



**PSBUSINESSPARKS.**

**Analysis of Operating Results  
and Financial Condition**

**December 31, 2008**

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION  
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2008**

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

OPERATING DATA							
	FOR THE THREE MONTHS ENDED			FOR THE YEARS ENDED			
	12/31/08	12/31/07	% Change	12/31/08	12/31/07	% Change	
Total rental income	\$ 71,482	\$ 69,846	2.3%	\$ 283,503	\$ 270,775	4.7%	
Total cost of operations	21,422	21,695	(1.3%)	88,442	84,360	4.8%	
Net operating income	<u>\$ 50,060</u>	<u>\$ 48,151</u>	4.0%	<u>\$ 195,061</u>	<u>\$ 186,415</u>	4.6%	
Net income allocable to common shareholders	\$ 9,593	\$ 3,758	155.3%	\$ 23,414	\$ 17,729	32.1%	
Net income per common share:							
Basic	\$ 0.47	\$ 0.18	161.1%	\$ 1.15	\$ 0.83	38.6%	
Diluted	\$ 0.47	\$ 0.17	176.5%	\$ 1.13	\$ 0.82	37.8%	
Weighted average common shares outstanding - basic	20,459	21,257	(3.8%)	20,443	21,313	(4.1%)	
Weighted average common shares outstanding - diluted	20,614	21,519	(4.2%)	20,664	21,634	(4.5%)	
Weighted average common OP units outstanding	7,305	7,305	-	7,305	7,305	-	
Total fully-converted diluted shares	<u>27,919</u>	<u>28,824</u>	(3.1%)	<u>27,969</u>	<u>28,939</u>	(3.4%)	

FUNDS FROM OPERATIONS							
	FOR THE THREE MONTHS ENDED			FOR THE YEARS ENDED			
	12/31/08	12/31/07	% Change	12/31/08	12/31/07	% Change	
FFO allocable to common shareholders/unit holders	\$ 33,342	\$ 31,808	4.8%	\$ 127,330	\$ 122,405	4.0%	
Gain on repurchase of preferred stock, net	4,228	-	100.0%	4,228	-	100.0%	
FFO allocable to common shareholders/unit holders	<u>\$ 37,570</u>	<u>\$ 31,808</u>	18.1%	<u>\$ 131,558</u>	<u>\$ 122,405</u>	7.5%	
Diluted FFO per common share and units - before adjustment	\$ 1.19	\$ 1.10	8.2%	\$ 4.55	\$ 4.23	7.6%	
Diluted FFO per common share and OP units - as reported	\$ 1.35	\$ 1.10	22.7%	\$ 4.70	\$ 4.23	11.1%	

PROPERTY INFORMATION							
	FOR THE THREE MONTHS ENDED			FOR THE YEARS ENDED			
	12/31/08	12/31/07	% Change	12/31/08	12/31/07	% Change	
<b>Total Owned Portfolio</b>							
Total rentable square footage at period end	19,556	19,556	-	19,556	19,556	-	
Weighted average occupancy	92.7%	94.2%	(1.6%)	93.5%	93.4%	0.1%	
Annualized realized rent per sq. ft. <sup>(1)</sup>	\$ 15.77	\$ 15.17	4.0%	\$ 15.50	\$ 14.97	3.5%	
REVPAF <sup>(2)</sup>	\$ 14.62	\$ 14.29	2.3%	\$ 14.49	\$ 13.98	3.6%	
<b>Same Park Portfolio</b>							
Total rentable square footage at period end	18,685	18,685	-	18,685	18,685	-	
Weighted average occupancy	92.7%	94.5%	(1.9%)	93.7%	93.7%	-	
Annualized realized rent per sq. ft. <sup>(1)</sup>	\$ 15.60	\$ 15.05	3.7%	\$ 15.32	\$ 14.89	2.9%	
REVPAF <sup>(2)</sup>	\$ 14.46	\$ 14.22	1.7%	\$ 14.35	\$ 13.95	2.9%	

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

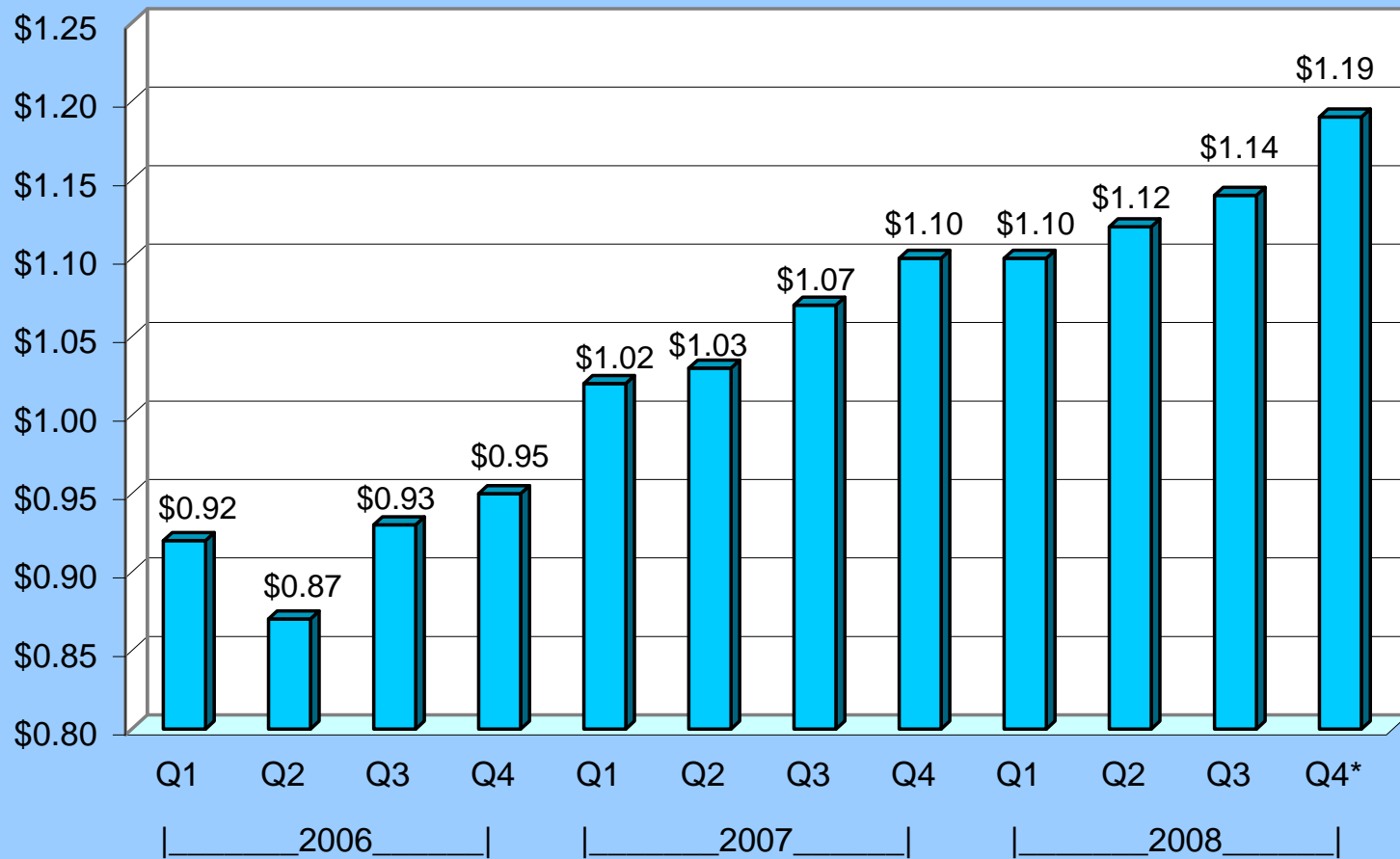
BALANCE SHEET DATA							
	12/31/08	12/31/07	% Change				
Total assets	\$ 1,469,323	\$ 1,516,583	(3.1%)				
Minority interest - preferred units	\$ 94,750	\$ 94,750	-				
Minority interest - common units	\$ 148,023	\$ 154,470	(4.2%)				
Perpetual preferred stock	\$ 706,250	\$ 716,250	(1.4%)				
Common shareholders' equity	\$ 414,564	\$ 439,330	(5.6%)				
Total common shares outstanding at period end	20,460	20,777	(1.5%)				
Book value per common share	\$ 20.26	\$ 21.15	(4.2%)				

MARKET VALUE INFORMATION							
	12/31/08	12/31/07	% Change				
Market value of common stock and common OP units	\$ 1,239,997	\$ 1,475,739	(16.0%)				
Total debt	59,308	60,725	(2.3%)				
Total preferred equity	801,000	811,000	(1.2%)				
Total market capitalization	<u>\$ 2,100,305</u>	<u>\$ 2,347,464</u>	(10.5%)				
Stock price at the end of the period	\$ 44.66	\$ 52.55	(15.0%)				

**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 YEARS ENDED		Increase (Decrease)	% Change
	12/31/08	12/31/07			12/31/08	12/31/07		
<b><u>Funds from operations (FFO):</u></b>								
Net income allocable to common shareholders	\$ 9,593	\$ 3,758	\$ 5,835	155.3%	\$ 23,414	\$ 17,729	\$ 5,685	32.1%
Adjustments:								
Depreciation and amortization	24,578	26,680	(2,102)	(7.9%)	99,848	98,521	1,327	1.3%
Minority interest in income - common units	3,399	1,370	2,029	148.1%	8,296	6,155	2,141	34.8%
FFO allocable to common shareholders/unit holders	<u>\$ 37,570</u>	<u>\$ 31,808</u>	<u>\$ 5,762</u>	18.1%	<u>\$ 131,558</u>	<u>\$ 122,405</u>	<u>\$ 9,153</u>	7.5%
Weighted average common shares outstanding	20,459	21,257	(798)	(3.8%)	20,443	21,313	(870)	(4.1%)
Weighted average common OP units outstanding	7,305	7,305	-	-	7,305	7,305	-	-
Weighted average common stock equivalents outstanding	155	262	(107)	(40.8%)	221	321	(100)	(31.2%)
Total fully-converted diluted shares	<u>27,919</u>	<u>28,824</u>	<u>(905)</u>	(3.1%)	<u>27,969</u>	<u>28,939</u>	<u>(970)</u>	(3.4%)
Diluted FFO per common share/OP unit	<u>\$ 1.35</u>	<u>\$ 1.10</u>	<u>\$ 0.25</u>	22.7%	<u>\$ 4.70</u>	<u>\$ 4.23</u>	<u>\$ 0.47</u>	11.1%
<b><u>Funds available for distribution (FAD):</u></b>								
Funds from operations	\$ 37,570	\$ 31,808	\$ 5,762	18.1%	\$ 131,558	\$ 122,405	\$ 9,153	7.5%
Adjustments:								
Recurring capital improvements	(1,344)	(3,140)	(1,796)	(57.2%)	(8,650)	(13,677)	(5,027)	(36.8%)
Tenant improvements	(2,827)	(6,073)	(3,246)	(53.4%)	(17,698)	(17,882)	(184)	(1.0%)
Lease commissions	(1,817)	(2,026)	(209)	(10.3%)	(6,914)	(5,803)	1,111	19.1%
Straight-line rent	566	16	550	3437.5%	294	(473)	767	162.2%
Stock compensation expense	1,004	978	26	2.7%	4,061	3,724	337	9.0%
In-place lease adjustment	(49)	(49)	-	-	(194)	(102)	92	90.2%
Lease incentives net of tenant improvement reimbursements	(231)	(129)	102	79.1%	(379)	(33)	346	1048.5%
Gain on repurchase of preferred stock, net	(4,228)	-	(4,228)	(100%)	(4,228)	-	(4,228)	(100.0%)
FAD	<u>\$ 28,644</u>	<u>\$ 21,385</u>	<u>\$ 7,259</u>	33.9%	<u>\$ 97,850</u>	<u>\$ 88,159</u>	<u>\$ 9,691</u>	11.0%
Diluted FAD per common share/OP unit	<u>\$ 1.03</u>	<u>\$ 0.74</u>	<u>\$ 0.29</u>	39.2%	<u>\$ 3.50</u>	<u>\$ 3.05</u>	<u>\$ 0.45</u>	14.8%
<b><u>Cash available for debt repayments and reinvestments:</u></b>								
FAD	\$ 28,644	\$ 21,385	\$ 7,259	33.9%	\$ 97,850	\$ 88,159	\$ 9,691	11.0%
Distributions to common shareholders	(9,002)	(9,351)	(349)	(3.7%)	(35,978)	(34,315)	1,663	4.8%
Distributions to common OP unit holders	(3,214)	(3,214)	-	-	(12,856)	(11,761)	1,095	9.3%
Cash available for debt repayments and reinvestments	<u>\$ 16,428</u>	<u>\$ 8,820</u>	<u>\$ 7,608</u>	86.3%	<u>\$ 49,016</u>	<u>\$ 42,083</u>	<u>\$ 6,933</u>	16.5%
FAD payout ratio	<u>42.6%</u>	<u>58.8%</u>	<u>(16.2%)</u>	(27.6%)	<u>49.9%</u>	<u>52.3%</u>	<u>(2.4%)</u>	(4.6%)

## Reported Diluted FFO Per Common Share/OP Unit



\* Q4 '08 excludes the net gain on the repurchase of preferred stock.

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

	As of December 31, 2008			As of December 31, 2007		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
<b>Mortgage Debt:</b>						
7.290% mortgage note, repaid February 2009	\$ 5,144			\$ 5,323		
5.730% mortgage note, due March 2013	14,247			14,510		
5.520% mortgage note, due May 2013	10,053			10,274		
5.680% mortgage note, due May 2013	10,065			10,281		
6.150% mortgage note, due November 2031 (includes unamortized premium of \$635,000 on \$16.3 million mortgage note with stated rate of 7.200%)	16,912			17,348		
5.610% mortgage note, due January 2011 (includes unamortized premium of \$136,000 on \$2.8 million mortgage note with stated rate of 7.610%)	2,887			2,989		
<b>Total mortgage notes payable (1)</b>	<b>59,308</b>	<b>2.8%</b>	<b>5.94%</b>	<b>60,725</b>	<b>2.6%</b>	<b>5.94%</b>
<b>Total debt</b>	<b>59,308</b>	<b>2.8%</b>	<b>5.94%</b>	<b>60,725</b>	<b>2.6%</b>	<b>5.94%</b>
<b>Preferred Equity</b>						
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 (5,350,000 depository shares outstanding) callable 1/17/12	133,750			143,750		
6.550% Series Q preferred operating partnership units (480,000 units outstanding) callable 3/12/12	12,000			12,000		
<b>Total preferred equity</b>	<b>801,000</b>	<b>38.1%</b>	<b>7.16%</b>	<b>811,000</b>	<b>34.5%</b>	<b>7.16%</b>
<b>Total debt and preferred equity</b>	<b>860,308</b>	<b>40.9%</b>	<b>7.07%</b>	<b>871,725</b>	<b>37.1%</b>	<b>7.07%</b>
Common stock (20,459,916 and 20,777,219 shares outstanding as of December 31, 2008 and December 31, 2007, respectively)	913,740			1,091,843		
Common operating partnership units (7,305,355 units outstanding as of December 31, 2008 and December 31, 2007)	326,257			383,896		
<b>Total common equity (2)</b>	<b>1,239,997</b>	<b>59.1%</b>		<b>1,475,739</b>	<b>62.9%</b>	
<b>Total market capitalization</b>	<b>\$ 2,100,305</b>	<b>100.0%</b>		<b>\$ 2,347,464</b>	<b>100.0%</b>	

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

	Principal Maturity Dates					
	2009	2010	2011	2012	2013	Total
Park East III	\$ 5,144	\$ -	\$ -	\$ -	\$ -	\$ 5,144
Rose Canyon	241	277	293	309	13,127	14,247
Meadows	258	278	15,741	-	-	16,277
Palm Beach	507	536	3,178	547	18,101	22,869
Meadows Loan Premium	208	218	209	-	-	635
Palm Beach Loan Premium	64	67	5	-	-	136
	<b>\$ 6,422</b>	<b>\$ 1,376</b>	<b>\$ 19,426</b>	<b>\$ 856</b>	<b>\$ 31,228</b>	<b>\$ 59,308</b>

(2) Closing stock price was \$44.66 and \$52.55 as of December 31, 2008 and December 31, 2007, respectively.

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

	12/31/08	12/31/07	Increase (Decrease)	% Change
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 55,015	\$ 35,041	\$ 19,974	(a) 57.0%
Real estate facilities, at cost:				
Land	494,849	494,849	-	-
Buildings and equipment	1,517,484	1,484,049	33,435	2.3%
	2,012,333	1,978,898	33,435	1.7%
Accumulated depreciation	(637,948)	(539,857)	98,091	18.2%
	1,374,385	1,439,041	(64,656)	(b) (4.5%)
Land held for development	7,869	7,869	-	-
	1,382,254	1,446,910	(64,656)	(4.5%)
Rent receivable	2,055	2,240	(185)	(c) (8.3%)
Deferred rent receivables	21,633	21,927	(294)	(1.3%)
Other assets	8,366	10,465	(2,099)	(d) (20.1%)
Total assets	<u>\$ 1,469,323</u>	<u>\$ 1,516,583</u>	<u>\$ (47,260)</u>	(3.1%)
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>				
Accrued and other liabilities	\$ 46,428	\$ 51,058	\$ (4,630)	(e) (9.1%)
Mortgage notes payable	59,308	60,725	(1,417)	(2.3%)
Total liabilities	105,736	111,783	(6,047)	(5.4%)
Minority interests:				
Preferred units	94,750	94,750	-	-
Common units	148,023	154,470	(6,447)	(4.2%)
Shareholders' equity:				
Preferred stock	706,250	716,250	(10,000)	(1.4%)
Common stock	204	207	(3)	(1.4%)
Paid-in capital	363,587	371,267	(7,680)	(f) (2.1%)
Cumulative net income	622,113	552,069	70,044	12.7%
Cumulative distributions	(571,340)	(484,213)	87,127	(g) 18.0%
Total shareholders' equity	<u>1,120,814</u>	<u>1,155,580</u>	<u>(34,766)</u>	(3.0%)
Total liabilities and shareholders' equity	<u>\$ 1,469,323</u>	<u>\$ 1,516,583</u>	<u>\$ (47,260)</u>	(3.1%)

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

<b>(a) Change in cash and cash equivalents:</b>			
Beginning cash balance			\$ 35,041
Net cash provided by operating activities			189,337
Net cash used in investing activities			(35,192)
Net cash used in financing activities			(134,171)
Ending cash balance			<u>\$ 55,015</u>
<b>(b) Change in real estate facilities, at cost:</b>			
Beginning balance			\$ 1,439,041
Property renovations			1,930
Recurring capital improvements			8,650
Tenant improvements			17,698
Lease commissions			6,914
Depreciation and amortization			(99,848)
Ending balance			<u>\$ 1,374,385</u>
<b>(c) Rent receivable consists of:</b>			
	12/31/08	12/31/07	Increase (Decrease)
U.S. Government tenants	\$ 960	\$ 1,143	\$ (183)
Other	1,395	1,397	(2)
Allowance for bad debt	(300)	(300)	-
	<u>\$ 2,055</u>	<u>\$ 2,240</u>	<u>\$ (185)</u>
<b>(d) Other assets consist of:</b>			
	12/31/08	12/31/07	Increase (Decrease)
Prepaid insurance	\$ 1,032	\$ 1,316	\$ (284)
Prepaid property taxes	2,502	2,615	(113)
Lease incentives, net	1,285	1,705	(420)
Mortgage impounds	691	1,474	(783)
In-place lease adjustment, net	181	419	(238)
Other	2,675	2,936	(261)
	<u>\$ 8,366</u>	<u>\$ 10,465</u>	<u>\$ (2,099)</u>
<b>(e) Accrued and other liabilities consist of:</b>			
	12/31/08	12/31/07	Increase (Decrease)
Prepaid rent	\$ 9,156	\$ 9,957	\$ (801)
Accrued property taxes	5,118	5,197	(79)
Security deposits	19,506	19,118	388
In-place lease adjustment and TI reimbursements, net	3,011	3,213	(202)
Reserves for acquisition costs	1,584	2,001	(417)
Accrued stock repurchase	-	3,302	(3,302)
Other	8,053	8,270	(217)
	<u>\$ 46,428</u>	<u>\$ 51,058</u>	<u>\$ (4,630)</u>
<b>(f) Change in paid-in capital:</b>			
Beginning paid-in capital			\$ 371,267
Repurchase of common stock			(18,321)
Gain on repurchase of preferred stock, net			4,810
Exercise of stock options			792
Restricted stock and stock compensation			3,151
Adjustment to reflect minority interest to underlying ownership			1,888
Ending paid in capital			<u>\$ 363,587</u>
<b>(g) Change in cumulative distributions:</b>			
Beginning cumulative distributions			\$ 484,213
Distributions to preferred shareholders			51,149
Distributions to common shareholders			35,978
Ending cumulative distributions			<u>\$ 571,340</u>

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

	12/31/08	12/31/07	Increase (Decrease)	% Change
<b>Revenues:</b>				
Rental income	\$ 71,482	\$ 69,846	\$ 1,636 (a)	2.3%
Facility management fees	178	182	(4)	(2.2%)
Total operating revenues	<u>71,660</u>	<u>70,028</u>	1,632	2.3%
<b>Expenses:</b>				
Cost of operations	21,422	21,695	(273) (b)	(1.3%)
Depreciation and amortization	24,578	26,680	(2,102)	(7.9%)
General and administrative	2,018	1,979	39 (c)	2.0%
Total operating expenses	<u>48,018</u>	<u>50,354</u>	(2,336)	(4.6%)
<b>Other income and expenses:</b>				
Interest and other income	443	963	(520)	(54.0%)
Interest expense	(981)	(1,002)	(21) (d)	(2.1%)
Total other income and expenses	<u>(538)</u>	<u>(39)</u>	499	1279.5%
Income before minority interests	<u>23,104</u>	<u>19,635</u>	<u>3,469</u>	17.7%
<b>Minority interests:</b>				
Minority interest in income - preferred units	(1,751)	(1,751)	-	-
Minority interest in income - common units	(3,399)	(1,370)	2,029	148.1%
Total minority interests	<u>(5,150)</u>	<u>(3,121)</u>	2,029	65.0%
Net income	<u>17,954</u>	<u>16,514</u>	<u>1,440</u>	8.7%
<b>Net income allocable to preferred shareholders:</b>				
Preferred stock distributions	12,589	12,756	(167)	(1.3%)
Gain on repurchase of preferred stock, net	(4,228)	-	(4,228)	(100.0%)
Total net income allocable to preferred shareholders	<u>8,361</u>	<u>12,756</u>	(4,395)	(34.5%)
Net income allocable to common shareholders	<u>\$ 9,593</u>	<u>\$ 3,758</u>	<u>\$ 5,835</u>	155.3%
<b>Net income per common share:</b>				
Basic	\$ 0.47	\$ 0.18	\$ 0.29	161.1%
Diluted	\$ 0.47	\$ 0.17	\$ 0.30	176.5%
<b>Weighted average common shares outstanding:</b>				
Basic	<u>20,459</u>	<u>21,257</u>	<u>(798)</u>	(3.8%)
Diluted	<u>20,614</u>	<u>21,519</u>	<u>(905)</u>	(4.2%)

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

	12/31/08	12/31/07	Increase (Decrease)
<b>(a) Rental income:</b>			
Same Park	\$ 68,223	\$ 66,560	\$ 1,663
Non-Same Park	3,825	3,303	522
Same Park straight-line rent	(680)	(138)	(542)
Non-Same Park straight-line rent	114	121	(7)
	<u>\$ 71,482</u>	<u>\$ 69,846</u>	<u>\$ 1,636</u>
<b>(b) Cost of operations:</b>			
Same Park	\$ 20,222	\$ 20,252	\$ (30)
Non-Same Park	1,200	1,443	(243)
	<u>\$ 21,422</u>	<u>\$ 21,695</u>	<u>\$ (273)</u>
<b>(c) General and administrative expenses:</b>			
Cash and non-cash compensation expense	\$ 1,522	\$ 1,508	\$ 14
Professional fees	180	171	9
Other	316	300	16
	<u>\$ 2,018</u>	<u>\$ 1,979</u>	<u>\$ 39</u>
<b>(d) Interest expense:</b>			
Mortgage notes payable	\$ (893)	\$ (914)	\$ (21)
Facilities fees & other charges	(88)	(88)	-
	<u>\$ (981)</u>	<u>\$ (1,002)</u>	<u>\$ (21)</u>

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

	12/31/2008	12/31/2007	Increase (Decrease)	% Change
<b>Revenues:</b>				
Rental income	\$ 283,503	\$ 270,775	\$ 12,728 (a)	4.7%
Facility management fees	728	724	4	0.6%
Total operating revenues	<u>284,231</u>	<u>271,499</u>	<u>12,732</u>	4.7%
<b>Expenses:</b>				
Cost of operations	88,442	84,360	4,082 (b)	4.8%
Depreciation and amortization	99,848	98,521	1,327	1.3%
General and administrative	8,099	7,917	182 (c)	2.3%
Total operating expenses	<u>196,389</u>	<u>190,798</u>	<u>5,591</u>	2.9%
<b>Other income and expenses:</b>				
Interest and other income	1,457	5,104	(3,647)	(71.5%)
Interest expense	(3,952)	(4,130)	(178) (d)	(4.3%)
Total other income and expenses	<u>(2,495)</u>	<u>974</u>	<u>(3,469)</u>	(356.2%)
Income before minority interests	<u>85,347</u>	<u>81,675</u>	<u>3,672</u>	4.5%
<b>Minority interests:</b>				
Minority interest in income - preferred units	(7,007)	(6,854)	153	2.2%
Minority interest in income - common units	(8,296)	(6,155)	2,141	34.8%
Total minority interests	<u>(15,303)</u>	<u>(13,009)</u>	<u>2,294</u>	17.6%
Net income	<u>70,044</u>	<u>68,666</u>	<u>1,378</u>	2.0%
<b>Net income allocable to preferred shareholders:</b>				
Preferred stock distributions	50,858	50,937	(79)	(0.2%)
Gain on repurchase of preferred stock, net	(4,228)	-	(4,228)	(100.0%)
Total net income allocable to preferred shareholders	<u>46,630</u>	<u>50,937</u>	<u>(4,307)</u>	(8.5%)
Net income allocable to common shareholders	<u>\$ 23,414</u>	<u>\$ 17,729</u>	<u>\$ 5,685</u>	32.1%
<b>Net income per common share:</b>				
Basic	\$ 1.15	\$ 0.83	\$ 0.32	38.6%
Diluted	\$ 1.13	\$ 0.82	\$ 0.31	37.8%
<b>Weighted average common shares outstanding:</b>				
Basic	<u>20,443</u>	<u>21,313</u>	<u>(870) (e)</u>	(4.1%)
Diluted	<u>20,664</u>	<u>21,634</u>	<u>(970)</u>	(4.5%)

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

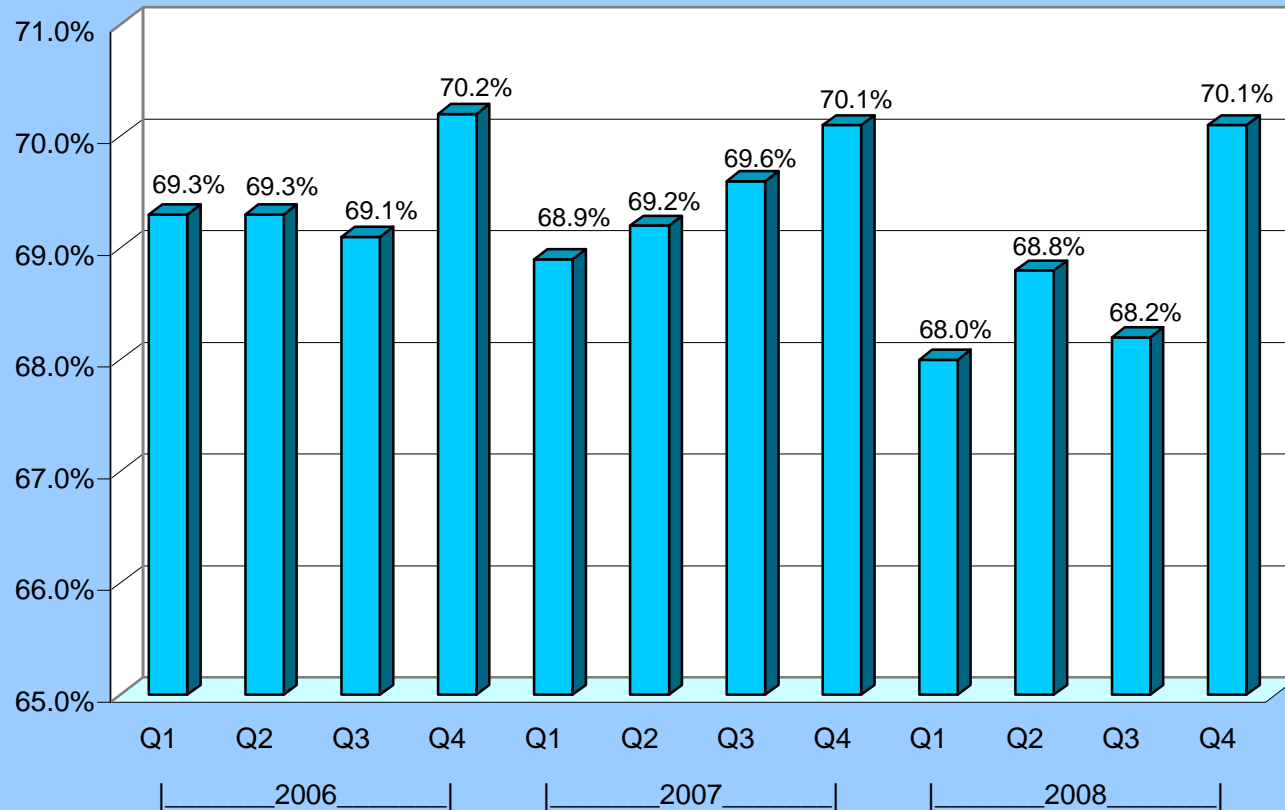
	12/31/08	12/31/07	Increase (Decrease)
<b>(a) Rental income:</b>			
Same Park	\$ 268,899	\$ 260,441	\$ 8,458
Non-Same Park	14,898	9,861	5,037
Same Park straight-line rent	(651)	191	(842)
Non-Same Park straight-line rent	357	282	75
	<u>\$ 283,503</u>	<u>\$ 270,775</u>	<u>\$ 12,728</u>
<b>(b) Cost of operations:</b>			
Same Park	\$ 83,721	\$ 80,779	\$ 2,942
Non-Same Park	4,721	3,581	1,140
	<u>\$ 88,442</u>	<u>\$ 84,360</u>	<u>\$ 4,082</u>
<b>(c) General and administrative expenses:</b>			
Cash and non-cash compensation expense	\$ 6,188	\$ 5,916	\$ 272
Professional fees	727	727	-
Other	1,184	1,274	(90)
	<u>\$ 8,099</u>	<u>\$ 7,917</u>	<u>\$ 182</u>
<b>(d) Interest expense:</b>			
Mortgage notes payable	\$ (3,598)	\$ (3,776)	\$ (178)
Facilities fees & other charges	(354)	(354)	-
	<u>\$ (3,952)</u>	<u>\$ (4,130)</u>	<u>\$ (178)</u>
<b>(e) Net decrease relates to stock repurchases partially offset by stock option exercises and vesting of restricted stock units.</b>			

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

<u>Recurring capital expenditures</u> <sup>(1)</sup>	<u>Year Ended December 31, 2008 Costs</u>	<u>Cost per Weighted Average Square Foot</u>
Capital improvements <sup>(2)</sup>	\$8,650	\$0.44
Tenant improvements	17,698	\$0.90
Lease commissions	6,914	\$0.35
Total recurring capital expenditures	<u>\$33,262</u>	\$1.70
 <u>Non-recurring capital expenditures</u>		
Property renovations	\$1,930	
Total non-recurring capital expenditures	<u>\$1,930</u>	

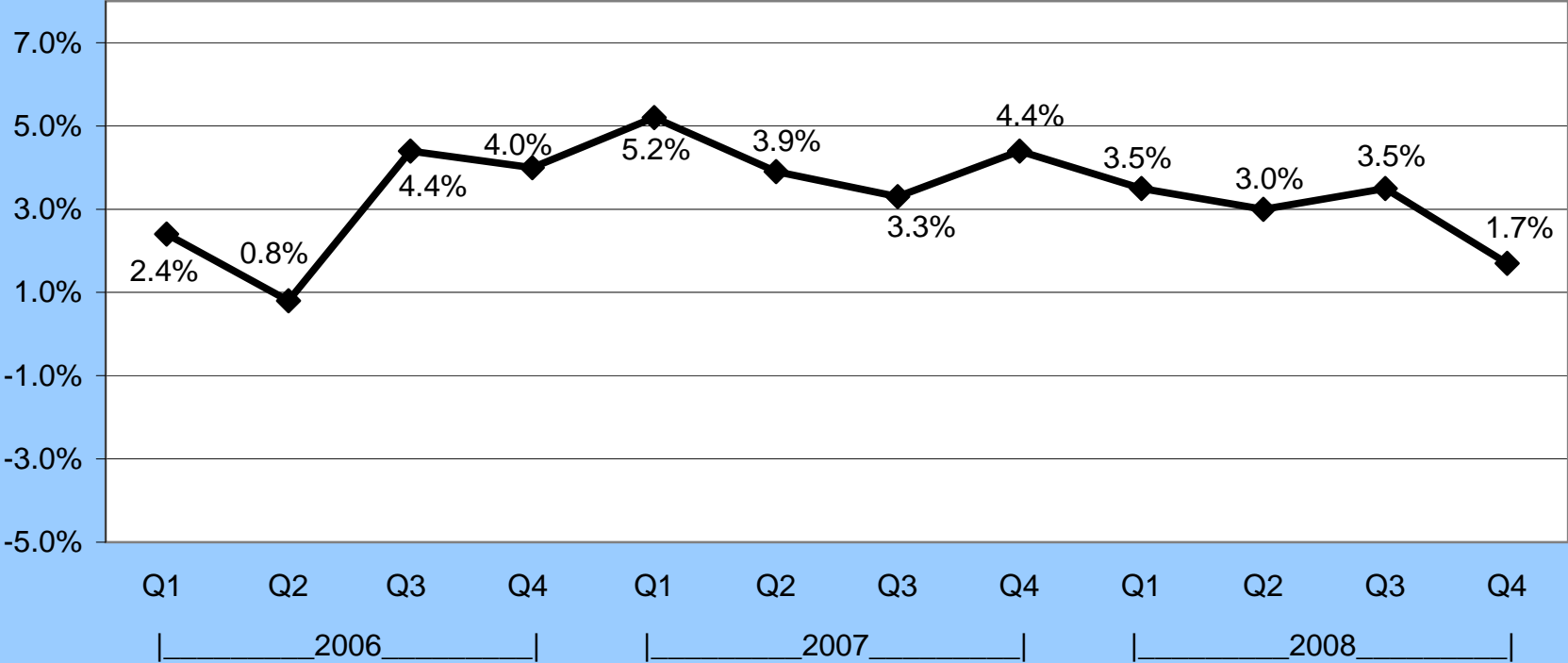
- (1) The Company defines "recurring capital expenditures" as those capitalized costs necessary to continue to operate the property at its current economic value. Leasing costs in excess of \$1,000 and capital improvements in excess of \$2,000 with a useful life greater than 24 months are capitalized. 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 \$19.6 million and \$19.3 million for the years ended December 31, 2008 and 2007, respectively, representing approximately \$1.00 per weighted average square foot in each of the years.
- (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 \*



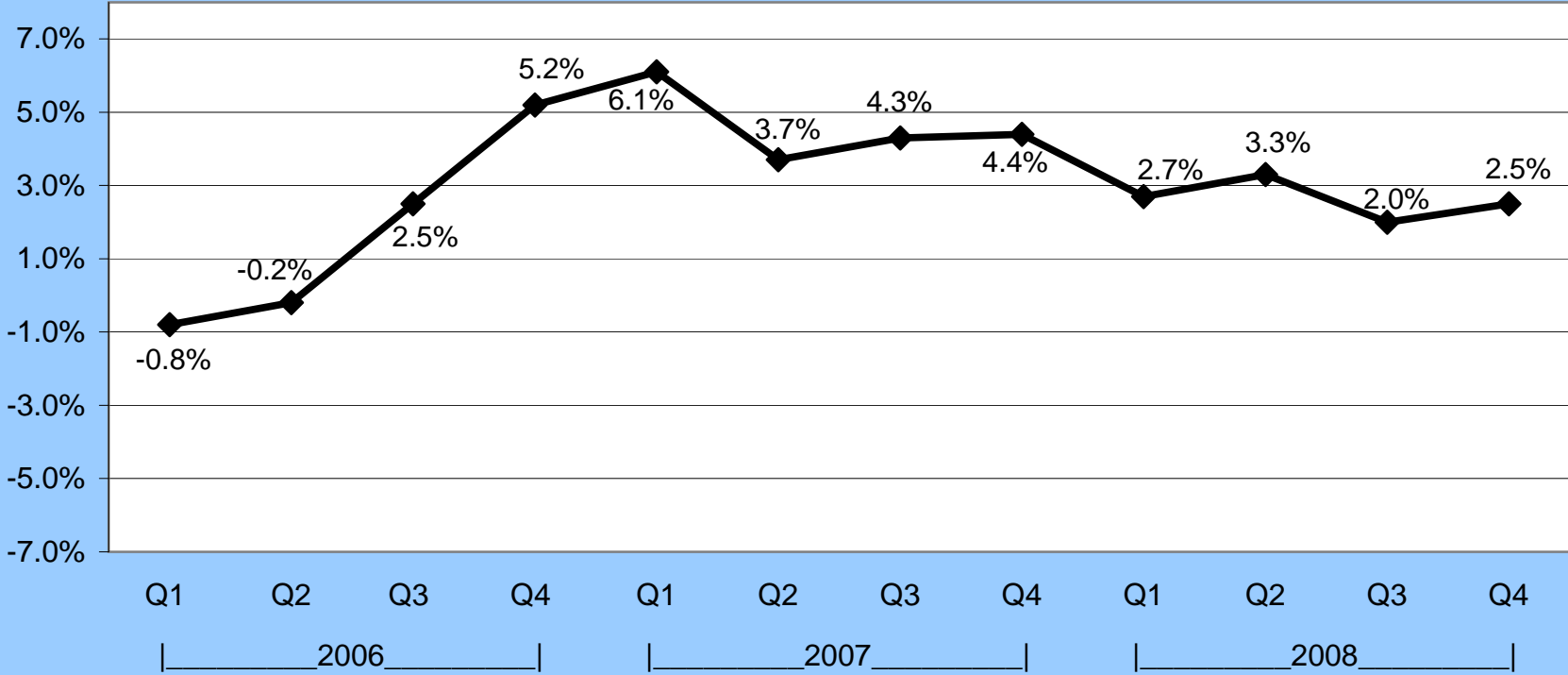
\* Gross margin is computed by dividing property net operating income by rental income for Same Park properties owned in each period.

### 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 December 31, 2008

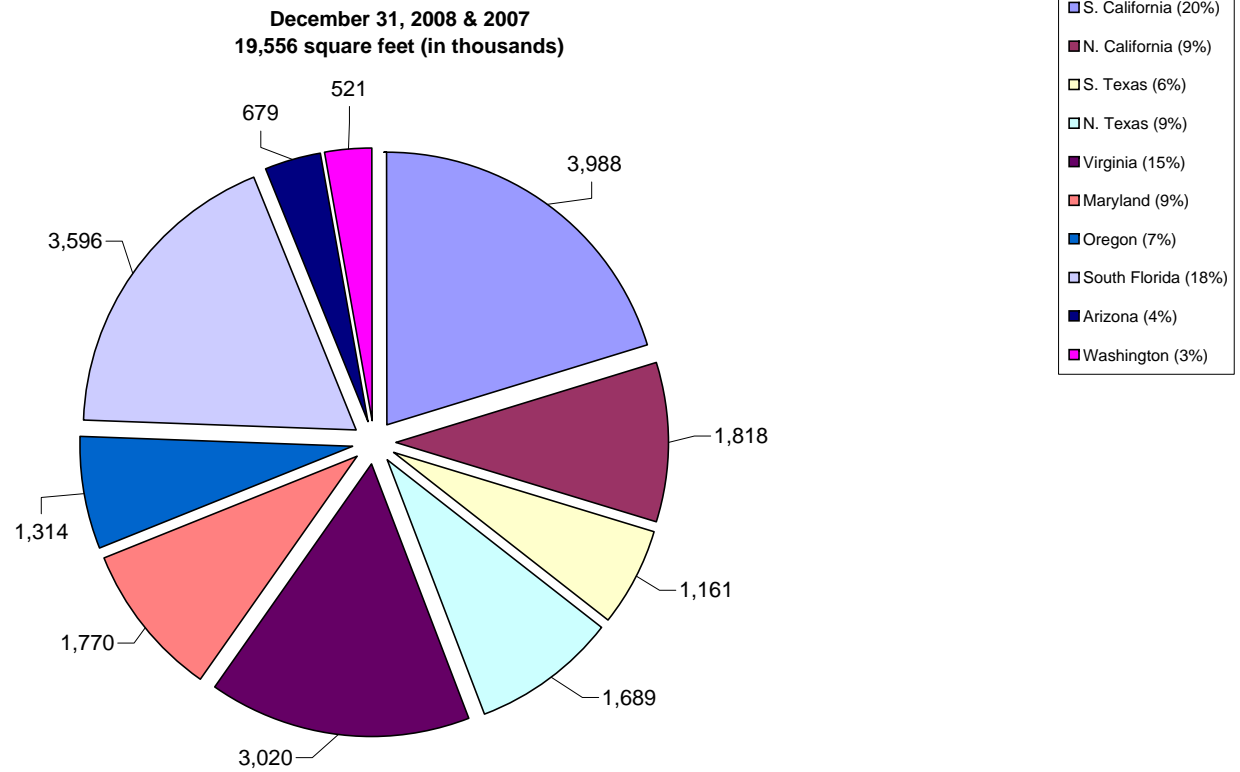
Industry	% of Total Rental Income
Business Services	13.2%
Health Services	10.3%
Computer Hardware, Software and Related Service	9.3%
Government	8.4%
Warehouse, Distribution, Transportation and Logistics	8.7%
Insurance and Financial Services	7.8%
Engineering and Construction	7.7%
Retail, Food and Automotive	6.3%
Communications	5.7%
Home Furnishings	3.8%
Electronics	3.5%
Educational Services	3.0%
Aerospace/Defense Products and Services	2.3%
<b>Total</b>	<b>90.0%</b>

Top 10 Customers by Total Annual Rental Income as of December 31, 2008

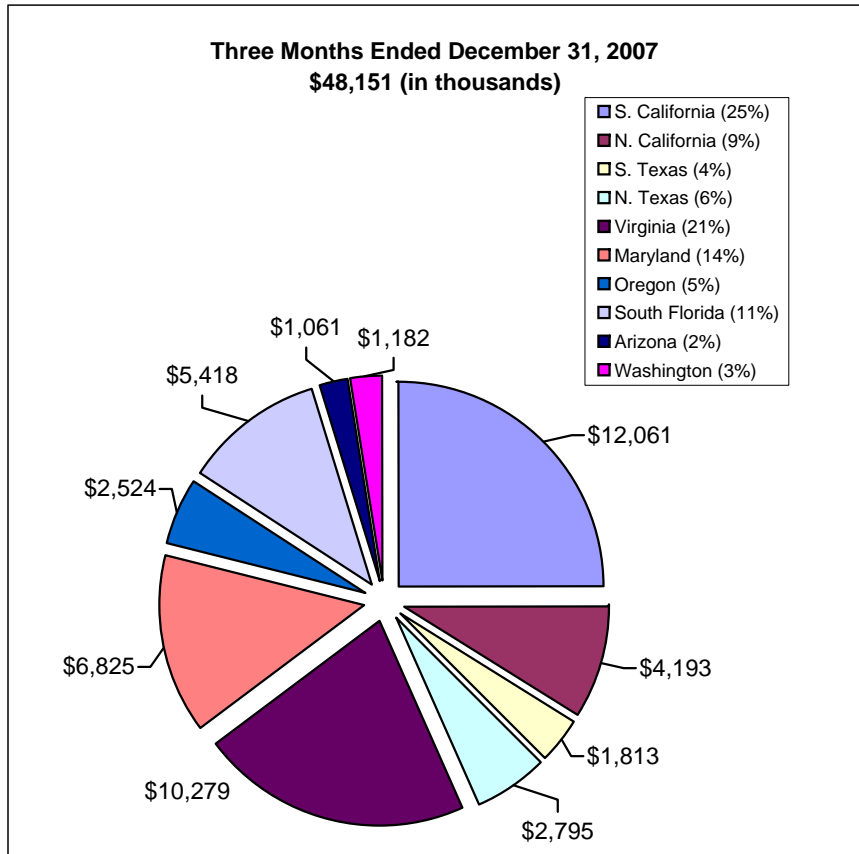
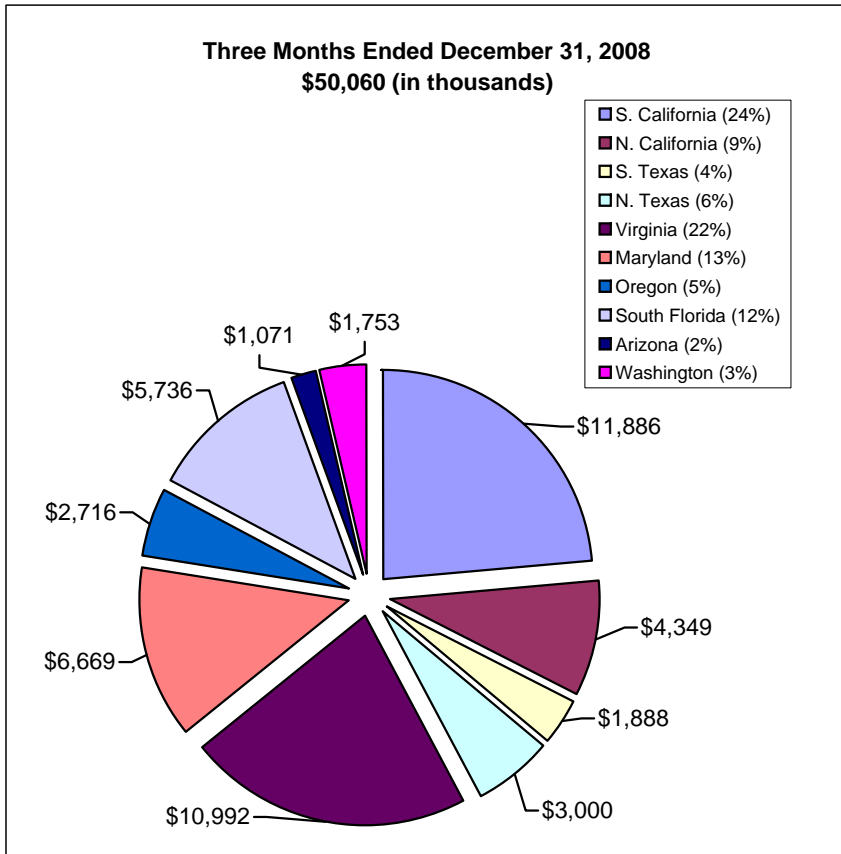
Tenant	Square Footage	Annualized Rental Income <sup>(1)</sup>	% of Total Annualized Rental Income
U.S. Government	486	\$ 12,684	4.4%
Kaiser Permanente	186	4,302	1.5%
Wells Fargo Bank	102	1,749	0.6%
AARP	102	1,676	0.6%
Northrop Grumman	57	1,649	0.6%
Raytheon	82	1,495	0.5%
American Intercontinental University	75	1,405	0.5%
Verizon	72	1,350	0.5%
Intel	94	1,348	0.5%
Montgomery County Public School	47	1,329	0.5%
<b>Total</b>	<b>1,303</b>	<b>\$ 28,987</b>	<b>10.2%</b>

(1) - For leases expiring within one year, annualized rental income represents income to be received under existing leases from December 31, 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 December 31, 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%
<b>Total</b>	<b>3,906</b>	<b>3,482</b>	<b>12,168</b>	<b>19,556</b>	<b>100.0%</b>
Percentage by Product Type	20.0%	17.8%	62.2%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended December 31, 2008				
Primary Markets	Industrial	Office	Flex	Total
Miami	96.6%	86.6%	98.4%	96.9%
Northern Virginia	-	95.7%	93.9%	94.6%
Northern California	93.6%	88.6%	91.8%	91.4%
Maryland	-	94.8%	92.0%	93.4%
Dallas	100.0%	-	93.2%	94.1%
Orange County	-	88.1%	91.9%	90.2%
Los Angeles County	99.9%	91.3%	90.2%	94.5%
Portland	-	83.3%	83.0%	83.0%
Austin	-	-	89.4%	89.4%
San Diego County	-	-	91.6%	91.6%
Phoenix	-	-	86.4%	86.4%
Seattle	-	100.0%	93.0%	93.4%
Palm Beach	-	-	89.7%	89.7%
Houston	-	100.0%	98.4%	99.0%
<b>Total</b>	<b>97.1%</b>	<b>92.5%</b>	<b>91.4%</b>	<b>92.7%</b>

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended December 31, 2008			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	96.6%	99.4%	96.9%
Northern Virginia	94.4%	94.9%	94.6%
Northern California	96.3%	86.5%	91.4%
Maryland	94.4%	84.7%	93.4%
Dallas	96.6%	82.6%	94.1%
Orange County	90.5%	90.1%	90.2%
Los Angeles County	99.9%	90.2%	94.5%
Portland	82.5%	85.8%	83.0%
Austin	88.5%	91.8%	89.4%
San Diego County	-	91.6%	91.6%
Phoenix	-	86.4%	86.4%
Seattle	-	93.4%	93.4%
Palm Beach	-	89.7%	89.7%
Houston	-	99.0%	99.0%
<b>Total</b>	<b>94.0%</b>	<b>90.7%</b>	<b>92.7%</b>

**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 December 31, 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%
<b>Total</b>	<b>3,906</b>	<b>3,328</b>	<b>11,451</b>	<b>18,685</b>	<b>100.0%</b>
Percentage by Product Type	20.9%	17.8%	61.3%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended December 31, 2008				
Primary Markets	Industrial	Office	Flex	Total
Miami	96.6%	86.6%	98.4%	96.9%
Northern Virginia	-	95.7%	93.9%	94.5%
Maryland	-	94.8%	92.0%	93.4%
Dallas	100.0%	-	93.2%	94.1%
Orange County	-	88.1%	91.9%	90.2%
Los Angeles County	99.9%	91.3%	90.2%	94.5%
Northern California	93.6%	88.6%	93.7%	92.3%
Portland	-	83.3%	83.0%	83.0%
Austin	-	-	89.4%	89.4%
San Diego County	-	-	91.6%	91.6%
Phoenix	-	-	86.4%	86.4%
Palm Beach	-	-	89.7%	89.7%
Houston	-	100.0%	98.4%	99.0%
Seattle	-	-	80.1%	80.1%
<b>Total</b>	<b>97.1%</b>	<b>92.3%</b>	<b>91.4%</b>	<b>92.7%</b>

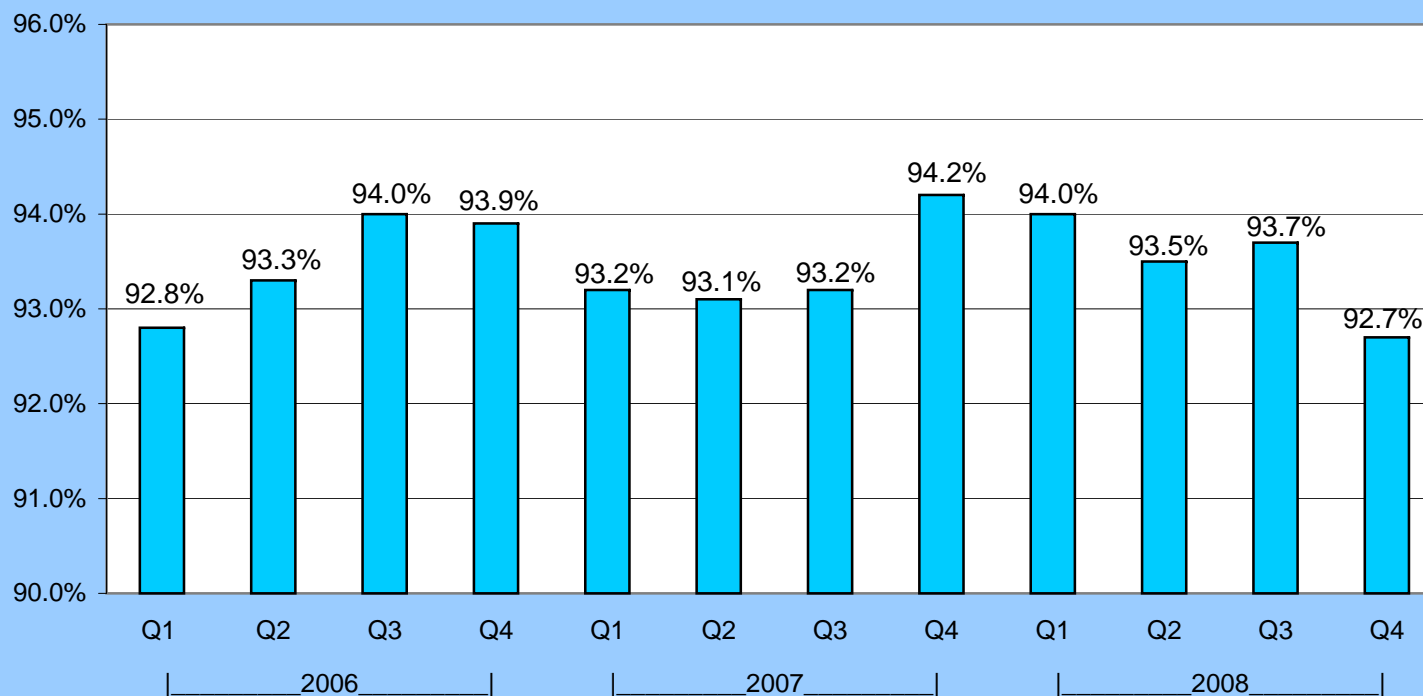
Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended December 31, 2008			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	96.6%	99.4%	96.9%
Northern Virginia	94.3%	94.9%	94.5%
Maryland	94.4%	84.7%	93.4%
Dallas	96.6%	82.6%	94.1%
Orange County	90.5%	90.1%	90.2%
Los Angeles County	99.9%	90.2%	94.5%
Northern California	96.3%	86.6%	92.3%
Portland	82.5%	85.8%	83.0%
Austin	88.5%	91.8%	89.4%
San Diego County	-	91.6%	91.6%
Phoenix	-	86.4%	86.4%
Palm Beach	-	89.7%	89.7%
Houston	-	99.0%	99.0%
Seattle	-	80.1%	80.1%
<b>Total</b>	<b>94.0%</b>	<b>90.6%</b>	<b>92.7%</b>

**Note:**

Includes all properties owned since January 1, 2007.

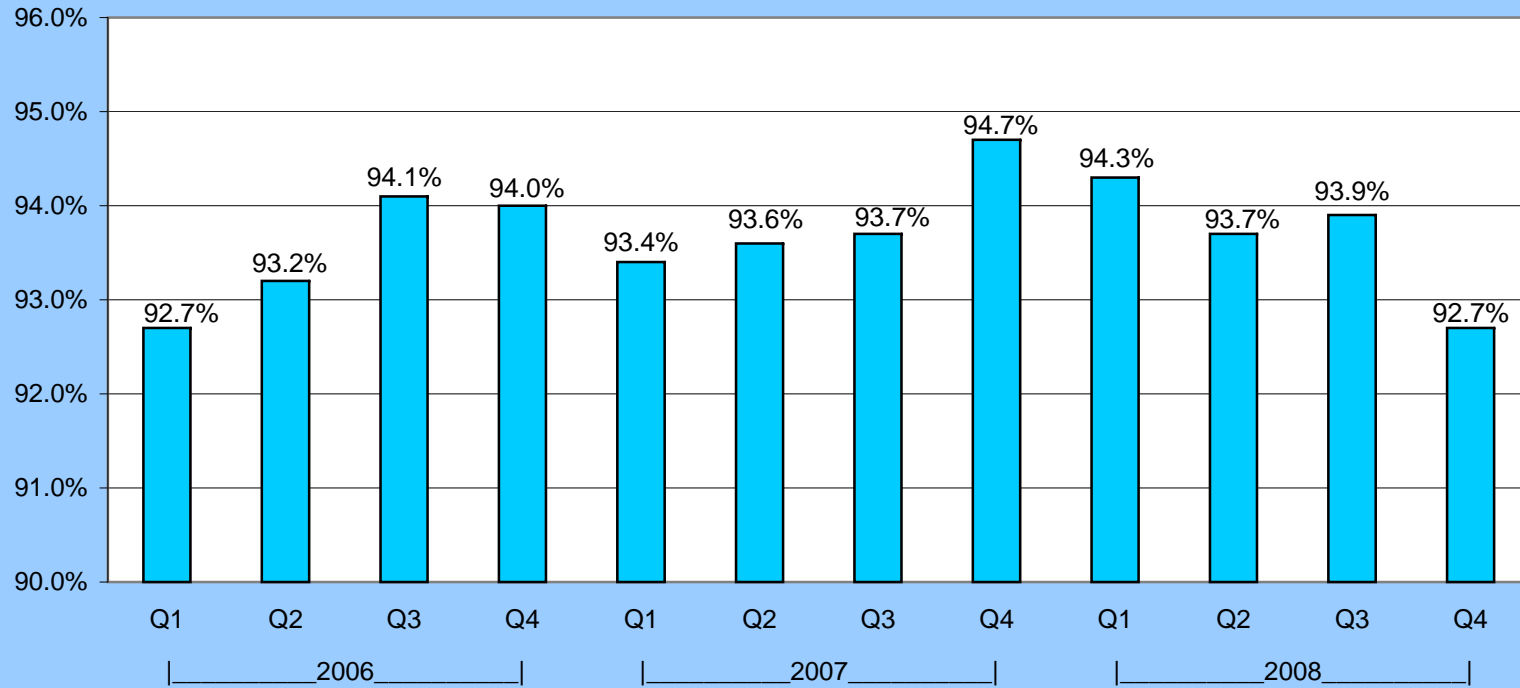
The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet while the "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

## 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 December 31, 2008**

(in thousands)

Lease Expirations - Flex				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2009	2,996	\$ 45,492	25.1%	15.5%
2010	2,402	36,978	20.4%	12.6%
2011	1,941	32,841	18.1%	11.2%
2012	1,328	23,468	12.9%	8.0%
2013	1,088	17,614	9.7%	6.0%
Thereafter	1,183	25,065	13.8%	8.6%
Total	10,938	\$ 181,458	100.0%	61.9%

Lease Expirations - Office				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2009	569	\$ 11,928	15.0%	4.1%
2010	803	19,410	24.4%	6.6%
2011	569	14,408	18.1%	4.9%
2012	504	13,221	16.6%	4.5%
2013	342	8,777	11.1%	3.0%
Thereafter	406	11,720	14.8%	4.0%
Total	3,193	\$ 79,464	100.0%	27.1%

Lease Expirations - Industrial				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2009	765	\$ 6,209	19.3%	2.1%
2010	952	7,776	24.1%	2.7%
2011	795	7,005	21.8%	2.4%
2012	559	4,884	15.2%	1.7%
2013	536	4,241	13.2%	1.4%
Thereafter	215	2,067	6.4%	0.7%
Total	3,822	\$ 32,182	100.0%	11.0%

Lease Expirations - Total				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2009	4,330	\$ 63,629	21.7%	21.7%
2010	4,157	64,164	21.9%	21.9%
2011	3,305	54,254	18.5%	18.5%
2012	2,391	41,573	14.2%	14.2%
2013	1,966	30,632	10.4%	10.4%
Thereafter	1,804	38,852	13.3%	13.3%
Total	17,953	\$ 293,104	100.0%	100.0%

**PS BUSINESS PARKS, INC.**

**Owned Portfolio Lease Expirations as of December 31, 2008**

(in thousands)

Southern California					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2009	1,028	\$ 16,921	25.3%	5.8%	
2010	1,072	18,601	27.8%	6.3%	
2011	676	11,554	17.3%	4.0%	
2012	325	6,798	10.2%	2.3%	
2013	226	5,257	7.8%	1.8%	
Thereafter	305	7,799	11.6%	2.7%	
Total	3,632	\$ 66,930	100.0%	22.9%	

Northern California					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2009	493	\$ 8,183	32.7%	2.8%	
2010	409	5,476	21.9%	1.9%	
2011	267	3,920	15.6%	1.3%	
2012	193	2,450	9.8%	0.8%	
2013	135	2,166	8.6%	0.7%	
Thereafter	173	2,854	11.4%	1.0%	
Total	1,670	\$ 25,049	100.0%	8.5%	

Southern Texas					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2009	370	\$ 4,283	33.9%	1.5%	
2010	212	2,395	19.0%	0.8%	
2011	122	1,462	11.6%	0.5%	
2012	129	1,997	15.8%	0.7%	
2013	99	944	7.5%	0.3%	
Thereafter	101	1,541	12.2%	0.5%	
Total	1,033	\$ 12,622	100.0%	4.3%	

Northern Texas					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2009	278	\$ 2,479	13.9%	0.8%	
2010	294	2,850	16.0%	1.0%	
2011	139	1,756	9.9%	0.6%	
2012	307	4,235	23.8%	1.4%	
2013	354	3,178	17.8%	1.1%	
Thereafter	197	3,308	18.6%	1.1%	
Total	1,569	\$ 17,806	100.0%	6.0%	

**PS BUSINESS PARKS, INC.**

**Owned Portfolio Lease Expirations as of December 31, 2008**

(in thousands)

South Florida					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2009	751	\$	7,595	22.5%	2.6%
2010	835		7,760	23.0%	2.6%
2011	716		7,107	21.0%	2.4%
2012	536		5,461	16.2%	1.9%
2013	408		3,926	11.6%	1.3%
Thereafter	168		1,929	5.7%	0.6%
Total	3,414	\$	33,778	100.0%	11.4%

Northern Virginia					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2009	568	\$	10,498	17.3%	3.6%
2010	661		13,206	21.8%	4.5%
2011	326		6,840	11.3%	2.3%
2012	459		11,154	18.4%	3.8%
2013	372		7,574	12.5%	2.6%
Thereafter	446		11,372	18.7%	3.9%
Total	2,832	\$	60,644	100.0%	20.7%

Maryland					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2009	198	\$	3,542	8.8%	1.2%
2010	321		8,129	20.2%	2.8%
2011	408		10,349	25.7%	3.5%
2012	250		6,607	16.4%	2.3%
2013	128		3,121	7.7%	1.1%
Thereafter	338		8,539	21.2%	2.9%
Total	1,643	\$	40,287	100.0%	13.8%

Oregon					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2009	242	\$	4,124	21.1%	1.4%
2010	126		2,254	11.5%	0.8%
2011	468		8,324	42.5%	2.8%
2012	50		870	4.5%	0.3%
2013	162		2,952	15.1%	1.0%
Thereafter	53		1,044	5.3%	0.4%
Total	1,101	\$	19,568	100.0%	6.7%

**PS BUSINESS PARKS, INC.**

**Owned Portfolio Lease Expirations as of December 31, 2008**

(in thousands)

Washington					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2009	162	\$ 2,940	32.7%	1.0%	
2010	88	1,693	18.9%	0.6%	
2011	98	1,905	21.2%	0.7%	
2012	47	950	10.6%	0.3%	
2013	52	1,142	12.7%	0.4%	
Thereafter	13	353	3.9%	0.1%	
Total	460	\$ 8,983	100.0%	3.1%	

Arizona					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2009	240	\$ 3,064	41.2%	1.0%	
2010	139	1,800	24.2%	0.6%	
2011	85	1,037	14.0%	0.4%	
2012	95	1,051	14.1%	0.4%	
2013	30	372	5.0%	0.1%	
Thereafter	10	113	1.5%	0.1%	
Total	599	\$ 7,437	100.0%	2.6%	

Total					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2009	4,330	\$ 63,629	21.7%	21.7%	
2010	4,157	64,164	21.9%	21.9%	
2011	3,305	54,254	18.5%	18.5%	
2012	2,391	41,573	14.2%	14.2%	
2013	1,966	30,632	10.4%	10.4%	
Thereafter	1,804	38,852	13.3%	13.3%	
Total	17,953	\$ 293,104	100.0%	100.0%	

**PS BUSINESS PARKS, INC.**

**Owned Portfolio Lease Expirations as of December 31, 2008**

(in thousands)

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2009	2,072	\$	27,460	16.0%	9.4%
2010	2,253		31,608	18.5%	10.8%
2011	2,184		33,775	19.7%	11.5%
2012	1,609		26,778	15.6%	9.1%
2013	1,505		20,687	12.1%	7.0%
Thereafter	1,478		30,943	18.1%	10.6%
Total	11,101	\$	171,251	100.0%	58.4%

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2009	2,258	\$	36,169	29.7%	12.3%
2010	1,904		32,556	26.7%	11.1%
2011	1,121		20,479	16.8%	7.0%
2012	782		14,795	12.1%	5.1%
2013	461		9,945	8.2%	3.4%
Thereafter	326		7,909	6.5%	2.7%
Total	6,852	\$	121,853	100.0%	41.6%

Lease Expirations - Total					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2009	4,330	\$	63,629	21.7%	21.7%
2010	4,157		64,164	21.9%	21.9%
2011	3,305		54,254	18.5%	18.5%
2012	2,391		41,573	14.2%	14.2%
2013	1,966		30,632	10.4%	10.4%
Thereafter	1,804		38,852	13.3%	13.3%
Total	17,953	\$	293,104	100.0%	100.0%