgage notes payable	19,844,000	20,279,000	(435,000)	-2.1%
Line of credit	50,000,000	50,000,000	-	100.0%
Total liabilities	106,510,000	107,181,000	(671,000)	-0.6%
Minority interest:				
Preferred units	217,750,000	217,750,000	-	0.0%
Common units	169,726,000	167,469,000	2,257,000	1.3%
Shareholders' equity:				
Preferred stock	168,673,000 (h)	170,813,000	(2,140,000)	-1.3%
Common stock	215,000	215,000	-	0.0%
Paid-in capital	419,011,000 (i)	420,372,000	(1,361,000)	-0.3%
Cumulative net income	270,781,000	232,290,000	38,491,000	16.6%
Comprehensive gain (loss)	(782,000)	(260,000)	(522,000) (j)	200.8%
Cumulative distributions	(189,557,000)	(159,028,000)	(30,529,000) (k)	19.2%
Total shareholders' equity	668,341,000	664,402,000	3,939,000	0.6%
Total liabilities and shareholders' equity	<u>\$ 1,162,327,000</u>	<u>\$ 1,156,802,000</u>	<u>\$ 5,525,000</u>	<u>0.5%</u>

(a)	See sources and uses of funds on page 2	
(b)	All marketable securities were sold in the second quarter 2003.	
(c)	Change in real estate facilities, at cost is due to the following:	
	Property reclassified to held for disposition	\$ (46,159,000)
	Property acquisition (includes capitalized acquisition costs)	54,002,000
	Property dispositions	(7,522,000)
	Property renovations	7,931,000
	Development costs	492,000
	Maintenance capital expenditures	2,798,000
	Tenant improvements	9,236,000
	Lease commissions	3,577,000
		<u>\$ 24,355,000</u>
(d)	Change in properties held for disposition, net is due to the following:	
	Beaverton, Oregon properties classified as held for disposition	\$ 46,799,000
	Straight line rent adjustment	697,000
	Less: Accumulated Depreciation	(6,940,000)
	Less: Impairment loss	(5,907,000)
		<u>\$ 34,649,000</u>
(e)	All remaining City of Industry JV properties were sold in 2003.	
	The following is the affect on the investment:	
	Total distribution to PSBP	\$ 3,253,000
	Total gain and incentive fee	(2,296,000)
		<u>\$ 957,000</u>
(f)	Rent receivable consists of the following:	
		09/30/03 12/31/02
	U.S. Government	\$ 980,000 \$ 1,517,000
	Other tenants	623,000 297,000
		<u>\$ 1,603,000 \$ 1,814,000</u>
(g)	Accrued and other liabilities at September 30, 2003 consists of:	
	Deferred rental revenue	\$ 7,928,000
	Accounts payable	1,112,000
	Property taxes	6,558,000
	Security deposits	11,146,000
	Accrued interest	107,000
	Reserves for acquisition costs	3,666,000
	Unrealized loss on interest rate swap	782,000
	Other	5,367,000
		<u>\$ 36,666,000</u>
(h)	Change in preferred stock:	
	Beginning balance - 12/31/02	\$ 170,813,000
	Repurchase of Series A	\$ (2,198,000)
	Adjustment to paid in capital for purchase price over par	58,000
		<u>\$ 168,673,000</u>
(i)	Change in paid in capital:	
	Beginning paid in capital	\$ 420,372,000
	Repurchase of common stock and preferred stock	(8,235,000)
	Issuance of stock bonus	64,000
	Exercise of stock options	6,118,000
	Stock option amortization expense	242,000
	Change in minority interest, common, due to repurchase of shares	450,000
	Ending paid in capital	<u>\$ 419,011,000</u>
(j)	Change in unrealized loss is due to the following:	
	Sale of investment	\$ (834,000)
	Decrease in liability related to interest rate SWAP	312,000
		<u>\$ (522,000)</u>
(k)	Change in cumulative distributions:	
	Distributions to preferred shareholders	\$ (11,905,000)
	Distributions to common shareholders	(18,624,000)
		<u>\$ (30,529,000)</u>

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

	09/30/03	09/30/02	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 48,740,000	\$ 47,789,000	\$ 951,000 (a)	2.0%
Facility management fees primarily from affiliates	178,000	191,000	(13,000)	(6.8%)
Gain on sale of marketable securities	-	16,000	(16,000)	100.0%
Interest and other income	<u>145,000 (b)</u>	<u>71,000 (b)</u>	<u>74,000</u>	<u>104.2%</u>
	<u>49,063,000</u>	<u>48,067,000</u>	<u>996,000</u>	<u>2.1%</u>
Expenses:				
Cost of operations	13,533,000	12,505,000	1,028,000 (c)	8.2%
Cost of facility management	37,000	44,000	(7,000)	(15.9%)
Depreciation and amortization	15,382,000	14,192,000	1,190,000	8.4%
General and administrative	1,056,000 (d)	1,282,000 (d)	(226,000)	(17.6%)
Interest expense	<u>1,013,000 (e)</u>	<u>1,115,000 (e)</u>	<u>(102,000)</u>	<u>(9.1%)</u>
	<u>31,021,000</u>	<u>29,138,000</u>	<u>1,883,000</u>	<u>6.5%</u>
Income before discontinued operations and minority interest	<u>18,042,000</u>	<u>18,929,000</u>	<u>(887,000)</u>	<u>(4.7%)</u>
Discontinued operations:				
Income from discontinued operations	1,251,000 (f)	1,404,000	(153,000)	(10.9%)
Gain on disposition of real estate	14,000	2,041,000	(2,027,000)	(99.3%)
Impairment charge on properties held for sale	-	(900,000)	900,000	(100.0%)
Equity in income of discontinued joint venture	-	138,000	(138,000)	(100.0%)
Net income/(loss) from discontinued operations	<u>1,265,000</u>	<u>2,683,000</u>	<u>(1,418,000)</u>	<u>(52.9%)</u>
Income before minority interest	<u>19,307,000</u>	<u>21,612,000</u>	<u>(2,305,000)</u>	<u>(10.7%)</u>
Minority interest in income - preferred units	(4,810,000)	(4,412,000)	(398,000)	9.0%
Minority interest in income - common units	<u>(2,653,000)</u>	<u>(3,356,000)</u>	<u>703,000</u>	<u>(20.9%)</u>
Net income	<u>\$ 11,844,000</u>	<u>\$ 13,844,000</u>	<u>\$ (2,000,000)</u>	<u>(14.4%)</u>
Net income allocation:				
Allocable to preferred shareholders	\$ 4,052,000	\$ 3,933,000	\$ 119,000	3.0%
Allocable to common shareholders	<u>7,792,000</u>	<u>9,911,000</u>	<u>(2,119,000)</u>	<u>(21.4%)</u>
	<u>\$ 11,844,000</u>	<u>\$ 13,844,000</u>	<u>\$ (2,000,000)</u>	<u>(14.4%)</u>
Net income per common share - basic:				
Continuing operations	\$ 0.32	\$ 0.37	\$ (0.05)	(13.5%)
Discontinued operations	\$ 0.04	\$ 0.09	(0.05)	(55.6%)
	\$ 0.36	\$ 0.46	\$ (0.10)	(21.7%)
Net income per common share - diluted				
Continuing operations	\$ 0.32	\$ 0.37	\$ (0.05)	(13.5%)
Discontinued operations	0.04	\$ 0.09	(0.05)	(55.6%)
	\$ 0.36	\$ 0.46	\$ (0.10)	(21.7%)
Weighted average common shares outstanding:				
Basic	<u>21,417,000</u>	<u>21,552,000</u>	<u>(135,000) (g)</u>	<u>(0.6%)</u>
Diluted	<u>21,617,000</u>	<u>21,772,000</u>	<u>(155,000)</u>	<u>(0.7%)</u>

(a) Rental income has increased due to the following:		
"Same Park" facilities	\$	(732,000)
Other facilities		1,431,000
Straight line rent adjustment		252,000
	<u>\$</u>	<u>951,000</u>
(b) Primarily due to interest earned on overnight investment.		
(c) Cost of operations have increased due to the following:		
"Same Park" facilities	\$	340,000
Other facilities		688,000
	<u>\$</u>	<u>1,028,000</u>
(d) General and administrative expenses for the three months ended:		
	September 30, 2003	September 30, 2002
Professional fees	\$ 112,000	\$ 121,000
Salaries	327,000	372,000
Stock option and stock compensation expense	121,000	265,000
Investor services	33,000	102,000
Internal acquisition costs	68,000	103,000
Other	395,000	319,000
	<u>\$ 1,056,000</u>	<u>\$ 1,282,000</u>
(e) Interest expense for the three months ended:		
	September 30, 2003	September 30, 2002
Mortgage notes payable	\$ 371,000	\$ 522,000
Line of credit interest	-	111,000
Facilities fees & other charges	70,000	64,000
Term loan interest (Fleet)	572,000	418,000
	<u>\$ 1,013,000</u>	<u>\$ 1,115,000</u>
(f) Net operating income associated with Beaverton, OR as of September 30, 2003:		
Rental revenue	\$	1,556,000
Operating expenses		(305,000)
Operating income from discontinued property		<u>\$ 1,251,000</u>
(g) Decrease relates to the repurchase of common shares, net of stock issuance due to the exercise of stock options.		

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

	09/30/03	09/30/02	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 144,593,000	\$ 143,639,000	\$ 954,000 (a)	0.7%
Facility management fees primarily from affiliates	562,000	577,000	(15,000)	(2.6%)
Gain on sale of marketable securities	2,043,000	41,000	2,002,000	4882.9%
Interest and other income	971,000 (b)	740,000	231,000	31.2%
	<u>148,169,000</u>	<u>144,997,000</u>	<u>3,172,000</u>	<u>2.2%</u>
Expenses:				
Cost of operations	39,593,000	38,108,000	1,485,000 (c)	3.9%
Cost of facility management	111,000	134,000	(23,000)	(17.2%)
Depreciation and amortization	43,186,000	41,164,000	2,022,000	4.9%
General and administrative	3,508,000 (d)	3,774,000 (d)	(266,000)	(7.0%)
Interest expense	3,013,000 (e)	4,098,000 (e)	(1,085,000)	(26.5%)
	<u>89,411,000</u>	<u>87,278,000</u>	<u>2,133,000</u>	<u>2.4%</u>
Income before discontinued operations and minority interest	<u>58,758,000</u>	<u>57,719,000</u>	<u>1,039,000</u>	<u>1.8%</u>
Discontinued operations:				
Income from discontinued operations	3,340,000 (f)	3,661,000	(321,000)	(8.8%)
Gain on disposition of real estate	3,498,000	7,407,000	(3,909,000)	(52.8%)
Impairment charge on properties held for sale	(5,907,000)	(900,000)	(5,007,000)	556.3%
Equity in income of discontinued joint venture	2,296,000 (g)	387,000	1,909,000	493.3%
Net income/(loss) from discontinued operations	<u>3,227,000</u>	<u>10,555,000</u>	<u>(7,328,000)</u>	<u>(69.4%)</u>
Income before minority interest	<u>61,985,000</u>	<u>68,274,000</u>	<u>(6,289,000)</u>	<u>(9.2%)</u>
Minority interest in income - preferred units	(14,430,000)	(13,237,000)	(1,193,000)	9.0%
Minority interest in income - common units	(9,064,000)	(11,019,000)	1,955,000	(17.7%)
Net income	<u>\$ 38,491,000</u>	<u>\$ 44,018,000</u>	<u>\$ (5,527,000)</u>	<u>(12.6%)</u>
Net income allocation:				
Allocable to preferred shareholders	\$ 11,905,000	\$ 11,483,000	\$ 422,000	3.7%
Allocable to common shareholders	26,586,000	32,535,000	(5,949,000)	(18.3%)
	<u>\$ 38,491,000</u>	<u>\$ 44,018,000</u>	<u>\$ (5,527,000)</u>	<u>(12.6%)</u>
Net income per common share - basic:				
Continuing operations	\$ 1.13	\$ 1.14	\$ (0.01)	(0.9%)
Discontinued operations	\$ 0.11	\$ 0.37	\$ (0.26)	(70.3%)
	<u>\$ 1.24</u>	<u>\$ 1.51</u>	<u>\$ (0.27)</u>	<u>(17.9%)</u>
Net income per common share - diluted				
Continuing operations	\$ 1.13	\$ 1.13	\$ -	0.0%
Discontinued operations	0.11	0.36	(0.25)	(69.4%)
	<u>\$ 1.24</u>	<u>\$ 1.49</u>	<u>\$ (0.25)</u>	<u>(16.8%)</u>
Weighted average common shares outstanding:				
Basic	21,368,000	21,548,000	(180,000) (h)	(0.8%)
Diluted	<u>21,514,000</u>	<u>21,763,000</u>	<u>(249,000)</u>	<u>(1.1%)</u>

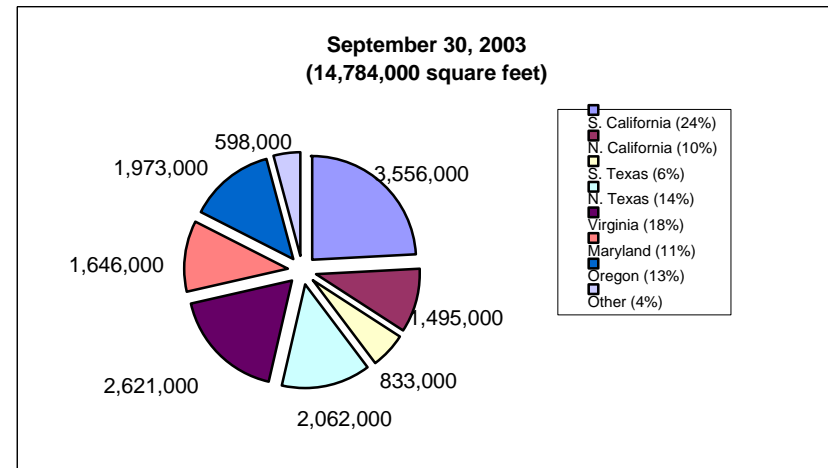
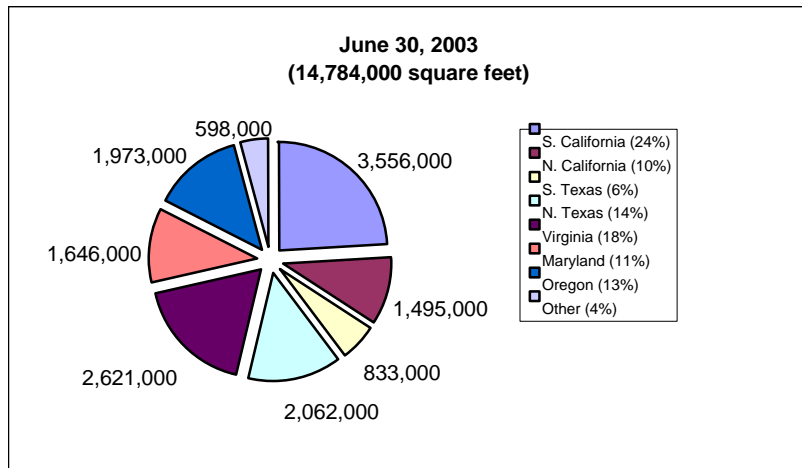
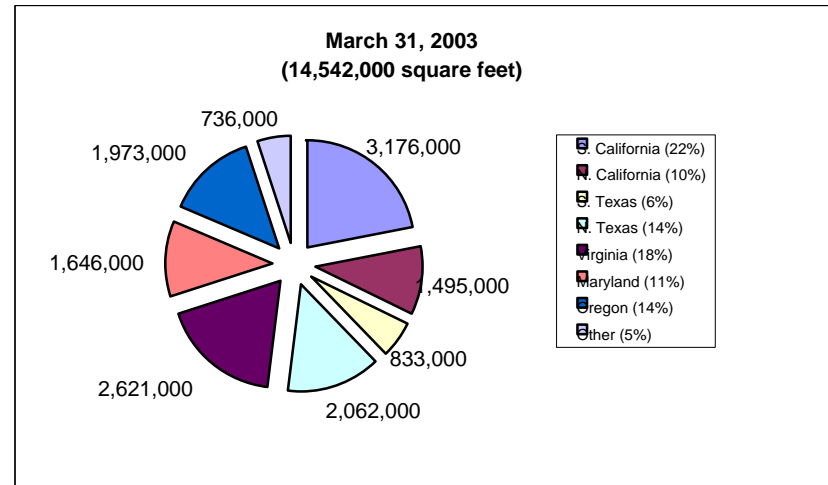
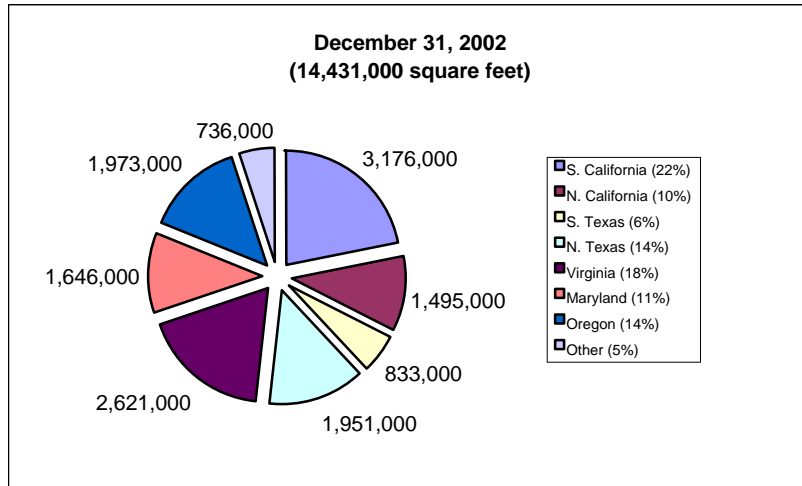
(a) Rental income has increased due to the following:			
"Same Park" facilities	\$	(969,000)	
Other facilities		2,849,000	
Straight line rent adjustment		(926,000)	
	<u>\$</u>	<u>954,000</u>	
(b) Primarily due to construction management fee income of \$400,000 and interest earned on overnight investment.			
(c) Cost of operations have increased due to the following:			
"Same Park" facilities	\$	483,000	
Other facilities		1,002,000	
	<u>\$</u>	<u>1,485,000</u>	
(d) General and administrative expenses for the nine months ended:		September 30, 2003	September 30, 2002
Professional fees	\$	310,000	\$ 367,000
Salaries		1,293,000	1,423,000
Stock option and stock compensation expense		339,000	477,000
Investor services		200,000	260,000
Internal acquisition costs		339,000	417,000
Other		1,027,000	830,000
	<u>\$</u>	<u>3,508,000</u>	<u>\$ 3,774,000</u>
(e) Interest expense for the nine months ended:		September 30, 2003	September 30, 2002
Mortgage notes payable	\$	1,129,000	\$ 1,605,000
Line of credit interest		-	1,432,000
Facilities fees & other charges		196,000	365,000
Term loan interest (Fleet)		1,688,000	906,000
Affiliated loan (PSI)		-	78,000
Capitalized interest		-	(288,000)
	<u>\$</u>	<u>3,013,000</u>	<u>\$ 4,098,000</u>
(f) Net operating income associated with Lakewood, CA and Beaverton, OR as of September 30, 2003:			
Rental revenue	\$	4,388,000	
Operating expenses		(997,000)	
Depreciation - Q103 & Q203 for Lakewood & Nashville		(51,000)	
Operating income from discontinued property	<u>\$</u>	<u>3,340,000</u>	
(g) Represents equity income from the Company's 25% interest and 25% incentive fee in the City of Industry JV.			
(h) Decrease relates to the repurchase of common shares, net of stock issuance due to the exercise of stock options.			

PS BUSINESS PARKS, INC.
Analysis of Capital Expenditures (2003)

<u>Recurring capital expenditures (1)</u>	<u>2003 costs</u>	<u>Cost per Weighted Average Square Foot</u>
Maintenance capital expenditures (2)	\$2,798,000	\$0.19
Tenant improvements (3)	\$9,236,000	\$0.64
Leasing commissions (4)	\$3,577,000	\$0.25
Total recurring capital expenditures	<u>\$15,611,000</u>	<u>\$1.08</u>
<u>Non-recurring capital expenditures</u>		
Development costs	\$492,000	
Property renovations	\$7,931,000	
Acquisition costs	\$1,026,000	
Total non-recurring capital expenditures	<u>\$9,449,000</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 \$5,000 for maintenance capital expenditures with a useful life greater than 24 months for tenant improvements and 30 months for maintenance capital expenditures are capitalized. It excludes deferred maintenance and 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 \$9.1 million or approximately \$0.63 per weighted average square foot for the nine months ended September 30, 2003 compared to \$8.8 million or \$0.61 per square foot during the same period in 2002.
- (2) Maintenance capital expenditures generally range from \$0.30 to \$0.50 per weighted average square foot annually. Major costs include roofing, HVAC replacement, parking lot replacement and other major repairs that extend the life of the respective component of the building.
- (3) Tenant improvement costs generally range from \$0.40 to \$0.80 per weighted average square foot annually. Tenant improvements less than \$1,000 or for leases of two years or less are expensed and included in cost of operations (\$478,000 for the nine months ended September 30, 2003 as compared to \$837,000 for the same period in 2002).
- (4) Lease commissions generally range from \$0.15 to \$0.40 per weighted average square foot annually.

Rentable Square Footage by Region



PS BUSINESS PARKS, INC.
PORTFOLIO OVERVIEW

Rentable Square Footage of Properties as of September 30, 2003

Primary Markets	Industrial	Office	Flex	Total	%
Northern Virginia	-	406,000	2,215,000	2,621,000	17.7%
Portland	-	346,000	1,626,000	1,972,000	13.3%
Maryland	-	720,000	926,000	1,646,000	11.1%
Dallas	231,000	-	1,459,000	1,690,000	11.4%
Los Angeles County	712,000	31,000	770,000	1,513,000	10.2%
Northern California	407,000	430,000	660,000	1,497,000	10.1%
Orange County	-	597,000	911,000	1,508,000	10.2%
Austin	-	-	831,000	831,000	5.6%
Phoenix	-	-	569,000	569,000	3.8%
San Diego County	-	-	535,000	535,000	3.6%
Other	-	131,000	271,000	402,000	3.0%
	1,350,000	2,661,000	10,773,000	14,784,000	100.0%

Average Occupancy Rates by Product Type for the Quarter Ending September 30, 2003

Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	92.9%	95.4%	95.0%
Portland	-	77.7%	80.1%	79.8%
Maryland	-	92.8%	84.7%	88.2%
Dallas	100.0%	-	92.9%	93.8%
Los Angeles County	100.0%	99.3%	96.7%	98.3%
Northern California	98.5%	93.1%	94.2%	95.1%
Orange County	-	79.1%	95.9%	89.3%
Austin	-	-	91.3%	91.3%
Phoenix	-	-	95.1%	95.1%
San Diego County	-	-	96.3%	96.3%
Other	-	96.9%	97.7%	97.5%
	99.6%	88.8%	91.8%	92.0%

Weighted Average Occupancy Rates by Portfolio Type for the Quarter Ending September 30, 2003

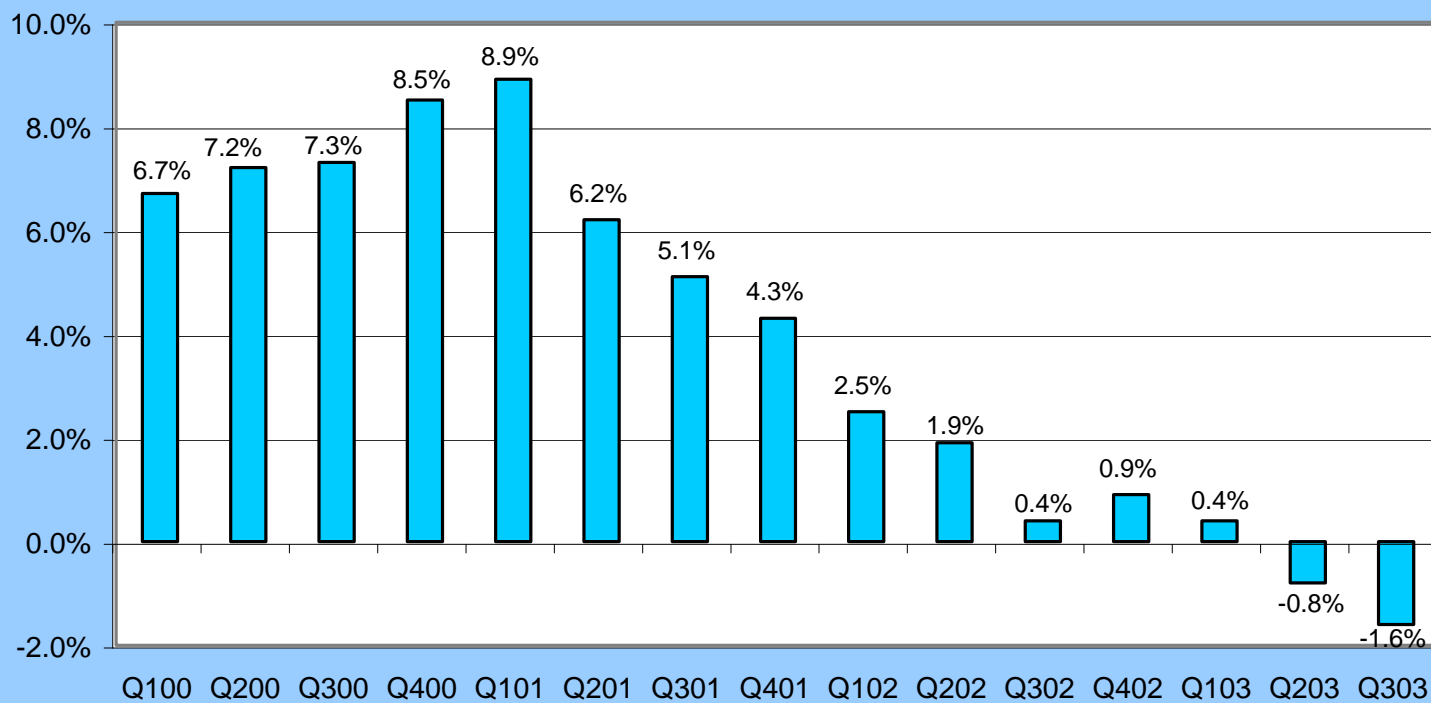
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	94.8%	95.7%	95.0%
Portland	79.1%	89.7%	79.8%
Maryland	88.0%	98.2%	88.2%
Dallas	96.2%	80.7%	93.8%
Los Angeles County	100.0%	96.8%	98.3%
Northern California	95.6%	93.8%	95.1%
Orange County	87.0%	95.6%	89.3%
Austin	91.2%	91.6%	91.3%
Phoenix	98.0%	94.6%	95.1%
San Diego County	-	96.3%	96.3%
Other	96.9%	97.7%	97.5%
	91.1%	94.5%	92.0%

Note:

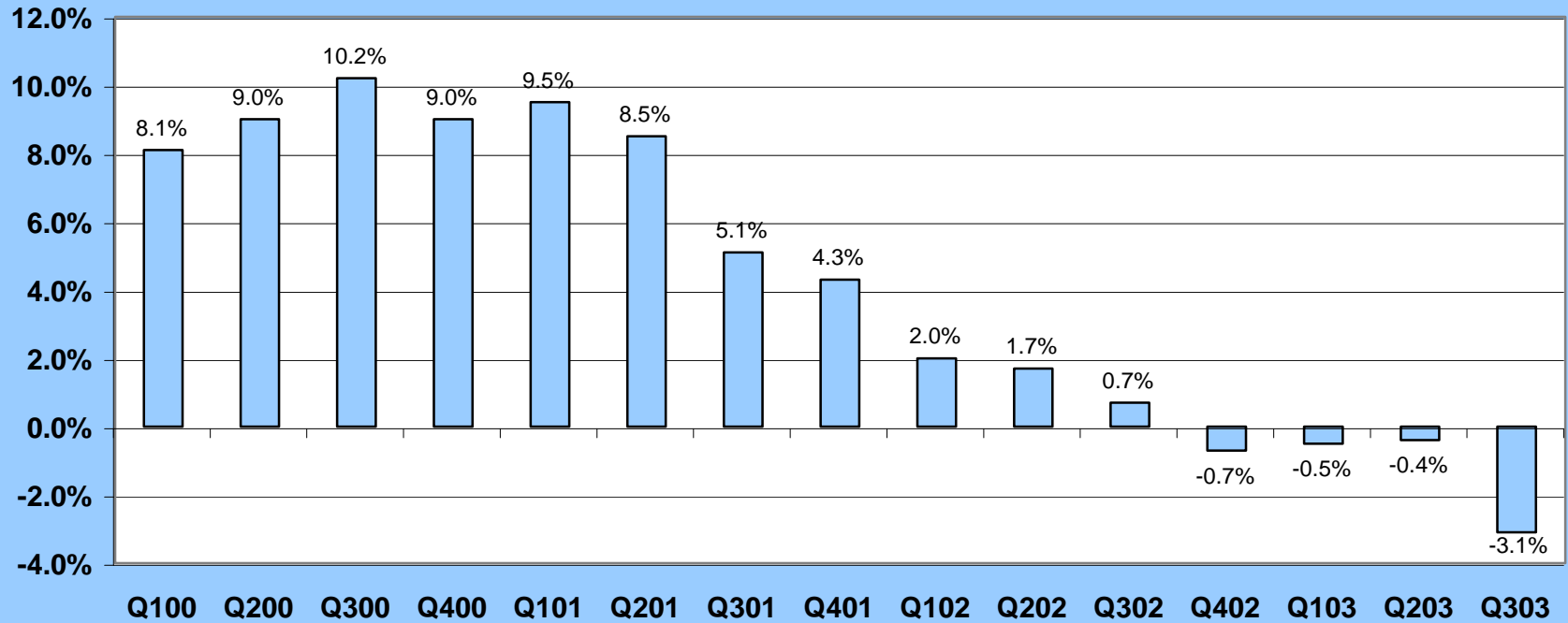
The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet.

The Company's "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

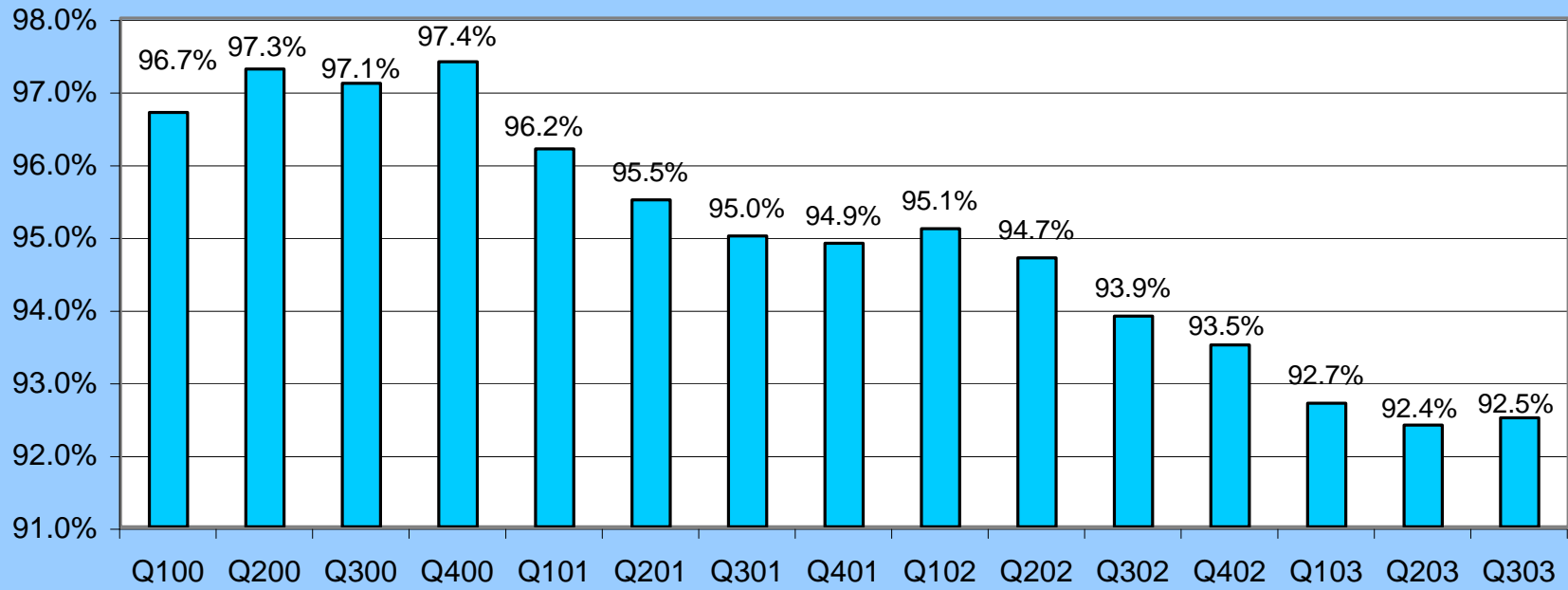
"Same Park" Revenue Growth (%)



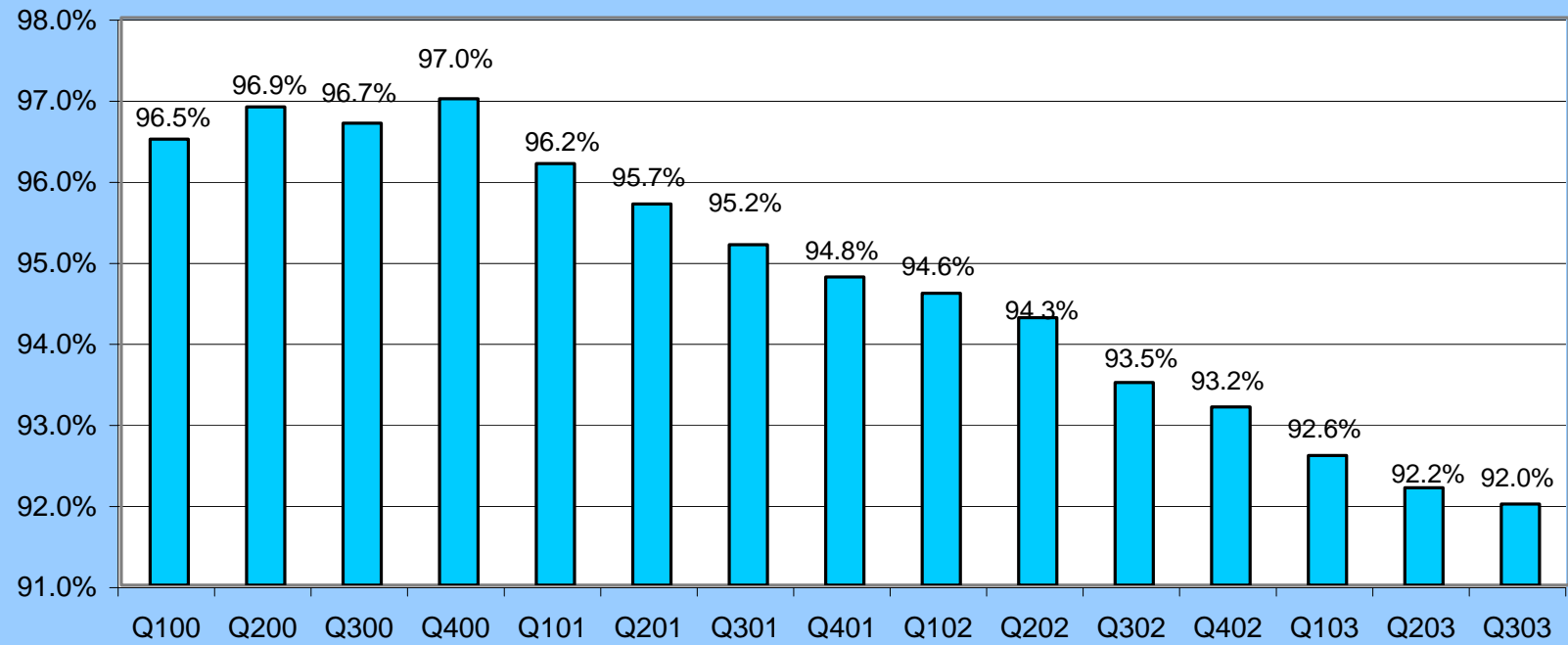
"Same Park" NOI Growth before Straight Line Rent Adjustment (%)



"Same Park" Occupancy (%)



Total Portfolio Occupancy (%)



PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS

Industry Concentration as of September 30, 2003

Business services	13.5%
Computer Hardware, software and related service	13.0%
Government	10.7%
Contractors	9.2%
Financial services	7.7%
Retail	6.1%
Home furnishings	6.0%
Electronics	5.6%
Communications	4.4%
Manufacturing and assembly	4.2%
	<u>80.4%</u>

Top Ten Customers by Annual Rent as of September 30, 2003

Tenant	Square Footage	Annual Rents	%
U.S. Government	557,000	\$ 12,023,000	6.1%
Citigroup	262,000	4,352,000	2.2%
Intel	233,000	3,866,000	2.0%
IBM	233,000	3,725,000	1.9%
Hughes Network Systems **	106,000	2,679,000	1.4%
County of Santa Clara	97,000	2,598,000	1.3%
Pycon, Inc.	134,000	2,349,000	1.2%
Sabre Holdings	102,000	1,833,000	0.9%
MCI Worldcom	121,000	1,814,000	0.9%
Footstar	116,000	1,785,000	0.9%
	<u>1,961,000</u>	<u>\$ 37,024,000</u>	<u>18.8%</u>

** Electronics subsidiary of Hughes Aircraft

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF September 30, 2003

Lease Expirations - Flex			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2003	611,000	\$ 5,683,000	4.5%
2004	2,350,000	26,910,000	21.1%
2005	2,242,000	26,842,000	21.1%
2006	1,649,000	22,601,000	17.7%
2007	994,000	13,868,000	10.9%
Thereafter	2,202,000	31,601,000	24.7%
	<u>10,048,000</u>	<u>\$ 127,505,000</u>	<u>100.0%</u>

Lease Expirations - Office			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2003	187,000	\$ 2,479,000	5.1%
2004	322,000	5,256,000	10.7%
2005	727,000	15,664,000	32.0%
2006	371,000	8,199,000	16.8%
2007	200,000	4,659,000	9.5%
Thereafter	518,000	12,638,000	25.9%
	<u>2,325,000</u>	<u>\$ 48,895,000</u>	<u>100.0%</u>

Lease Expirations - Industrial			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2003	28,000	\$ 117,000	1.5%
2004	261,000	1,560,000	20.0%
2005	355,000	2,210,000	28.3%
2006	239,000	1,569,000	20.1%
2007	188,000	1,029,000	13.2%
Thereafter	279,000	1,320,000	16.9%
	<u>1,350,000</u>	<u>\$ 7,805,000</u>	<u>100.0%</u>

Lease Expirations - Total			
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%
2003	826,000	\$ 8,279,000	4.5%
2004	2,933,000	\$ 33,726,000	18.3%
2005	3,324,000	\$ 44,716,000	24.3%
2006	2,259,000	\$ 32,369,000	17.6%
2007	1,382,000	\$ 19,556,000	10.6%
Thereafter	2,999,000	\$ 45,559,000	24.7%
	<u>13,723,000</u>	<u>\$ 184,205,000</u>	<u>100.0%</u>

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF September 30, 2003

Southern California					
<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>	
2003	261,000	\$ 3,163,000	7.1%	1.7%	
2004	962,000	11,302,000	25.2%	6.1%	
2005	990,000	13,493,000	30.1%	7.3%	
2006	521,000	6,623,000	14.8%	3.6%	
2007	233,000	3,690,000	8.2%	2.0%	
Thereafter	390,000	6,592,000	14.6%	3.6%	
	<u>3,357,000</u>	<u>\$ 44,863,000</u>	<u>100.0%</u>	<u>24.4%</u>	

Northern California					
<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>	
2003	91,000	\$ 990,000	5.1%	0.5%	
2004	293,000	3,702,000	19.2%	2.0%	
2005	241,000	2,759,000	14.3%	1.5%	
2006	222,000	2,676,000	13.9%	1.5%	
2007	367,000	4,475,000	23.2%	2.4%	
Thereafter	216,000	4,715,000	24.3%	2.6%	
	<u>1,430,000</u>	<u>\$ 19,317,000</u>	<u>100.0%</u>	<u>10.5%</u>	

Southern Texas					
<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>	
2003	63,000	\$ 854,000	13.1%	0.6%	
2004	245,000	2,217,000	34.1%	1.2%	
2005	289,000	2,300,000	35.4%	1.2%	
2006	46,000	406,000	6.2%	0.2%	
2007	25,000	213,000	3.3%	0.1%	
Thereafter	68,000	514,000	7.9%	0.3%	
	<u>736,000</u>	<u>\$ 6,504,000</u>	<u>100.0%</u>	<u>3.5%</u>	

PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF September 30, 2003

Northern Texas					
<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>
2003	222,000	\$ 1,030,000	5.5%		0.6%
2004	542,000	4,637,000	24.9%		2.5%
2005	332,000	3,313,000	17.8%		1.8%
2006	411,000	5,239,000	28.2%		2.8%
2007	132,000	1,073,000	5.8%		0.6%
Thereafter	449,000	3,314,000	17.8%		1.8%
	<u>2,088,000</u>	<u>\$ 18,606,000</u>	<u>100.0%</u>		<u>10.1%</u>

Northern Virginia					
<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>
2003	39,000	\$ 578,000	1.5%		0.3%
2004	407,000	5,476,000	14.0%		3.0%
2005	409,000	5,975,000	15.3%		3.2%
2006	433,000	7,715,000	19.9%		4.2%
2007	230,000	3,593,000	9.2%		2.0%
Thereafter	965,000	15,663,000	40.1%		8.5%
	<u>2,483,000</u>	<u>\$ 39,000,000</u>	<u>100.0%</u>		<u>21.2%</u>

Maryland					
<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>
2003	63,000	\$ 789,000	2.9%		0.4%
2004	61,000	1,296,000	4.8%		0.7%
2005	379,000	8,126,000	29.9%		4.4%
2006	226,000	3,822,000	14.0%		2.1%
2007	193,000	3,794,000	13.9%		2.1%
Thereafter	536,000	9,390,000	34.5%		5.1%
	<u>1,458,000</u>	<u>\$ 27,217,000</u>	<u>100.0%</u>		<u>14.8%</u>

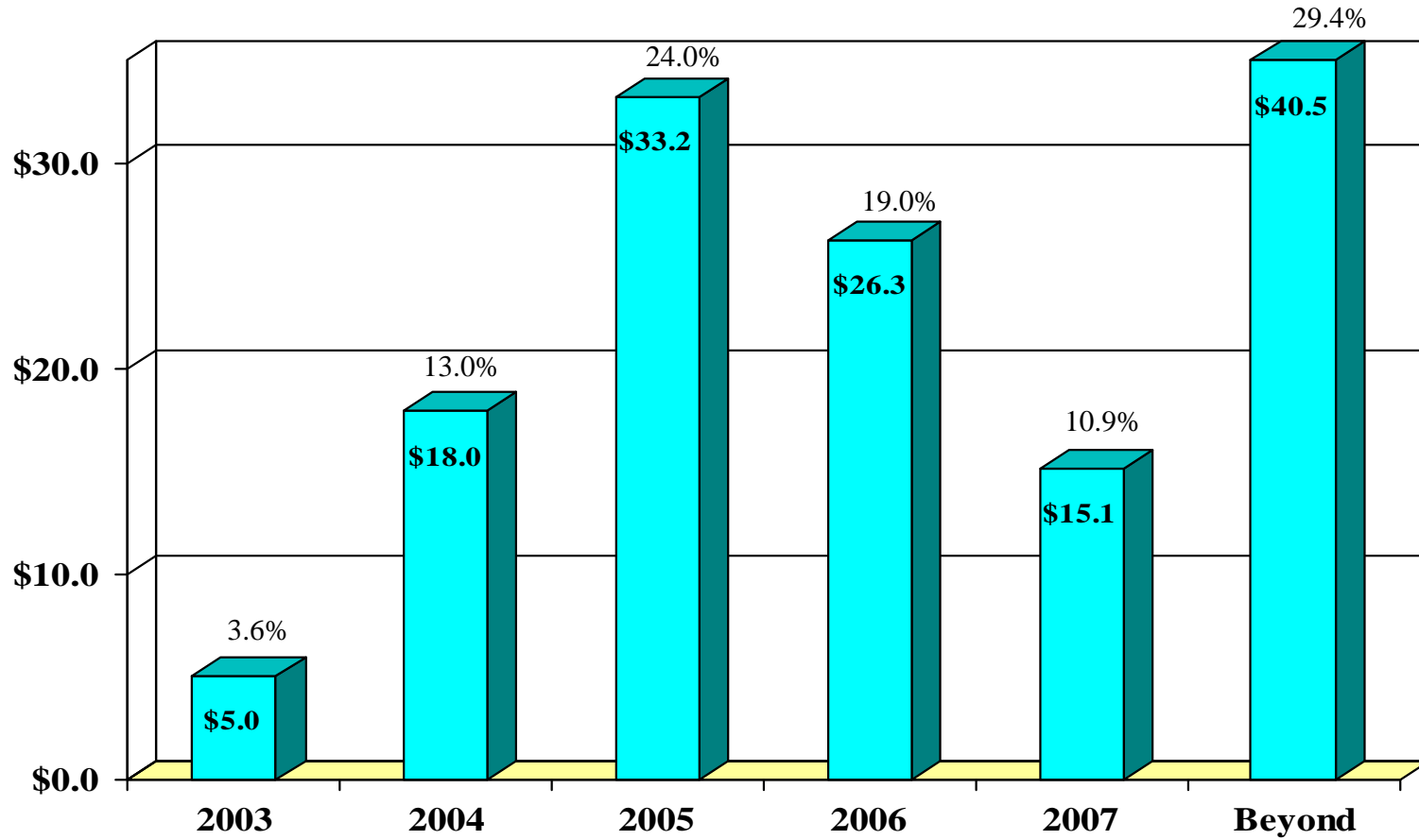
PS BUSINESS PARKS, INC.
PORTFOLIO ANALYSIS AS OF September 30, 2003

Oregon					
<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>	
2003	47,000	\$ 437,000	1.9%	0.2%	
2004	235,000	3,047,000	13.3%	1.7%	
2005	544,000	7,352,000	32.2%	4.0%	
2006	335,000	5,317,000	23.3%	2.9%	
2007	109,000	1,810,000	7.9%	1.0%	
Thereafter	337,000	4,878,000	21.4%	2.6%	
	<u>1,607,000</u>	<u>\$ 22,841,000</u>	<u>100.0%</u>	<u>12.4%</u>	

Other					
<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>	
2003	40,000	\$ 438,000	7.5%	0.2%	
2004	188,000	2,049,000	35.0%	1.1%	
2005	140,000	1,398,000	23.9%	0.8%	
2006	65,000	571,000	9.7%	0.3%	
2007	93,000	908,000	15.5%	0.5%	
Thereafter	38,000	493,000	8.4%	0.3%	
	<u>564,000</u>	<u>\$ 5,857,000</u>	<u>100.0%</u>	<u>3.2%</u>	

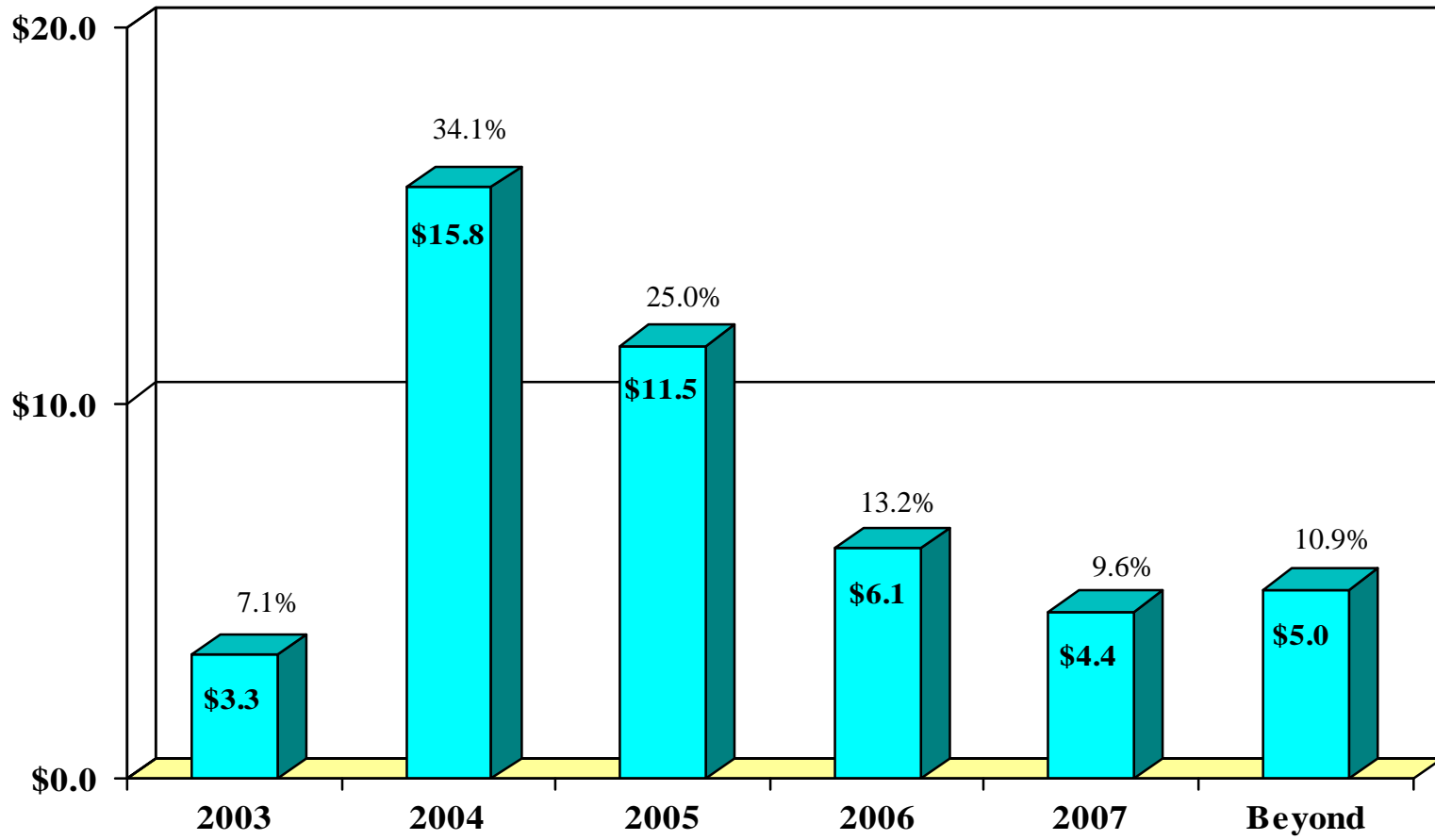
Total					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2003	826,000	\$ 8,279,000	4.5%	4.5%	
2004	2,933,000	\$ 33,726,000	18.3%	18.3%	
2005	3,324,000	\$ 44,716,000	24.3%	24.3%	
2006	2,259,000	\$ 32,369,000	17.6%	17.6%	
2007	1,382,000	\$ 19,556,000	10.6%	10.6%	
Thereafter	2,999,000	\$ 45,559,000	24.7%	24.7%	
	<u>13,723,000</u>	<u>\$ 184,205,000</u>	<u>100.0%</u>	<u>100.0%</u>	

Lease Expirations (Large Tenant Portfolio) as of September 30, 2003 (\$ in millions)



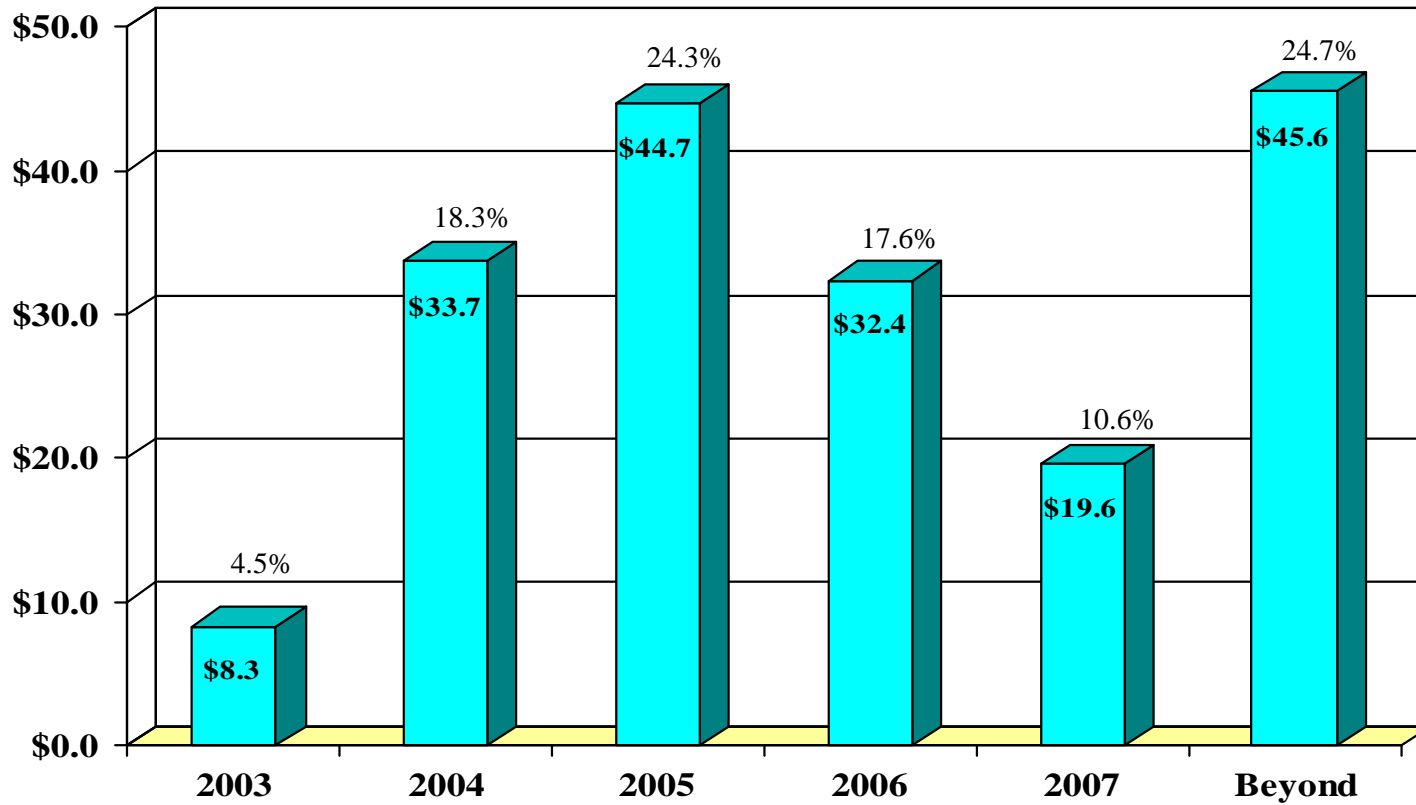
Comparison to prior year (2002-4.5%, 2003-13.5%, 2004-17%, 2005-21.4%, 2006-17.2% and beyond-26.4%)

Lease Expirations (Small Tenant Portfolio) as of September 30, 2003 (\$ in millions)



Comparison to prior year - (2002-6.9%, 2003-33.2%, 2004-26.9%, 2005-15.9%, 2006-6.6% and beyond-10.5%)

Lease Expirations (Entire Portfolio) as of September 30, 2003 (\$ in millions)



Comparison to prior year (2002-5.1%, 2003-19.1%, 2004-19.8%, 2005-19.8%, 2006-14.2% and beyond-22%)