



PSBUSINESSPARKS.

**Analysis of Operating Results
and Financial Condition**

September 30, 2008

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008**

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

OPERATING DATA						
	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED		
	09/30/08	09/30/07	% Change	09/30/08	09/30/07	% Change
Total rental income	\$ 71,464	\$ 68,530	4.3%	\$ 212,021	\$ 200,929	5.5%
Total cost of operations	22,591	21,204	6.5%	67,020	62,665	6.9%
Net operating income	<u>\$ 48,873</u>	<u>\$ 47,326</u>	3.3%	<u>\$ 145,001</u>	<u>\$ 138,264</u>	4.9%
Net income allocable to common shareholders	\$ 5,396	\$ 4,267	26.5%	\$ 13,821	\$ 13,971	(1.1%)
Net income per common share:						
Basic	\$ 0.26	\$ 0.20	30.0%	\$ 0.68	\$ 0.65	4.6%
Diluted	\$ 0.26	\$ 0.20	30.0%	\$ 0.67	\$ 0.64	4.7%
Weighted average common shares outstanding - basic	20,448	21,345	(4.2%)	20,438	21,332	(4.2%)
Weighted average common shares outstanding - diluted	20,690	21,616	(4.3%)	20,674	21,670	(4.6%)
Weighted average common OP units outstanding	7,305	7,305	-	7,305	7,305	-
Total fully-converted diluted shares	<u>27,995</u>	<u>28,921</u>	(3.2%)	<u>27,979</u>	<u>28,975</u>	(3.4%)

FUNDS FROM OPERATIONS						
	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED		
	09/30/08	09/30/07	% Change	09/30/08	09/30/07	% Change
FFO allocable to common shareholders/unitholders	\$ 32,009	\$ 31,013	3.2%	\$ 93,988	\$ 90,597	3.7%
Diluted FFO per common share and OP units	\$ 1.14	\$ 1.07	6.5%	\$ 3.36	\$ 3.13	7.3%

PROPERTY INFORMATION						
	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED		
	09/30/08	09/30/07	% Change	09/30/08	09/30/07	% Change
<u>Total Owned Portfolio</u>						
Total rentable square footage at period end	19,556	19,556	0.0%	19,556	19,556	0.0%
Weighted average occupancy	93.7%	93.2%	0.5%	93.7%	93.2%	0.5%
Annualized realized rent per sq. ft. ⁽¹⁾	\$ 15.60	\$ 15.07	3.5%	\$ 15.43	\$ 14.90	3.6%
REVPAF ⁽²⁾	\$ 14.62	\$ 14.05	4.1%	\$ 14.46	\$ 13.89	4.1%
<u>Same Park Portfolio</u>						
Total rentable square footage at period end	18,685	18,685	-	18,685	18,685	-
Weighted average occupancy	93.9%	93.5%	0.4%	94.0%	93.4%	0.6%
Annualized realized rent per sq. ft. ⁽¹⁾	\$ 15.43	\$ 14.97	3.1%	\$ 15.24	\$ 14.84	2.7%
REVPAF ⁽²⁾	\$ 14.49	\$ 14.00	3.5%	\$ 14.33	\$ 13.86	3.4%

(1) Represents the annualized revenues earned per occupied square foot.

(2) Represents the annualized revenues earned per total square foot.

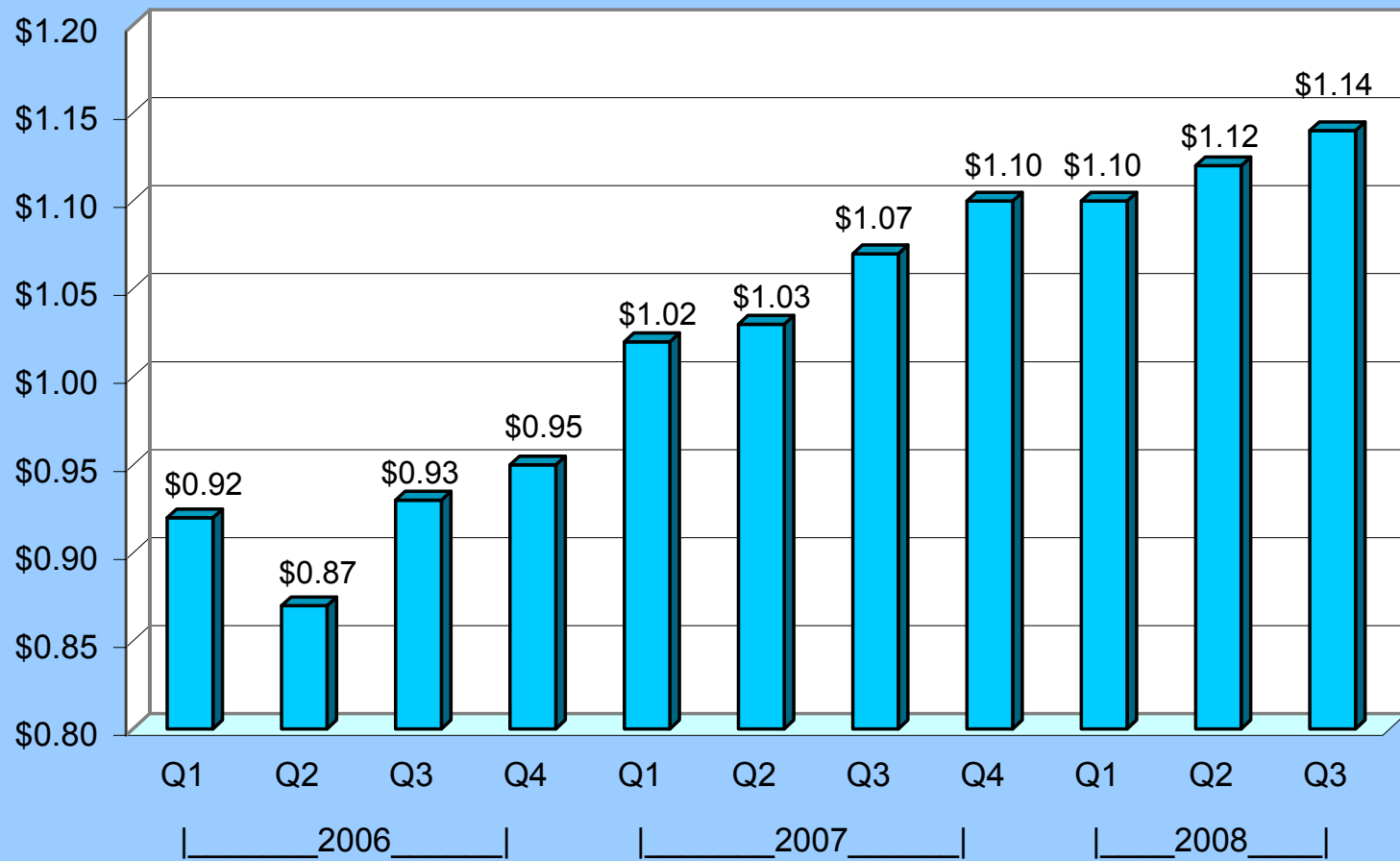
BALANCE SHEET DATA			
	09/30/08	12/31/07	% Change
Total assets	\$ 1,485,605	\$ 1,516,583	(2.0%)
Minority interest - preferred units	\$ 94,750	\$ 94,750	-
Minority interest - common units	\$ 147,499	\$ 154,470	(4.5%)
Perpetual preferred stock	\$ 716,250	\$ 716,250	-
Common shareholders' equity	\$ 413,036	\$ 439,330	(6.0%)
Total common shares outstanding at period end	20,457	20,777	(1.5%)
Book value per common share	\$ 20.19	\$ 21.15	(4.5%)

MARKET VALUE INFORMATION			
	09/30/08	12/31/07	% Change
Market value of common stock and common OP units	\$ 1,599,100	\$ 1,475,739	8.4%
Total debt	59,666	60,725	(1.7%)
Total preferred equity	811,000	811,000	-
Total market capitalization	<u>\$ 2,469,766</u>	<u>\$ 2,347,464</u>	5.2%
Stock price at the end of the period	\$ 57.60	\$ 52.55	9.6%

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

	FOR THE THREE MONTHS ENDED		Increase (Decrease)	% Change	FOR THE NINE MONTHS ENDED		Increase (Decrease)	% Change
	09/30/08	09/30/07			09/30/08	09/30/07		
<u>Funds from operations (FFO):</u>								
Net income allocable to common shareholders	\$ 5,396	\$ 4,267	\$ 1,129	26.5%	\$ 13,821	\$ 13,971	\$ (150)	(1.1%)
Adjustments:								
Depreciation and amortization	24,703	25,285	(582)	(2.3%)	75,270	71,841	3,429	4.8%
Minority interest in income - common units	1,910	1,461	449	30.7%	4,897	4,785	112	2.3%
FFO allocable to common shareholders/unitholders	<u>\$ 32,009</u>	<u>\$ 31,013</u>	<u>\$ 996</u>	3.2%	<u>\$ 93,988</u>	<u>\$ 90,597</u>	<u>\$ 3,391</u>	3.7%
Weighted average common shares outstanding	20,448	21,345	(897)	(4.2%)	20,438	21,332	(894)	(4.2%)
Weighted average common OP units outstanding	7,305	7,305	-	-	7,305	7,305	-	-
Weighted average common stock equivalents outstanding	242	271	(29)	(10.7%)	236	338	(102)	(30.2%)
Total fully-converted diluted shares	<u>27,995</u>	<u>28,921</u>	<u>(926)</u>	(3.2%)	<u>27,979</u>	<u>28,975</u>	<u>(996)</u>	(3.4%)
Diluted FFO per common share/OP unit	<u>\$ 1.14</u>	<u>\$ 1.07</u>	<u>\$ 0.07</u>	6.5%	<u>\$ 3.36</u>	<u>\$ 3.13</u>	<u>\$ 0.23</u>	7.3%
<u>Funds available for distribution (FAD):</u>								
Funds from operations	\$ 32,009	\$ 31,013	\$ 996	3.2%	\$ 93,988	\$ 90,597	\$ 3,391	3.7%
Adjustments:								
Recurring capital improvements	(2,356)	(5,646)	(3,290)	(58.3%)	(7,306)	(10,537)	(3,231)	(30.7%)
Tenant improvements	(5,217)	(4,308)	909	21.1%	(14,871)	(11,809)	3,062	25.9%
Lease commissions	(863)	(1,365)	(502)	(36.8%)	(5,097)	(3,777)	1,320	34.9%
Straight-line rent	(355)	(230)	125	54.3%	(272)	(489)	(217)	(44.4%)
Stock compensation expense	1,027	1,042	(15)	(1.4%)	3,057	2,746	311	11.3%
In-place lease adjustment	(49)	(44)	5	11.4%	(145)	(53)	92	173.6%
Lease incentives net of tenant improvement reimbursements	(79)	(15)	64	426.7%	(148)	96	(244)	(254.2%)
FAD	<u>\$ 24,117</u>	<u>\$ 20,447</u>	<u>\$ 3,670</u>	17.9%	<u>\$ 69,206</u>	<u>\$ 66,774</u>	<u>\$ 2,432</u>	3.6%
Diluted FAD per common share/OP unit	<u>\$ 0.86</u>	<u>\$ 0.71</u>	<u>\$ 0.15</u>	21.1%	<u>\$ 2.47</u>	<u>\$ 2.30</u>	<u>\$ 0.17</u>	7.4%
<u>Cash available for debt repayments and reinvestments:</u>								
FAD	\$ 24,117	\$ 20,447	\$ 3,670	17.9%	\$ 69,206	\$ 66,774	\$ 2,432	3.6%
Distributions to common shareholders	(9,000)	(9,393)	(393)	(4.2%)	(26,975)	(24,964)	2,011	8.1%
Distributions to common OP unit holders	(3,214)	(3,214)	-	-	(9,642)	(8,547)	1,095	12.8%
Cash available for debt repayments and reinvestments	<u>\$ 11,903</u>	<u>\$ 7,840</u>	<u>\$ 4,063</u>	51.8%	<u>\$ 32,589</u>	<u>\$ 33,263</u>	<u>\$ (674)</u>	(2.0%)
FAD payout ratio	<u>50.6%</u>	<u>61.7%</u>	<u>(11.1%)</u>	(18.0%)	<u>52.9%</u>	<u>50.2%</u>	<u>2.7%</u>	5.4%

Reported Diluted FFO Per Common Share/OP Unit



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

	As of September 30, 2008			As of December 31, 2007		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
Mortgage Debt:						
7.290% mortgage note, due February 2009	\$ 5,190			\$ 5,323		
5.730% mortgage note, due March 2013	14,308			14,510		
5.520% mortgage note, due May 2013	10,109			10,274		
5.680% mortgage note, due May 2013	10,120			10,281		
6.150% mortgage note, due November 2031 (includes unamortized premium of \$686,000 on \$16.3 million mortgage note with stated rate of 7.200%)	17,025			17,348		
5.610% mortgage note, due January 2011 (includes unamortized premium of \$152,000 on \$2.8 million mortgage note with stated rate of 7.610%)	2,914			2,989		
Total mortgage notes payable (1)	59,666	2.4%	5.94%	60,725	2.6%	5.94%
Total debt	59,666	2.4%	5.94%	60,725	2.6%	5.94%
Preferred Equity						
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 depository shares outstanding) callable 1/30/09	205,000			205,000		
6.875% Series I preferred stock (3,000,000 depository share 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 depository shares outstanding) callable 6/30/09	57,500			57,500		
7.600% Series L preferred stock (2,300,000 depository shares outstanding) callable 8/31/09	57,500			57,500		
7.200% Series M preferred stock (3,300,000 depository shares outstanding) callable 5/2/10	82,500			82,500		
7.125% Series N preferred operating partnership units (800,000 units outstanding) callable 12/12/10	20,000			20,000		
7.375% Series O preferred stock (3,800,000 depository shares outstanding) callable 6/16/11	95,000			95,000		
6.700% Series P preferred stock (5,750,000 depository shares outstanding) callable 1/17/12	143,750			143,750		
6.550% Series Q preferred operating partnership units (480,000 units outstanding) callable 3/12/12	12,000			12,000		
Total preferred equity	811,000	32.8%	7.16%	811,000	34.5%	7.16%
Total debt and preferred equity	870,666	35.2%	7.07%	871,725	37.1%	7.07%
Common stock (20,456,810 and 20,777,219 shares outstanding as of September 30, 2008 and December 31, 2007, respectively)	1,178,312			1,091,843		
Common operating partnership units (7,305,355 units outstanding as of September 30, 2008 and December 31, 2007)	420,788			383,896		
Total common equity (2)	1,599,100	64.8%		1,475,739	62.9%	
Total market capitalization	\$ 2,469,766	100%		\$ 2,347,464	100%	

(1) Principal maturity dates are represented by the following chart:

Principal Maturity Dates							
	2008	2009	2010	2011	2012	Thereafter	Total
Park East III	\$ 46	\$ 5,144	\$ -	\$ -	\$ -	\$ -	\$ 5,190
Rose Canyon	41	261	277	293	309	13,127	14,308
Meadows	62	258	278	15,741	-	-	16,339
Palm Beach	122	507	536	3,178	547	18,101	22,991
Meadows Loan Premium	50	208	218	210	-	-	686
Palm Beach Loan Premium	15	64	67	6	-	-	152
	\$ 336	\$ 6,442	\$ 1,376	\$ 19,428	\$ 856	\$ 31,228	\$ 59,666

(2) Closing stock price was \$57.60 and \$52.55 as of September 30, 2008 and December 31, 2007, respectively.

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

	09/30/08	12/31/07	Increase (Decrease)	% Change
<u>ASSETS</u>				
Cash and cash equivalents	\$ 52,068	\$ 35,041	\$ 17,027	(a) 48.6%
Real estate facilities, at cost:				
Land	494,849	494,849	-	-
Buildings and equipment	1,511,549	1,484,049	27,500	1.9%
	2,006,398	1,978,898	27,500	1.4%
Accumulated depreciation	(613,642)	(539,857)	73,785	13.7%
	1,392,756	1,439,041	(46,285)	(b) (3.2%)
Land held for development	7,869	7,869	-	-
	1,400,625	1,446,910	(46,285)	(3.2%)
Rent receivable	1,699	2,240	(541)	(c) (24.2%)
Deferred rent receivables	22,199	21,927	272	1.2%
Other assets	9,014	10,465	(1,451)	(d) (13.9%)
Total assets	<u>\$ 1,485,605</u>	<u>\$ 1,516,583</u>	<u>\$ (30,978)</u>	(2.0%)
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Accrued and other liabilities	\$ 54,404	\$ 51,058	\$ 3,346	(e) 6.6%
Mortgage notes payable	59,666	60,725	(1,059)	(1.7%)
Total liabilities	114,070	111,783	2,287	2.0%
Minority interests:				
Preferred units	94,750	94,750	-	-
Common units	147,499	154,470	(6,971)	(4.5%)
Shareholders' equity:				
Preferred stock	716,250	716,250	-	-
Common stock	204	207	(3)	(1.4%)
Paid-in capital	358,130	371,267	(13,137)	(f) (3.5%)
Cumulative net income	604,159	552,069	52,090	9.4%
Cumulative distributions	(549,457)	(484,213)	65,244	(g) 13.5%
Total shareholders' equity	1,129,286	1,155,580	(26,294)	(2.3%)
Total liabilities and shareholders' equity	<u>\$ 1,485,605</u>	<u>\$ 1,516,583</u>	<u>\$ (30,978)</u>	(2.0%)

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

(a) Change in cash and cash equivalents:			
Beginning cash balance			\$ 35,041
Net cash provided by operating activities			147,912
Net cash used in investing activities			(28,985)
Net cash used in financing activities			(101,900)
Ending cash balance			<u>\$ 52,068</u>
(b) Change in real estate facilities, at cost:			
Beginning balance			\$ 1,439,041
Property renovations			1,711
Recurring capital improvements			7,306
Tenant improvements			14,871
Lease commissions			5,097
Depreciation and amortization			(75,270)
Ending balance			<u>\$ 1,392,756</u>
(c) Rent receivable consists of:			
	<u>09/30/08</u>	<u>12/31/07</u>	Increase (Decrease)
U.S. Government tenants	\$ 1,039	\$ 1,143	\$ (104)
Other	960	\$ 1,397	(437)
Allowance for bad debt	(300)	\$ (300)	-
	<u>\$ 1,699</u>	<u>\$ 2,240</u>	<u>\$ (541)</u>
(d) Other assets consist of:			
	<u>09/30/08</u>	<u>12/31/07</u>	Increase (Decrease)
Insurance claim receivable	\$ 118	\$ 122	\$ (4)
Prepaid insurance	1,838	1,316	522
Prepaid property taxes	2,388	2,615	(227)
Lease incentives, net	1,314	1,705	(391)
Mortgage impounds	1,363	1,474	(111)
In-place lease adjustment, net	240	419	(179)
Other	1,753	2,814	(1,061)
	<u>\$ 9,014</u>	<u>\$ 10,465</u>	<u>\$ (1,451)</u>
(e) Accrued and other liabilities consist of:			
	<u>09/30/08</u>	<u>12/31/07</u>	Increase (Decrease)
Prepaid rent	\$ 9,880	\$ 9,957	\$ (77)
Accrued property taxes	11,012	5,197	\$ 5,815
Security deposits	19,536	19,118	\$ 418
In-place lease adjustment and TI reimbursements, net	2,645	3,213	\$ (568)
Reserves for acquisition costs	1,659	2,001	\$ (342)
Accrued stock repurchase	-	3,302	\$ (3,302)
Other	9,672	8,270	\$ 1,402
	<u>\$ 54,404</u>	<u>\$ 51,058</u>	<u>\$ 3,346</u>
(f) Change in paid-in capital:			
Beginning paid-in capital			\$ 371,267
Repurchase of common stock			(18,321)
Exercise of stock options			733
Restricted stock and stock compensation			2,223
Adjustment to reflect minority interest to underlying ownership			2,228
Ending paid in capital			<u>\$ 358,130</u>
(g) Change in cumulative distributions:			
Beginning cumulative distributions			\$ 484,213
Distributions to preferred shareholders			38,269
Distributions to common shareholders			26,975
Ending cumulative distributions			<u>\$ 549,457</u>

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

	09/30/08	09/30/07	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 71,464	\$ 68,530	\$ 2,934 (a)	4.3%
Facility management fees	178	177	1	0.6%
Total operating revenues	<u>71,642</u>	<u>68,707</u>	<u>2,935</u>	4.3%
Expenses:				
Cost of operations	22,591	21,204	1,387 (b)	6.5%
Depreciation and amortization	24,703	25,285	(582)	(2.3%)
General and administrative	1,950	2,124	(174) (c)	(8.2%)
Total operating expenses	<u>49,244</u>	<u>48,613</u>	<u>631</u>	1.3%
Other income and expenses:				
Interest and other income	404	1,151	(747)	(64.9%)
Interest expense	(988)	(1,009)	(21) (d)	(2.1%)
Total other income and expenses	<u>(584)</u>	<u>142</u>	<u>(726)</u>	(511.3%)
Income before minority interests	<u>21,814</u>	<u>20,236</u>	<u>1,578</u>	7.8%
Minority interests:				
Minority interest in income - preferred units	(1,752)	(1,752)	-	0.0%
Minority interest in income - common units	(1,910)	(1,461)	449	30.7%
Total minority interests	<u>(3,662)</u>	<u>(3,213)</u>	<u>449</u>	14.0%
Net income	<u>18,152</u>	<u>17,023</u>	<u>1,129</u>	6.6%
Net income allocable to preferred shareholders:				
Preferred stock distributions	12,756	12,756	-	-
Net income allocable to common shareholders	<u>\$ 5,396</u>	<u>\$ 4,267</u>	<u>\$ 1,129</u>	26.5%
Net income per common share:				
Basic	\$ 0.26	\$ 0.20	\$ 0.06	30.0%
Diluted	\$ 0.26	\$ 0.20	\$ 0.06	30.0%
Weighted average common shares outstanding:				
Basic	<u>20,448</u>	<u>21,345</u>	<u>(897)</u>	(4.2%)
Diluted	<u>20,690</u>	<u>21,616</u>	<u>(926)</u>	(4.3%)

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENT OF INCOME
VARIANCE DETAIL
FOR THE THREE MONTHS ENDED
(in thousands)

	09/30/08	09/30/07	Increase (Decrease)
(a) Rental income:			
Same Park	\$ 67,395	\$ 65,270	\$ 2,125
Non-Same Park	3,714	3,029	685
Same Park straight-line rent	276	118	158
Non-Same Park straight-line rent	79	113	(34)
	<u>\$ 71,464</u>	<u>\$ 68,530</u>	<u>\$ 2,934</u>
(b) Cost of operations:			
Same Park	\$ 21,493	\$ 20,104	\$ 1,389
Non-Same Park	1,098	1,100	(2)
	<u>\$ 22,591</u>	<u>\$ 21,204</u>	<u>\$ 1,387</u>
(c) General and administrative expenses:			
Cash and non-cash compensation expense	\$ 1,484	\$ 1,588	\$ (104)
Professional fees	188	226	(38)
Other	278	310	(32)
	<u>\$ 1,950</u>	<u>\$ 2,124</u>	<u>\$ (174)</u>
(d) Interest expense:			
Mortgage notes payable	\$ (900)	\$ (908)	\$ (8)
Facilities fees & other charges	(88)	(101)	(13)
	<u>\$ (988)</u>	<u>\$ (1,009)</u>	<u>\$ (21)</u>

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

	9/30/2008	9/30/2007	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 212,021	\$ 200,929	\$ 11,092 (a)	5.5%
Facility management fees	550	542	8	1.5%
Total operating revenues	<u>212,571</u>	<u>201,471</u>	<u>11,100</u>	5.5%
Expenses:				
Cost of operations	67,020	62,665	4,355 (b)	6.9%
Depreciation and amortization	75,270	71,841	3,429	4.8%
General and administrative	6,081	5,938	143 (c)	2.4%
Total operating expenses	<u>148,371</u>	<u>140,444</u>	<u>7,927</u>	5.6%
Other income and expenses:				
Interest and other income	1,014	4,141	(3,127)	(75.5%)
Interest expense	(2,971)	(3,128)	(157) (d)	(5.0%)
Total other income and expenses	<u>(1,957)</u>	<u>1,013</u>	<u>(2,970)</u>	(293.2%)
Income before minority interests	<u>62,243</u>	<u>62,040</u>	<u>203</u>	0.3%
Minority interests:				
Minority interest in income - preferred units	(5,256)	(5,103)	153	3.0%
Minority interest in income - common units	(4,897)	(4,785)	112	2.3%
Total minority interests	<u>(10,153)</u>	<u>(9,888)</u>	<u>265</u>	2.7%
Net income	<u>52,090</u>	<u>52,152</u>	<u>(62)</u>	(0.1%)
Net income allocable to preferred shareholders:				
Preferred stock distributions	38,269	38,181	88	0.2%
Net income allocable to common shareholders	<u>\$ 13,821</u>	<u>\$ 13,971</u>	<u>\$ (150)</u>	(1.1%)
Net income per common share:				
Basic	\$ 0.68	\$ 0.65	\$ 0.03	4.6%
Diluted	\$ 0.67	\$ 0.64	\$ 0.03	4.7%
Weighted average common shares outstanding:				
Basic	<u>20,438</u>	<u>21,332</u>	<u>(894) (e)</u>	(4.2%)
Diluted	<u>20,674</u>	<u>21,670</u>	<u>(996)</u>	(4.6%)

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENT OF INCOME
VARIANCE DETAIL
FOR THE NINE MONTHS ENDED
(in thousands)

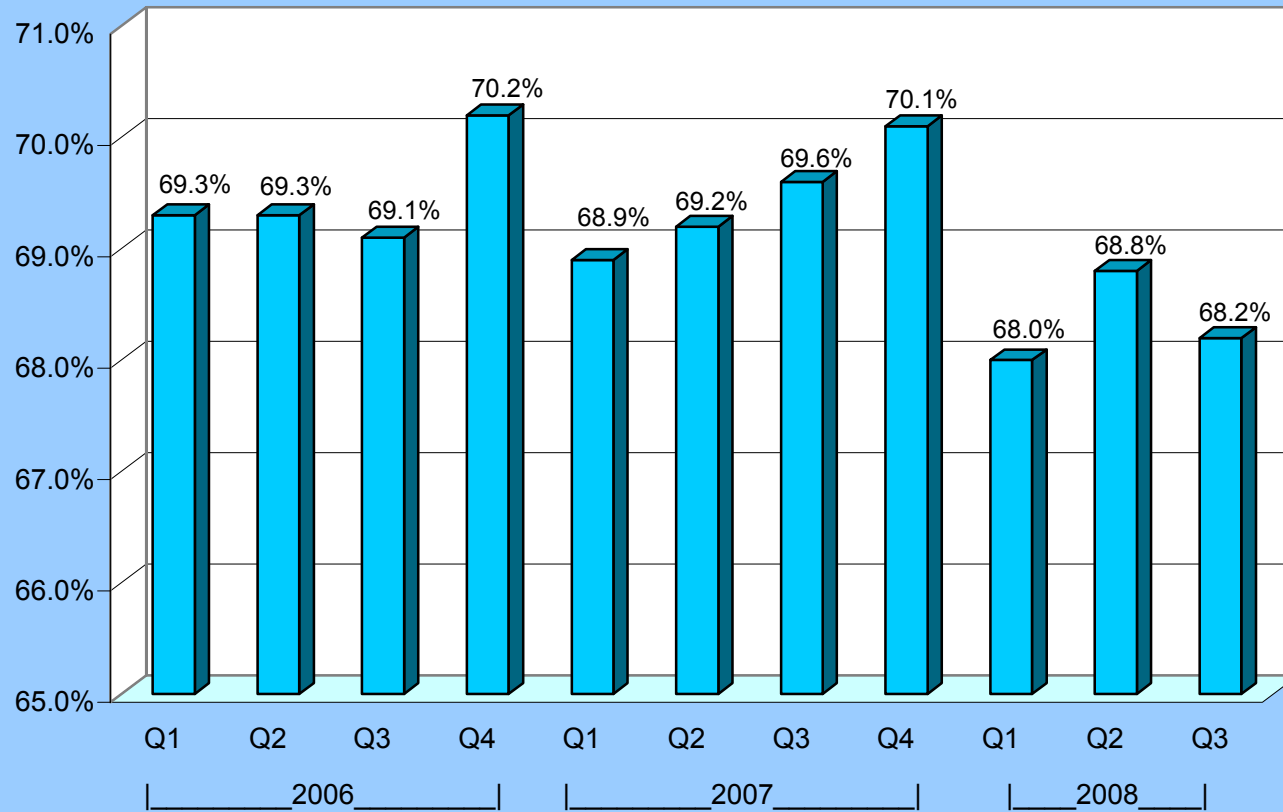
	09/30/08	09/30/07	Increase (Decrease)
(a) Rental income:			
Same Park	\$ 200,676	\$ 193,881	\$ 6,795
Non-Same Park	11,073	6,558	4,515
Same Park straight-line rent	29	329	(300)
Non-Same Park straight-line rent	243	161	82
	<u>\$ 212,021</u>	<u>\$ 200,929</u>	<u>\$ 11,092</u>
(b) Cost of operations:			
Same Park	\$ 63,499	\$ 60,527	\$ 2,972
Non-Same Park	3,521	2,138	1,383
	<u>\$ 67,020</u>	<u>\$ 62,665</u>	<u>\$ 4,355</u>
(c) General and administrative expenses:			
Cash and non-cash compensation expense	\$ 4,666	\$ 4,408	\$ 258
Professional fees	547	556	(9)
Other	868	974	(106)
	<u>\$ 6,081</u>	<u>\$ 5,938</u>	<u>\$ 143</u>
(d) Interest expense:			
Mortgage notes payable	\$ (2,707)	\$ (2,862)	\$ (155)
Facilities fees & other charges	(264)	(266)	(2)
	<u>\$ (2,971)</u>	<u>\$ (3,128)</u>	<u>\$ (157)</u>
(e) Net decrease relates to stock repurchases partially offset by stock option exercises and vesting of restricted stock units.			

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

<u>Recurring capital expenditures</u> ⁽¹⁾	<u>Nine Months Ended September 30, 2008 Costs</u>	<u>Cost per Weighted Average Square Foot</u>
Capital improvements ⁽²⁾	\$7,306	\$0.37
Tenant improvements	14,871	\$0.76
Lease commissions	5,097	\$0.26
Total recurring capital expenditures	<u>\$27,274</u>	\$1.39
 <u>Non-recurring capital expenditures</u>		
Property renovations	\$1,711	
Total non-recurring capital expenditures	<u>\$1,711</u>	

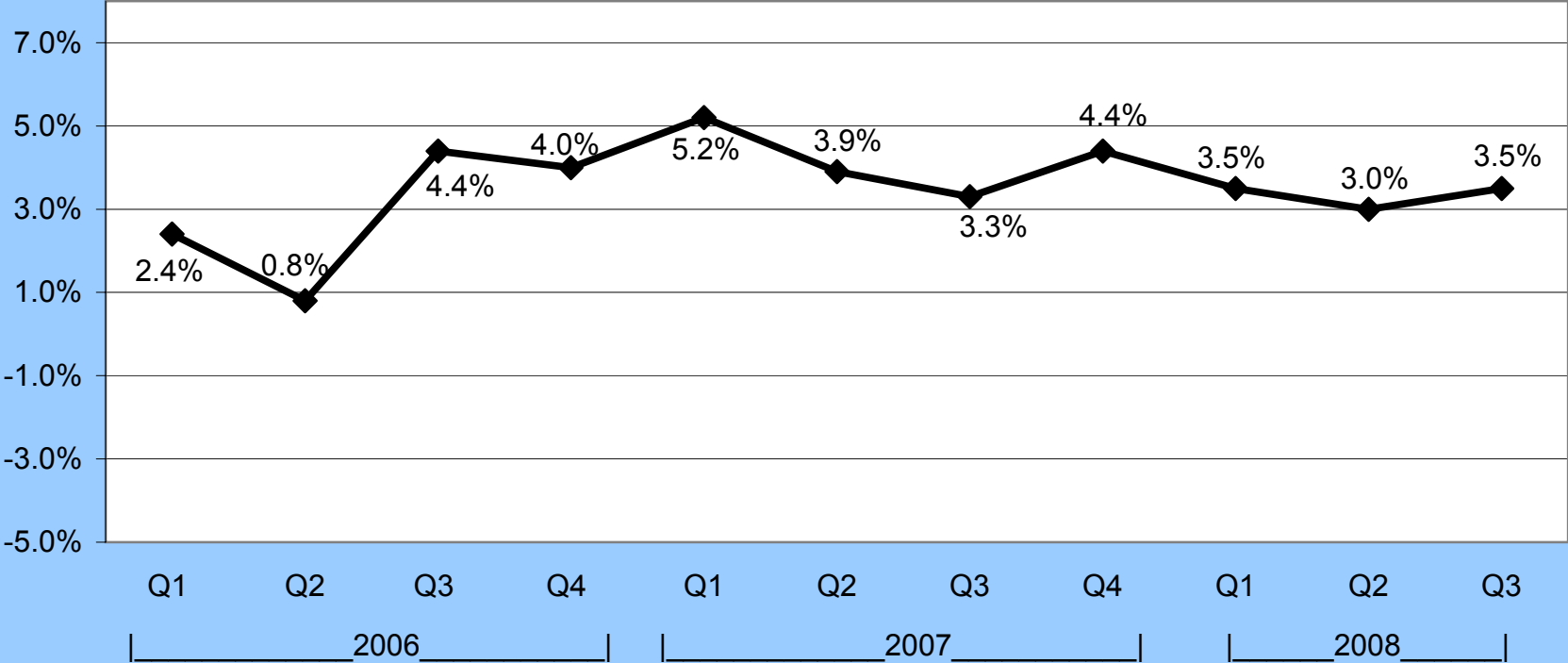
- (1) The Company defines "recurring capital expenditures" as those capitalized costs necessary to continue to operate the property at its current economic value. Leasing costs in excess of \$1,000 and capital improvements in excess of \$2,000 with a useful life greater than 24 months are capitalized. It excludes deferred maintenance and leasing costs committed to by previous owners for acquired properties, 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 expenses were \$15.1 million or approximately \$0.77 per weighted average square foot for the nine months ended September 30, 2008 compared to \$14.3 million or approximately \$0.74 per weighted average square foot for the nine months ended September 30, 2007.
- (2) Major costs include roof, HVAC and parking lot replacement as well as other major repairs that extend the life of the respective components of the building.

Same Park Gross Operating Margin Percentage *



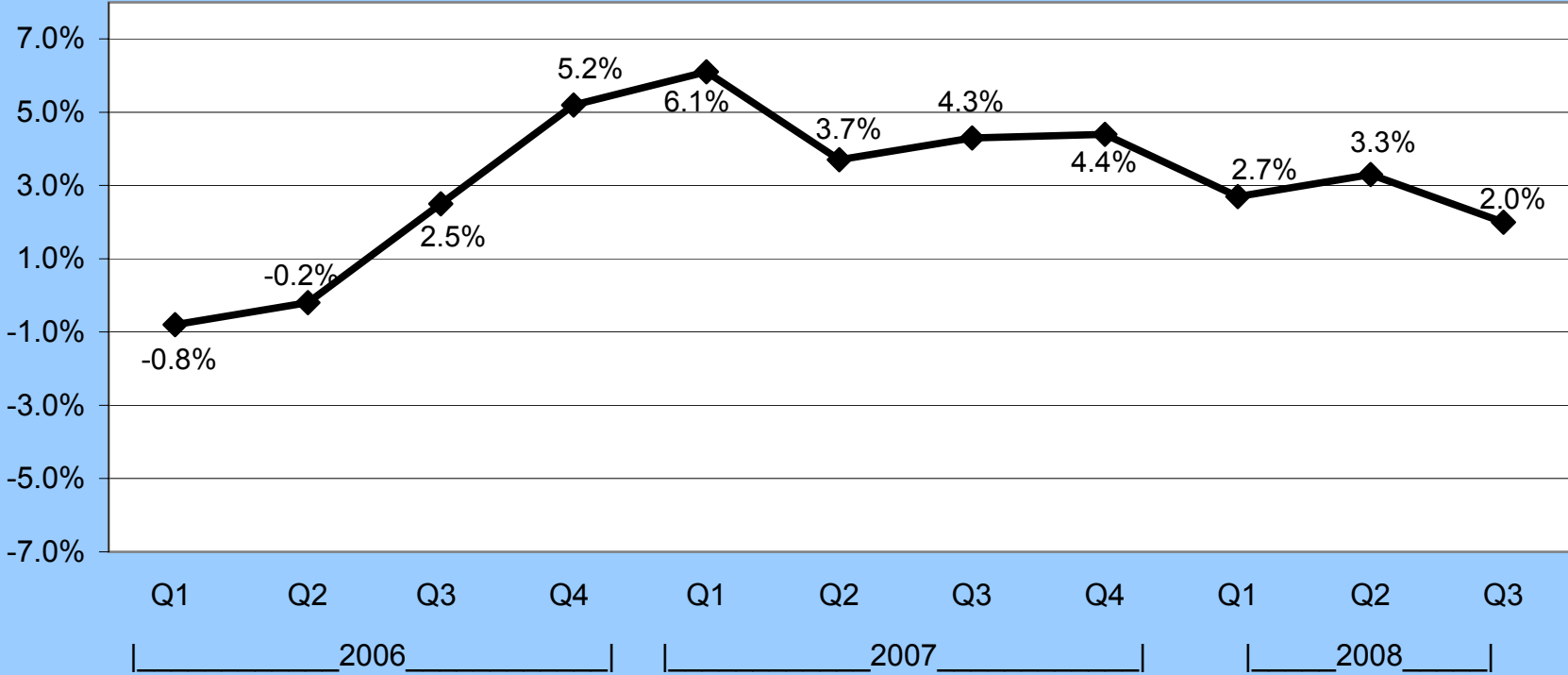
* Gross margin is computed by dividing property net operating income by rental income for Same Park properties owned in each period.

Change in Same Park Revenue *



* Percentage represents the change over the comparable period in the previous year based on Same Park operating assets as reported in each period. Q1 '06 and Q1 '07 exclude a \$1.8 million bankruptcy settlement received in Q1' 06.

Change in Same Park NOI *



* Percentage represents the change over the comparable period in the previous year based on Same Park operating assets as reported in each period. Q1 '06 and Q1 '07 exclude a \$1.8 million bankruptcy settlement received in Q1 '06.

PS BUSINESS PARKS, INC.
PORTFOLIO CONCENTRATION SUMMARY
(in thousands)

Industry Concentration as of September 30, 2008

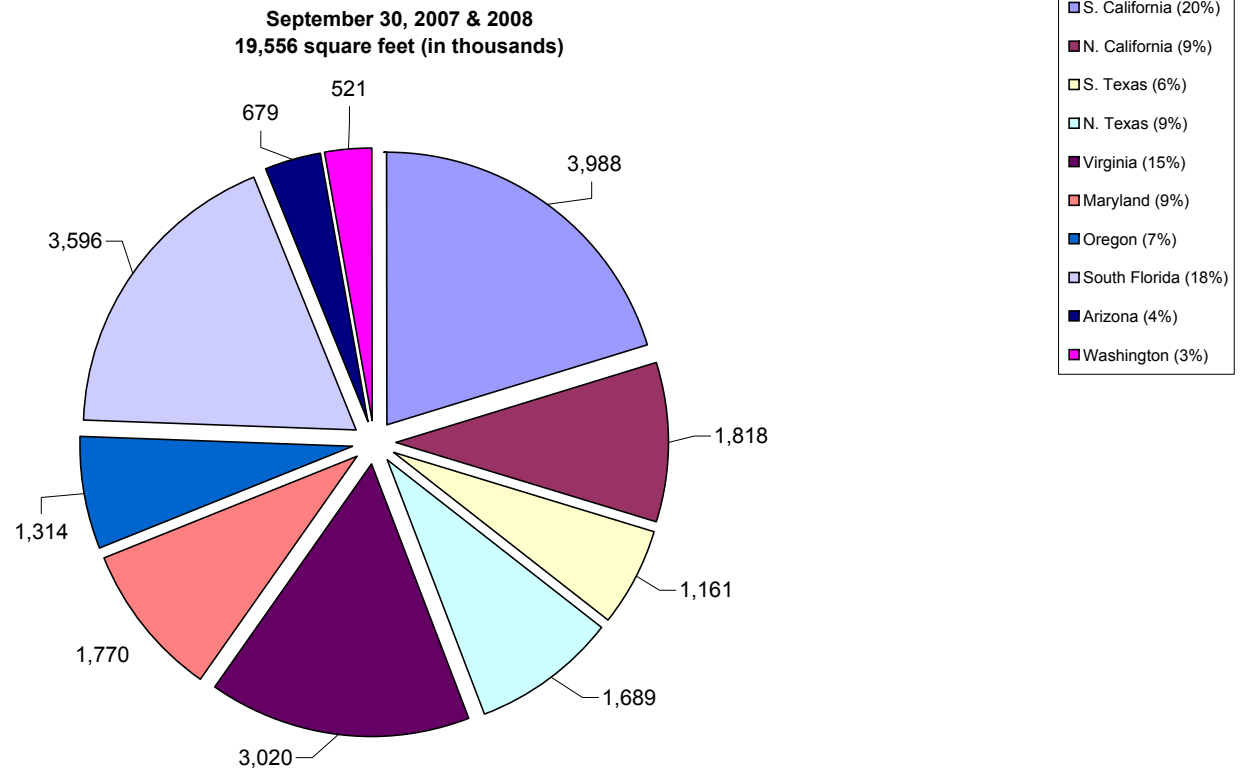
Industry	% of Total Rental Income
Business Services	13.3%
Health Services	9.9%
Computer Hardware, Software and Related Service	9.7%
Government	8.7%
Warehouse, Transportation and Logistics	8.7%
Financial Services	8.3%
Contractors	7.7%
Retail	6.2%
Communications	5.6%
Home Furnishings	3.8%
Electronics	3.3%
Educational Services	2.9%
Aerospace/Defense Products and Services	2.2%
Total	90.3%

Top 10 Customers by Total Annual Rental Income as of September 30, 2008

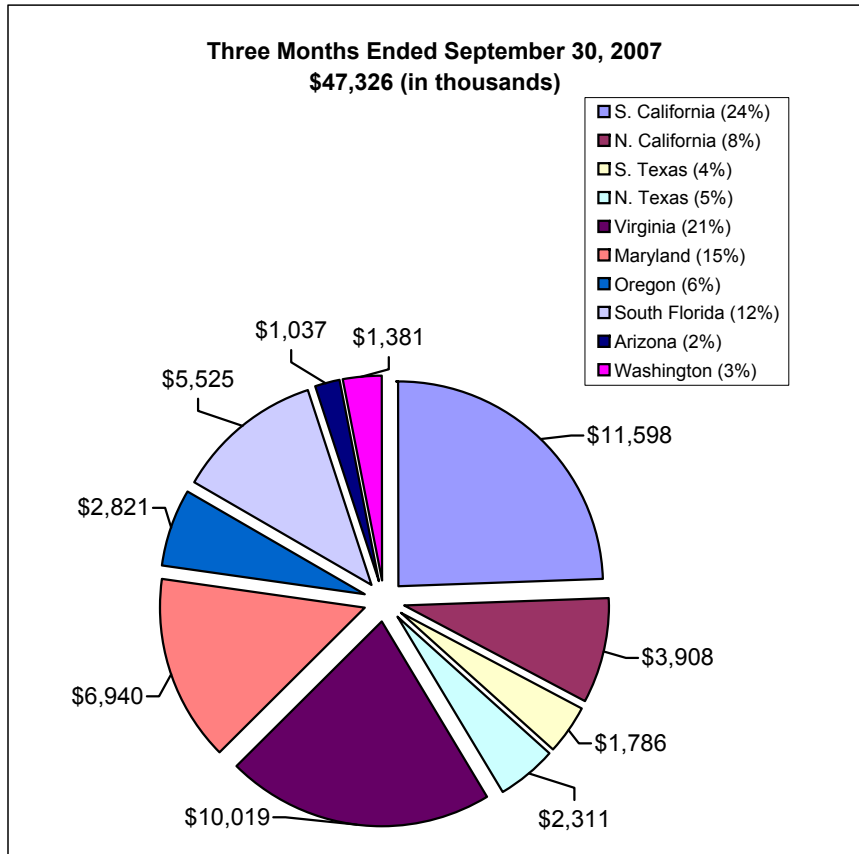
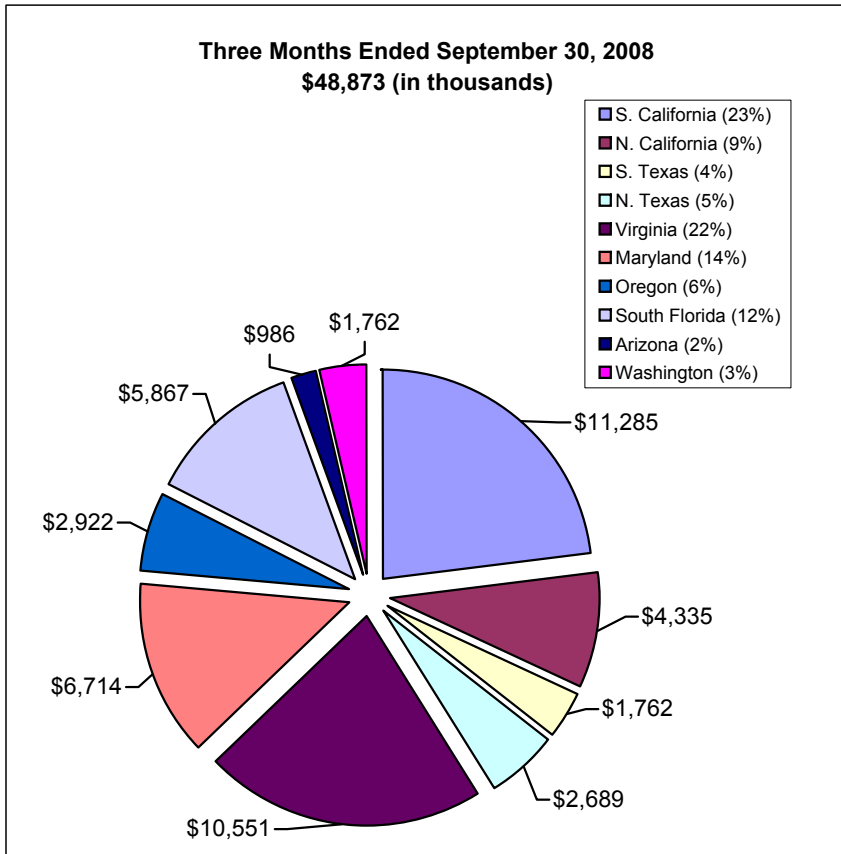
Tenant	Square Footage	Annualized Rental Income ⁽¹⁾	% of Total Annualized Rental Income
U.S. Government	486	\$ 12,713	4.4%
Kaiser Permanente	186	4,514	1.6%
Wells Fargo Bank	102	1,748	0.6%
AARP	102	1,665	0.6%
Northrop Grumman	57	1,665	0.6%
Raytheon	82	1,563	0.5%
American Intercontinental University	75	1,404	0.5%
Intel	94	1,360	0.5%
Montgomery County Public School	47	1,304	0.5%
American Systems	63	1,250	0.4%
Total	1,294	\$ 29,186	10.2%

(1) - For leases expiring within one year, annualized rental income represents income to be received under existing leases from September 30, 2008 through date of expiration.

Total Owned Rentable Square Footage by Region



Total Owned Property Net Operating Income by Region



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

Rentable Square Footage of Properties as of September 30, 2008					
Primary Markets	Industrial	Office	Flex	Total	%
Miami	2,556	12	631	3,199	16.4%
Northern Virginia	-	1,073	1,947	3,020	15.4%
Northern California	407	431	980	1,818	9.3%
Maryland	-	883	887	1,770	9.1%
Dallas	231	-	1,458	1,689	8.6%
Orange County	-	705	911	1,616	8.3%
Los Angeles County	712	31	861	1,604	8.2%
Portland	-	188	1,126	1,314	6.7%
Austin	-	-	787	787	4.0%
San Diego County	-	-	768	768	3.9%
Phoenix	-	-	679	679	3.5%
Seattle	-	28	493	521	2.7%
Palm Beach	-	-	397	397	2.0%
Houston	-	131	243	374	1.9%
Total	3,906	3,482	12,168	19,556	100.0%
Percentage by Product Type	20.0%	17.8%	62.2%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended September 30, 2008				
Primary Markets	Industrial	Office	Flex	Total
Miami	97.0%	100.0%	98.6%	97.3%
Northern Virginia	-	96.1%	98.3%	97.5%
Northern California	97.9%	91.8%	90.1%	92.3%
Maryland	-	94.7%	90.4%	92.5%
Dallas	100.0%	-	91.8%	92.9%
Orange County	-	91.4%	92.7%	92.1%
Los Angeles County	99.7%	91.0%	91.3%	95.0%
Portland	-	88.8%	83.2%	84.0%
Austin	-	-	93.7%	93.7%
San Diego County	-	-	93.4%	93.4%
Phoenix	-	-	86.8%	86.8%
Seattle	-	100.0%	94.4%	94.7%
Palm Beach	-	-	92.6%	92.6%
Houston	-	100.0%	96.4%	97.6%
Total	97.8%	94.0%	92.4%	93.7%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended September 30, 2008			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	97.1%	99.4%	97.3%
Northern Virginia	98.4%	95.9%	97.5%
Northern California	99.1%	85.4%	92.3%
Maryland	93.2%	86.9%	92.5%
Dallas	95.3%	81.8%	92.9%
Orange County	92.6%	91.6%	92.1%
Los Angeles County	99.7%	91.3%	95.0%
Portland	82.8%	89.9%	84.0%
Austin	94.5%	91.2%	93.7%
San Diego County	-	93.4%	93.4%
Phoenix	-	86.8%	86.8%
Seattle	-	94.7%	94.7%
Palm Beach	-	92.6%	92.6%
Houston	-	97.6%	97.6%
Total	95.1%	91.5%	93.7%

Note:

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 September 30, 2008					
Primary Markets	Industrial	Office	Flex	Total	%
Miami	2,556	12	631	3,199	17.1%
Northern Virginia	-	947	1,946	2,893	15.5%
Maryland	-	883	887	1,770	9.5%
Dallas	231	-	1,458	1,689	9.0%
Orange County	-	705	911	1,616	8.7%
Los Angeles County	712	31	861	1,604	8.6%
Northern California	407	431	729	1,567	8.4%
Portland	-	188	1,126	1,314	7.0%
Austin	-	-	787	787	4.2%
San Diego County	-	-	768	768	4.1%
Phoenix	-	-	679	679	3.6%
Palm Beach	-	-	397	397	2.1%
Houston	-	131	243	374	2.0%
Seattle	-	-	28	28	0.2%
Total	3,906	3,328	11,451	18,685	100.0%
Percentage by Product Type	20.9%	17.8%	61.3%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended September 30, 2008				
Primary Markets	Industrial	Office	Flex	Total
Miami	97.0%	100.0%	98.6%	97.3%
Northern Virginia	-	96.3%	98.3%	97.6%
Maryland	-	94.7%	90.4%	92.5%
Dallas	100.0%	-	91.8%	92.9%
Orange County	-	91.4%	92.7%	92.1%
Los Angeles County	99.7%	91.0%	91.3%	95.0%
Northern California	97.9%	91.8%	94.7%	94.7%
Portland	-	88.8%	83.2%	84.0%
Austin	-	-	93.7%	93.7%
San Diego County	-	-	93.4%	93.4%
Phoenix	-	-	86.8%	86.8%
Palm Beach	-	-	92.6%	92.6%
Houston	-	100.0%	96.4%	97.6%
Seattle	-	-	89.6%	89.6%
Total	97.8%	93.9%	92.6%	93.9%

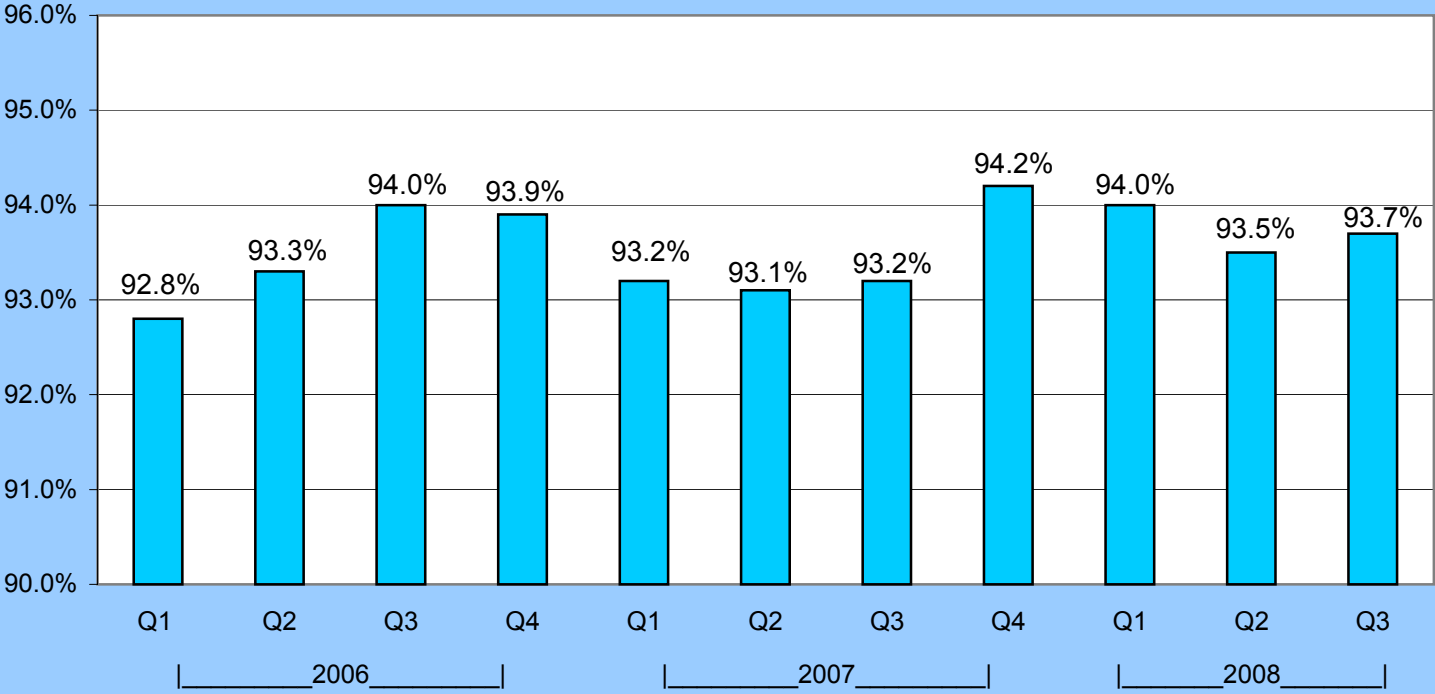
Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended September 30, 2008			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	97.1%	99.4%	97.3%
Northern Virginia	98.6%	95.9%	97.6%
Maryland	93.2%	86.9%	92.5%
Dallas	95.3%	81.8%	92.9%
Orange County	92.6%	91.6%	92.1%
Los Angeles County	99.7%	91.3%	95.0%
Northern California	99.1%	88.7%	94.7%
Portland	82.8%	89.9%	84.0%
Austin	94.5%	91.2%	93.7%
San Diego County	-	93.4%	93.4%
Phoenix	-	86.8%	86.8%
Palm Beach	-	92.6%	92.6%
Houston	-	97.6%	97.6%
Seattle	-	89.6%	89.6%
Total	95.1%	91.8%	93.9%

Note:

Includes all properties owned since January 1, 2007.

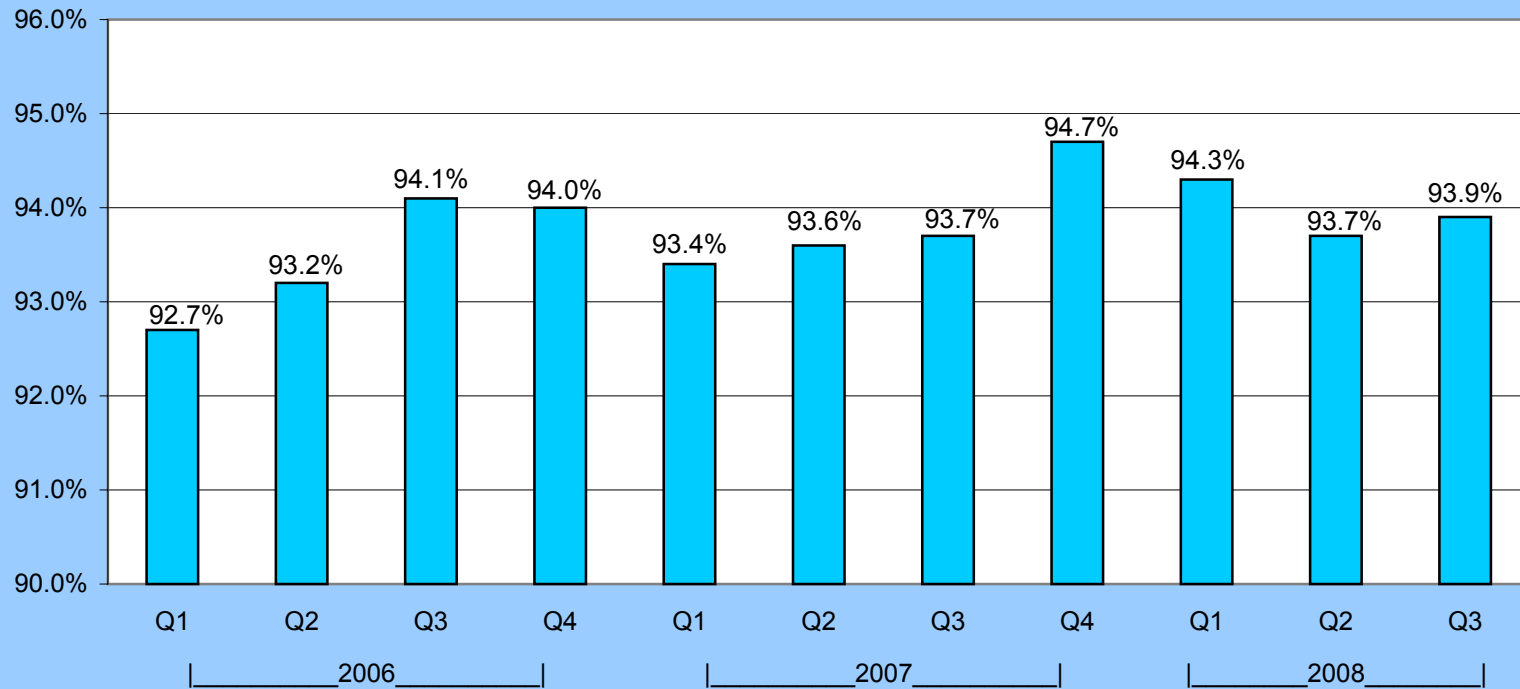
The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet while the "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

Total Owned Portfolio Weighted Average Occupancy *



* Represents the weighted average occupancy for total owned portfolio held in continuing operations as reported in each period.

Same Park Weighted Average Occupancy *



* Represents the weighted average occupancy for total owned portfolio held in continuing operations as reported in each period.

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of September 30, 2008

(in thousands)

Lease Expirations - Flex				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	635	\$ 10,699	5.8%	3.6%
2009	3,001	45,686	24.9%	15.4%
2010	2,286	35,175	19.2%	11.9%
2011	1,893	32,023	17.5%	10.8%
2012	1,210	21,854	11.9%	7.4%
Thereafter	2,045	37,828	20.7%	12.7%
Total	11,070	\$ 183,265	100.0%	61.8%

Lease Expirations - Office				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	109	\$ 2,284	2.8%	0.8%
2009	620	13,244	16.3%	4.4%
2010	794	19,504	24.0%	6.6%
2011	550	14,019	17.3%	4.7%
2012	471	12,460	15.3%	4.2%
Thereafter	717	19,793	24.3%	6.7%
Total	3,261	\$ 81,304	100.0%	27.4%

Lease Expirations - Industrial				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	88	\$ 735	2.3%	0.2%
2009	729	6,095	18.9%	2.1%
2010	938	7,767	24.1%	2.6%
2011	777	6,857	21.3%	2.3%
2012	535	4,791	14.9%	1.6%
Thereafter	715	5,965	18.5%	2.0%
Total	3,782	\$ 32,210	100.0%	10.8%

Lease Expirations - Total				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	832	\$ 13,718	4.6%	4.6%
2009	4,350	65,025	21.9%	21.9%
2010	4,018	62,446	21.1%	21.1%
2011	3,220	52,899	17.8%	17.8%
2012	2,216	39,105	13.2%	13.2%
Thereafter	3,477	63,586	21.4%	21.4%
Total	18,113	\$ 296,779	100.0%	100.0%

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of September 30, 2008

(in thousands)

Southern California					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	187	\$	3,300	4.8%	1.1%
2009	1,048		17,740	25.9%	6.0%
2010	1,028		17,893	26.1%	6.0%
2011	638		10,823	15.8%	3.6%
2012	293		6,223	9.1%	2.1%
Thereafter	512		12,527	18.3%	4.2%
Total	3,706	\$	68,506	100.0%	23.0%

Northern California					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	93	\$	2,579	10.3%	0.9%
2009	460		6,634	26.5%	2.2%
2010	382		5,080	20.3%	1.7%
2011	246		3,589	14.3%	1.2%
2012	184		2,321	9.3%	0.8%
Thereafter	302		4,848	19.3%	1.6%
Total	1,667	\$	25,051	100.0%	8.4%

Southern Texas					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	96	\$	969	7.5%	0.3%
2009	358		4,214	32.7%	1.4%
2010	198		2,201	17.1%	0.7%
2011	124		1,434	11.1%	0.5%
2012	108		1,730	13.4%	0.6%
Thereafter	188		2,341	18.2%	0.8%
Total	1,072	\$	12,889	100.0%	4.3%

Northern Texas					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	77	\$	837	4.8%	0.3%
2009	254		2,162	12.3%	0.7%
2010	273		2,568	14.6%	0.9%
2011	138		1,707	9.7%	0.6%
2012	307		4,145	23.5%	1.4%
Thereafter	523		6,188	35.1%	2.1%
Total	1,572	\$	17,607	100.0%	6.0%

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of September 30, 2008

(in thousands)

South Florida					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	122	\$	1,247	3.6%	0.4%
2009	727		7,711	22.6%	2.6%
2010	822		7,795	22.8%	2.6%
2011	701		7,035	20.6%	2.4%
2012	482		4,978	14.6%	1.7%
Thereafter	526		5,384	15.8%	1.8%
Total	3,380	\$	34,150	100.0%	11.5%

Northern Virginia					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	109	\$	2,351	3.8%	0.8%
2009	613		11,897	19.2%	4.0%
2010	647		13,265	21.4%	4.5%
2011	312		6,676	10.7%	2.3%
2012	423		10,693	17.2%	3.6%
Thereafter	748		17,176	27.7%	5.8%
Total	2,852	\$	62,058	100.0%	21.0%

Maryland					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	41	\$	712	1.8%	0.2%
2009	257		4,669	11.6%	1.6%
2010	328		8,216	20.4%	2.8%
2011	412		10,449	26.0%	3.5%
2012	245		6,426	16.0%	2.2%
Thereafter	383		9,704	24.2%	3.3%
Total	1,666	\$	40,176	100.0%	13.6%

Oregon					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	47	\$	789	3.9%	0.3%
2009	250		4,337	21.6%	1.5%
2010	113		2,017	10.1%	0.7%
2011	470		8,309	41.5%	2.8%
2012	50		876	4.4%	0.3%
Thereafter	203		3,698	18.5%	1.2%
Total	1,133	\$	20,026	100.0%	6.8%

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of September 30, 2008

(in thousands)

Washington				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	31	\$ 537	6.0%	0.2%
2009	153	2,729	30.6%	0.9%
2010	87	1,622	18.2%	0.6%
2011	98	1,876	21.1%	0.6%
2012	39	803	9.0%	0.2%
Thereafter	62	1,341	15.1%	0.5%
Total	470	\$ 8,908	100.0%	3.0%

Arizona				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	29	\$ 397	5.4%	0.1%
2009	230	2,932	39.6%	1.0%
2010	140	1,789	24.1%	0.6%
2011	81	1,001	13.5%	0.3%
2012	85	910	12.3%	0.3%
Thereafter	30	379	5.1%	0.1%
Total	595	\$ 7,408	100.0%	2.4%

Total				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	832	\$ 13,718	4.6%	4.6%
2009	4,350	65,025	21.9%	21.9%
2010	4,018	62,446	21.1%	21.1%
2011	3,220	52,899	17.8%	17.8%
2012	2,216	39,105	13.2%	13.2%
Thereafter	3,477	63,586	21.4%	21.4%
Total	18,113	\$ 296,779	100.0%	100.0%

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of September 30, 2008

(in thousands)

Lease Expirations - Large Tenant Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	356	\$ 6,202	3.6%	2.1%
2009	2,088	28,074	16.3%	9.5%
2010	2,209	31,240	18.1%	10.6%
2011	2,169	33,585	19.5%	11.3%
2012	1,552	26,216	15.2%	8.8%
Thereafter	2,760	46,958	27.3%	15.8%
Total	11,134	\$ 172,275	100.0%	58.1%

Lease Expirations - Small Tenant Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	476	\$ 7,516	6.0%	2.5%
2009	2,262	36,951	29.7%	12.4%
2010	1,809	31,206	25.0%	10.5%
2011	1,051	19,314	15.5%	6.5%
2012	664	12,889	10.4%	4.4%
Thereafter	717	16,628	13.4%	5.6%
Total	6,979	\$ 124,504	100.0%	41.9%

Lease Expirations - Total				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	832	\$ 13,718	4.6%	4.6%
2009	4,350	65,025	21.9%	21.9%
2010	4,018	62,446	21.1%	21.1%
2011	3,220	52,899	17.8%	17.8%
2012	2,216	39,105	13.2%	13.2%
Thereafter	3,477	63,586	21.4%	21.4%
Total	18,113	\$ 296,779	100.0%	100.0%