



## **Analysis of Operating Results**

**For the Quarter Ended September 30, 2000**

## THIRD QUARTER RESULTS

### 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 – 7
Consolidated Balance Sheets .....	8
Consolidated Income Statements .....	9 – 10
Rentable Square Footage by Region .....	11
Portfolio Analyses .....	12 – 15

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

OPERATING DATA						
	Three Months Ended			Nine Months Ended		
	09/30/00	09/30/99	Difference	09/30/00	09/30/99	Difference
Total revenues	\$ 38,485,000	\$ 33,281,000	15.6%	\$ 112,340,000	\$ 93,780,000	19.8%
Net income allocable to common shareholders	\$ 10,199,000	\$ 9,383,000	8.7%	\$ 29,910,000	\$ 28,218,000	6.0%
Net income per common share:						
Basic	\$ 0.44	\$ 0.40	10.0%	\$ 1.28	\$ 1.19	7.6%
Diluted	\$ 0.44	\$ 0.40	10.0%	\$ 1.28	\$ 1.19	7.6%
Weighted average common shares outstanding:						
Basic	23,117,000	23,641,000	(2.2%)	23,354,000	23,639,000	(1.2%)
Diluted	23,216,000	23,724,000	(2.1%)	23,426,000	23,713,000	(1.2%)

FUNDS FROM OPERATIONS						
	Three Months Ended			Nine Months Ended		
	09/30/00	09/30/99	Difference	09/30/00	09/30/99	Difference
FFO allocable to common shareholders	\$ 16,716,000	\$ 14,709,000	13.6%	\$ 48,492,000	\$ 43,395,000	11.7%
Weighted average common shares outstanding - diluted	23,216,000	23,724,000	(2.1%)	23,426,000	23,713,000	(1.2%)
FFO per common share - diluted	\$ 0.72	\$ 0.62	16.1%	\$ 2.07	\$ 1.83	13.1%

PROPERTY INFORMATION						
	Three Months Ended			Nine Months Ended		
	09/30/00	09/30/99	Difference	09/30/00	09/30/99	Difference
Total number of properties at period end	123	123	0.0%	123	123	0.0%
Net rentable square footage at period end	12,096,000	11,986,000	0.9%	12,096,000	11,986,000	0.9%
<u>Same Park Facilities</u>						
Weighted average occupancy	97.1%	97.0%	0.1%	97.2%	96.9%	0.3%
Annualized realized rent per sq. ft. (1)	\$ 11.84	\$ 11.03	7.3%	\$ 11.59	\$ 10.86	6.7%

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

BALANCE SHEET DATA			
	09/30/00	12/31/99	Difference
Total assets	\$ 923,518,000	\$ 903,741,000	2.2%
Total debt	\$ 31,168,000	\$ 37,066,000	(15.9%)
Minority interest - preferred	\$ 144,750,000	\$ 132,750,000	9.0%
Minority interest - common	\$ 159,740,000	\$ 157,199,000	1.6%
Perpetual preferred stock	\$ 55,000,000	\$ 55,000,000	0.0%
Common shareholders' equity	\$ 505,844,000	\$ 500,531,000	1.1%
Total common shares outstanding	23,113,000	23,645,000	(2.2%)
Book value per common share	\$ 21.89	\$ 21.17	3.4%

MARKET VALUE INFORMATION			
	09/30/00	12/31/99	Difference
Market value of common stock/OP units	\$ 829,731,000	\$ 707,271,000	17.3%
Total debt	31,168,000	37,066,000	(15.9%)
Total preferred stock/OP units	199,750,000	187,750,000	6.4%
Total market capitalization	<u>\$ 1,060,649,000</u>	<u>\$ 932,087,000</u>	<u>13.8%</u>
Stock price	<u>\$ 27.25</u>	<u>\$ 22.75</u>	<u>19.8%</u>

**PS BUSINESS PARKS, INC.**

Sources and Uses of Funds  
For the Nine Months Ended September 30, 2000

**Sources of Funds:**

Funds from operations	\$ 63,819,000
Issuance of preferred OP units	11,700,000
Exercise of stock options	193,000
Disposition of real estate	23,634,000
PAG distribution	-
Change in working capital	5,141,000
	<u>104,487,000</u>

Total Sources of Funds

**Uses of Funds:**

Property acquisitions and renovations	(55,286,000)
Construction in progress	(13,790,000)
Capital expenditures	(7,598,000)
Investment in other REITs	(1,732,000)
Common dividends/distributions	(23,009,000)
Repurchase of common stock	(14,781,000)
Principal payments on mortgage notes payable	(5,898,000)
	<u>(122,094,000)</u>

Total Uses of Funds

Net decrease in cash balance

Beginning cash balance	74,220,000
Ending cash balance	<u>\$ 56,613,000</u>

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

Three Months Ended		Increase (Decrease)	% Change
09/30/00	09/30/99		

Nine Months Ended		Increase (Decrease)	% Change
09/30/00	09/30/99		

**Funds from operations (FFO):**

Net income allocable to common shareholders	\$ 10,199,000	\$ 9,383,000	\$ 816,000	8.7%	\$ 29,910,000	\$ 28,218,000	\$ 1,692,000	6.0%
Gain on disposition of real estate	(159,000)	-	(159,000)	N/A	(256,000)	-	(256,000)	N/A
Depreciation and amortization	9,449,000	7,594,000	1,855,000	24.4%	26,723,000	21,641,000	5,082,000	23.5%
Minority interest in income	3,203,000	3,347,000	(144,000)	(4.3%)	9,393,000	9,533,000	(140,000)	(1.5%)
Less effects of straight line rents	(727,000)	(937,000)	210,000	(22.4%)	(1,951,000)	(2,544,000)	593,000	(23.3%)
<b>FFO allocable to common shareholders/unitholders</b>	<b>\$ 21,965,000</b>	<b>\$ 19,387,000</b>	<b>\$ 2,578,000</b>	<b>13.3%</b>	<b>\$ 63,819,000</b>	<b>\$ 56,848,000</b>	<b>\$ 6,971,000</b>	<b>12.3%</b>
Weighted average common shares outstanding	23,117,000	23,641,000	(524,000)	(2.2%)	23,354,000	23,639,000	(285,000)	(1.2%)
Weighted average common OP units outstanding	7,336,000	7,443,000	(107,000)	(1.4%)	7,372,000	7,423,000	(51,000)	(0.7%)
Weighted average dilutive stock options	99,000	84,000	15,000	17.9%	72,000	74,000	(2,000)	(2.7%)
<b>Total pro forma fully-converted shares</b>	<b>30,552,000</b>	<b>31,168,000</b>	<b>(616,000)</b>	<b>(2.0%)</b>	<b>30,798,000</b>	<b>31,136,000</b>	<b>(338,000)</b>	<b>(1.1%)</b>
<b>FFO per common share/OP unit</b>	<b>\$ 0.72</b>	<b>\$ 0.62</b>	<b>\$ 0.10</b>	<b>16.1%</b>	<b>\$ 2.07</b>	<b>\$ 1.83</b>	<b>\$ 0.24</b>	<b>13.1%</b>

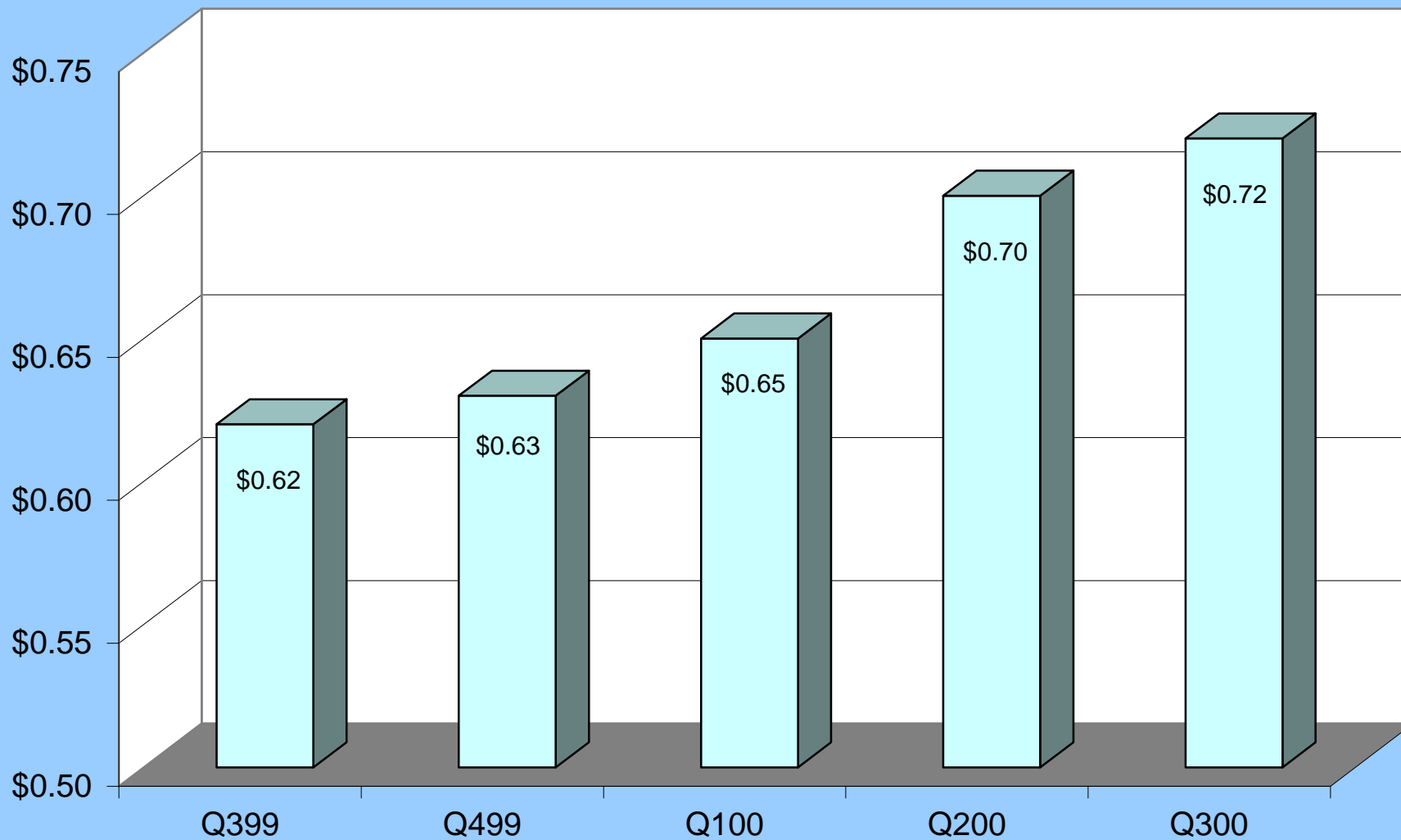
**Funds available for distribution (FAD):**

Total funds from operations	\$ 21,965,000	\$ 19,387,000	\$ 2,578,000	13.3%	\$ 63,819,000	\$ 56,848,000	\$ 6,971,000	12.3%
Less capitalized expenditures:								
Maintenance capital expenditures	(1,120,000)	(731,000)	(389,000)	53.2%	(2,301,000)	(2,153,000)	(148,000)	6.9%
Tenant improvements	(984,000)	(1,192,000)	208,000	(17.4%)	(3,058,000)	(3,857,000)	799,000	(20.7%)
Capitalized lease commissions	(747,000)	(601,000)	(146,000)	24.3%	(2,239,000)	(1,479,000)	(760,000)	51.4%
<b>Total capitalized expenditures</b>	<b>(2,851,000)</b>	<b>(2,524,000)</b>	<b>(327,000)</b>	<b>13.0%</b>	<b>(7,598,000)</b>	<b>(7,489,000)</b>	<b>(109,000)</b>	<b>1.5%</b>
<b>FAD</b>	<b>\$ 19,114,000</b>	<b>\$ 16,863,000</b>	<b>\$ 2,251,000</b>	<b>13.3%</b>	<b>\$ 56,221,000</b>	<b>\$ 49,359,000</b>	<b>\$ 6,862,000</b>	<b>13.9%</b>
<b>FAD per common share/OP unit</b>	<b>\$ 0.63</b>	<b>\$ 0.54</b>	<b>\$ 0.09</b>	<b>16.7%</b>	<b>\$ 1.83</b>	<b>\$ 1.59</b>	<b>\$ 0.24</b>	<b>15.1%</b>

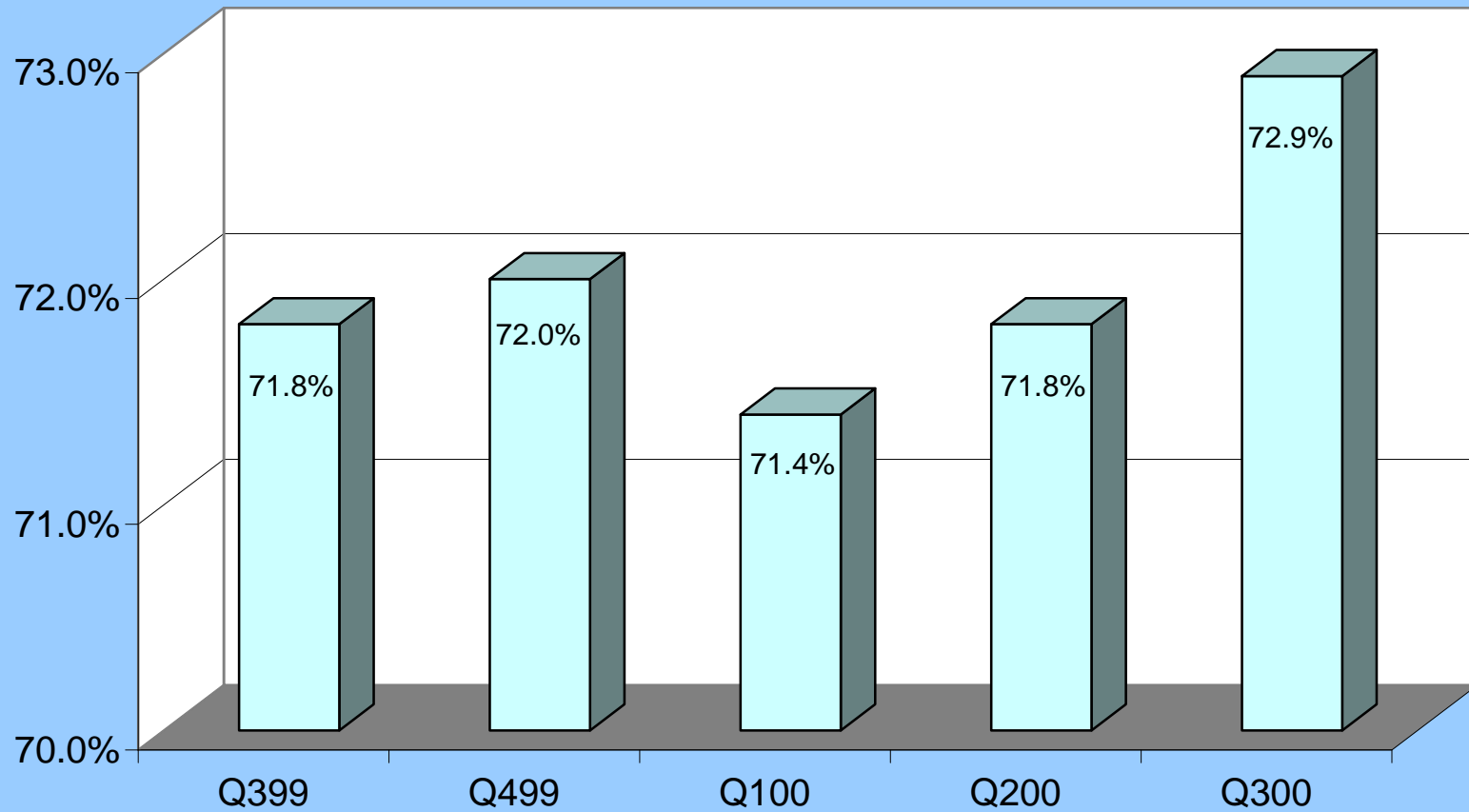
**Cash available for debt repayments and reinvestments:**

FAD	\$ 19,114,000	\$ 16,863,000	\$ 2,251,000	13.3%	\$ 56,221,000	\$ 49,359,000	\$ 6,862,000	13.9%
Distributions to common shareholders	(5,778,000)	(5,910,000)	132,000	(2.2%)	(17,480,000)	(17,729,000)	249,000	(1.4%)
Distributions to common OP unitholders	(1,834,000)	(1,861,000)	27,000	(1.5%)	(5,529,000)	(5,568,000)	39,000	(0.7%)
<b>Cash available for debt repayments and reinvestments</b>	<b>\$ 11,502,000</b>	<b>\$ 9,092,000</b>	<b>\$ 2,410,000</b>	<b>26.5%</b>	<b>\$ 33,212,000</b>	<b>\$ 26,062,000</b>	<b>\$ 7,150,000</b>	<b>27.4%</b>

## Diluted FFO Per Common Share/OP Unit



## Gross Operating Margin Percentage\* (Entire Portfolio)



\* Gross margin is computed by dividing property net operating income by rental income (excluding straight-line rent adjustment).

**PS BUSINESS PARKS, INC.**  
**CAPITAL STRUCTURE**

Principal Maturity Dates

*Debt at September 30, 2000 consists of the following:*

	Total	2000	2001	2002	2003	2004	Thereafter
7.125% mortgage note, secured by one commercial property, due May 2006	8,617,000	46,000	193,000	208,000	223,000	239,000	7,708,000
8.190% mortgage note, secured by one commercial property, due March 2007	6,529,000	47,000	199,000	216,000	235,000	254,000	5,578,000
7.290% mortgage note, secured by one commercial property, due February 2009	6,298,000	26,000	108,000	116,000	125,000	134,000	5,789,000
7.280% mortgage note, secured by two commercial properties, due February 2003	4,216,000	30,000	127,000	137,000	3,922,000	-	-
8.000% mortgage note, secured by one commercial property, due April 2003	2,045,000	22,000	93,000	100,000	1,830,000	-	-
8.500% mortgage note, secured by one commercial property, due July 2007	1,861,000	12,000	53,000	58,000	63,000	69,000	1,606,000
8.000% mortgage note, secured by one commercial property, due April 2003	1,602,000	13,000	56,000	60,000	1,473,000	-	-
Total mortgage notes payable (1)	<u>31,168,000</u>	<u>196,000</u>	<u>829,000</u>	<u>895,000</u>	<u>7,871,000</u>	<u>696,000</u>	<u>20,681,000</u>

\$100 million unsecured line of credit

-

Total debt

31,168,000      3%

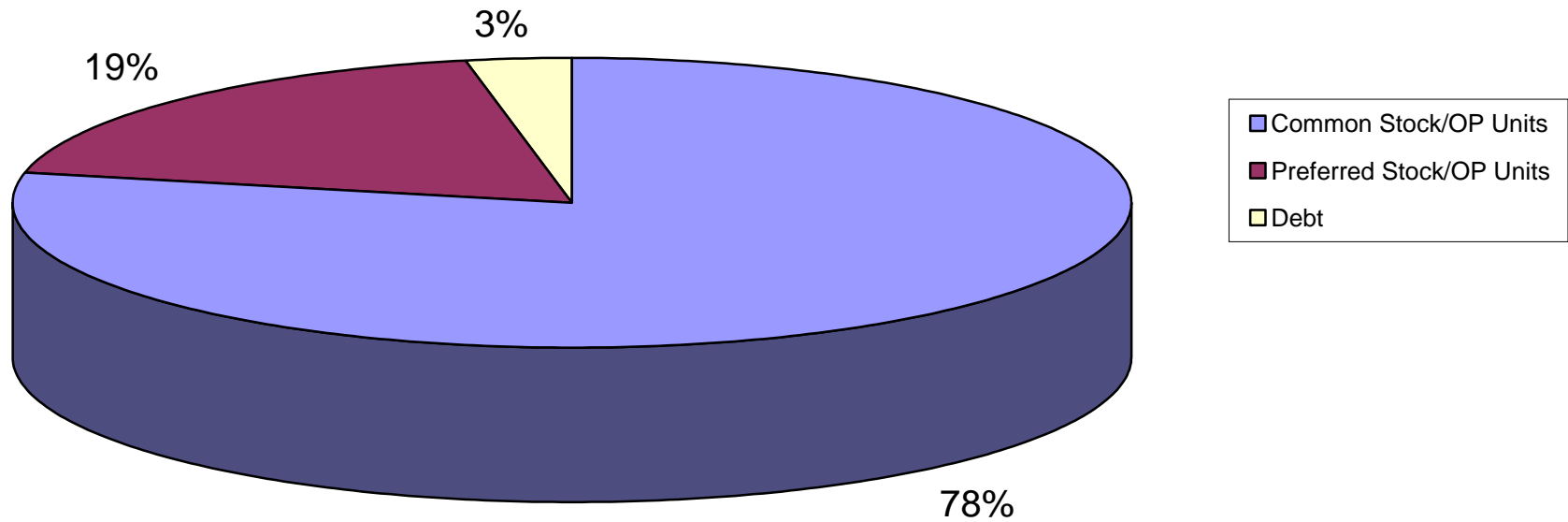
*Equity at September 30, 2000 consists of the following:*

9.250% Series A preferred stock (2,200,000 depository shares outstanding)	55,000,000	
8.875% Series B preferred operating partnership units (510,000 units outstanding)	12,750,000	
8.750% Series C preferred operating partnership units (3,200,000 units outstanding)	80,000,000	
8.875% Series X preferred operating partnership units (1,600,000 units outstanding)	40,000,000	
8.875% Series Y preferred operating partnership units (480,000 units outstanding)	12,000,000	
Total preferred equity (2)	<u>199,750,000</u>	19%
Common stock (23,112,985 shares outstanding)	629,829,000	(3)
Common operating partnership units (7,335,839 units outstanding)	199,902,000	(3)
Total common equity (3)	<u>829,731,000</u>	78%
Total market capitalization	<u>1,060,649,000</u>	100%

- (1) The weighted average interest rate and maturity was 7.59% and 5.7 years, respectively.
- (2) The weighted average dividend rate is 8.93%.
- (3) Value based on September 30, 2000 closing stock price of \$27 1/4.
- (4) Does not include 72,238 shares related to stock options for the nine months ending September 30, 2000 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.



**Total Market Capitalization as of September 30, 2000: \$1.1 billion**



**PS BUSINESS PARKS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	09/30/00	12/31/99	Increase (Decrease)	% Change
<b>ASSETS</b>				
Cash and equivalents	\$ 56,613,000	\$ 74,220,000	\$ (17,607,000) (a)	-23.7%
Marketable securities	26,475,000	18,470,000	8,005,000	43.3%
Real estate facilities, at cost:				
Land	207,052,000	194,140,000	12,912,000	6.7%
Buildings and equipment	678,839,000	636,261,000	42,578,000	6.7%
	885,891,000	830,401,000	55,490,000 (b)	6.7%
Accumulated depreciation	(75,003,000)	(50,976,000)	(24,027,000)	47.1%
	810,888,000	779,425,000	31,463,000	4.0%
Properties held for disposition, net	-	14,235,000	(14,235,000)	-100.0%
Construction in progress	19,178,000 (c)	8,616,000	10,562,000	122.6%
	830,066,000	802,276,000	27,790,000	3.5%
Receivables	528,000	771,000	(243,000)	-31.5%
Deferred rent receivables	7,182,000	5,493,000	1,689,000	30.7%
Intangible assets, net	1,056,000	1,282,000	(226,000)	-17.6%
Other assets	1,598,000	1,229,000	369,000	30.0%
Total assets	<u>\$ 923,518,000</u>	<u>\$ 903,741,000</u>	<u>\$ 11,772,000</u>	<u>1.3%</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Accrued and other liabilities	\$ 27,016,000 (d)	\$ 21,195,000	\$ 5,821,000	27.5%
Mortgage notes payable	31,168,000	37,066,000	(5,898,000) (e)	-15.9%
Total liabilities	58,184,000	58,261,000	(77,000)	-0.1%
Minority interest:				
Preferred units	144,750,000	132,750,000	12,000,000	9.0%
Common units	159,740,000	157,199,000	2,541,000	1.6%
Shareholders' equity:				
Preferred stock	55,000,000	55,000,000	-	0.0%
Common stock	231,000	236,000	(5,000)	-2.1%
Paid-in capital	465,297,000	478,889,000	(13,592,000) (f)	-2.8%
Cumulative net income	107,535,000	73,809,000	33,726,000 (g)	45.7%
Unrealized gain	6,480,000	-	6,480,000	N/A
Cumulative distributions	(73,699,000)	(52,403,000)	(21,296,000) (h)	40.6%
Total shareholders' equity	560,844,000	555,531,000	5,313,000	1.0%
Total liabilities and shareholders' equity	<u>\$ 923,518,000</u>	<u>\$ 903,741,000</u>	<u>\$ 19,777,000</u>	<u>2.2%</u>

(a)	See sources and uses of funds on page 8	
(b)	Property acquisitions and renovations	\$ 47,475,000
	Disposition of additional properties	(7,394,000)
	Developed projects	7,811,000
	Maintenance capital expenditures	2,301,000
	Tenant improvements	3,058,000
	Lease commissions	2,239,000
		<u>\$ 55,490,000</u>
(c)	The Company has seven development projects in:	
	Beaverton, OR (Woodside)	\$ 3,160,000
	Beaverton, OR (Greystone II)	206,000
	Beaverton, OR (Greystone III)	199,000
	Chantilly, VA (Lafayette)	6,267,000
	Chantilly, VA (Park East IV)	2,249,000
	Irving, TX (Royal Tech 17)	4,982,000
	Irving, TX (Royal Tech 18)	2,115,000
		<u>\$ 19,178,000</u>
(d)	Accrued and other liabilities at September 30, 2000 consists of:	
	Deferred rental revenue	\$ 2,353,000
	Accounts payable	735,000
	Property taxes	6,022,000
	Security deposits	8,649,000
	Other	3,854,000
	Reserves for acquisition costs	5,403,000
		<u>\$ 27,016,000</u>
(e)	Mortgage notes payable decreased due to the following:	
	Prepayment	\$ (5,302,000)
	Scheduled principal payments	(596,000)
		<u>\$ (5,898,000)</u>
(f)	Paid-in capital decreased due to the following:	
	Repurchased shares	\$ (14,775,000)
	Conversion of OP units	2,530,000
	Exercise of stock options	193,000
	Minority interest adjustment	(1,540,000)
		<u>\$ (13,592,000)</u>
(g)	Represents net income for the nine months ended September 30, 2000	
(h)	Distributions to preferred shareholders	\$ (3,816,000)
	Distributions to common shareholders	(17,480,000)
		<u>\$ (21,296,000)</u>

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

	09/30/00	09/30/99	Increase (Decrease)	% Change
<b>Revenues:</b>				
Rental income	\$ 36,798,000	\$ 32,568,000	\$ 4,230,000 (a)	13.0%
Facility management fees from affiliates	131,000	121,000	10,000	8.3%
Business services	82,000	-	82,000 (b)	N/A
Interest income	1,035,000	581,000	454,000 (c)	78.1%
Dividend income	439,000	11,000	428,000	3890.9%
	<u>38,485,000</u>	<u>33,281,000</u>	<u>5,204,000</u>	<u>15.6%</u>
<b>Expenses:</b>				
Cost of operations	9,762,000	8,920,000	842,000 (d)	9.4%
Cost of facility management	27,000	24,000	3,000	12.5%
Cost of business services	78,000	-	78,000	N/A
Depreciation and amortization	9,449,000	7,594,000	1,855,000 (e)	24.4%
General and administrative	995,000 (f)	742,000	253,000	34.1%
Interest expense	502,000 (g)	977,000	(475,000)	(48.6%)
	<u>20,813,000</u>	<u>18,257,000</u>	<u>2,556,000</u>	<u>14.0%</u>
Income before disposition of real estate and minority interest	17,672,000	15,024,000	2,648,000	17.6%
Gain on disposition of real estate	159,000	-	159,000	N/A
Income before minority interest	17,831,000	15,024,000	2,807,000	18.7%
Minority interest in income - preferred units	(3,157,000)	(1,022,000)	(2,135,000)	208.9%
Minority interest in income - common units	(3,203,000)	(3,347,000)	144,000	(4.3%)
Net income	<u>11,471,000</u>	<u>10,655,000</u>	<u>816,000</u>	<u>7.7%</u>
<b>Net income allocation:</b>				
Allocable to preferred shareholders	1,272,000	1,272,000	-	0.0%
Allocable to common shareholders	10,199,000	9,383,000	816,000	8.7%
	<u>\$ 11,471,000</u>	<u>\$ 10,655,000</u>	<u>\$ 816,000</u>	<u>7.7%</u>
<b>Net income per common share:</b>				
Basic	<u>\$ 0.44</u>	<u>\$ 0.40</u>	<u>\$ 0.04</u>	<u>10.0%</u>
Diluted	<u>\$ 0.44</u>	<u>\$ 0.40</u>	<u>\$ 0.04</u>	<u>10.0%</u>
<b>Weighted average common shares outstanding:</b>				
Basic	<u>23,117,000</u>	<u>23,641,000</u>	<u>(524,000) (h)</u>	<u>(2.2%)</u>
Diluted	<u>23,216,000</u>	<u>23,724,000</u>	<u>(508,000) (h)</u>	<u>(2.1%)</u>

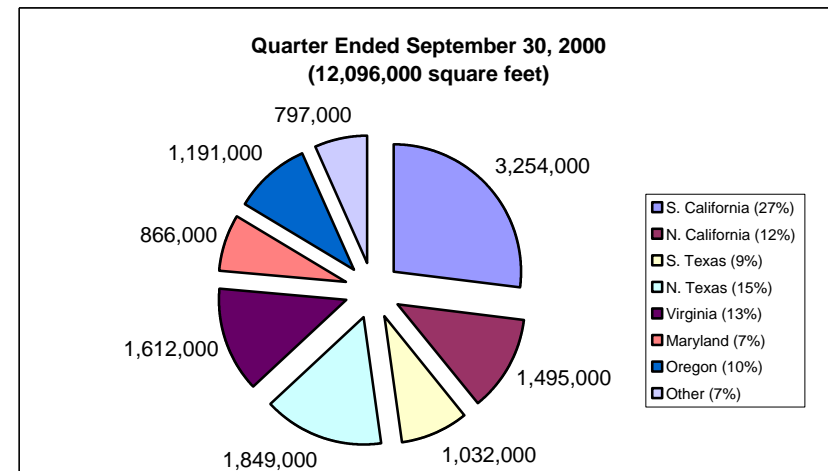
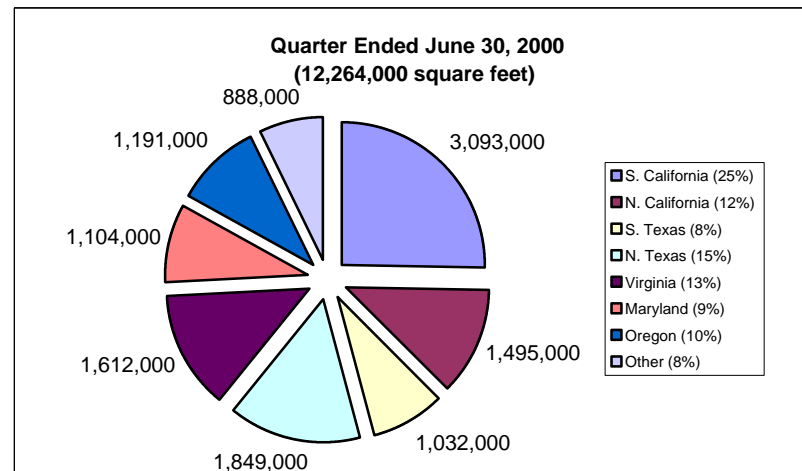
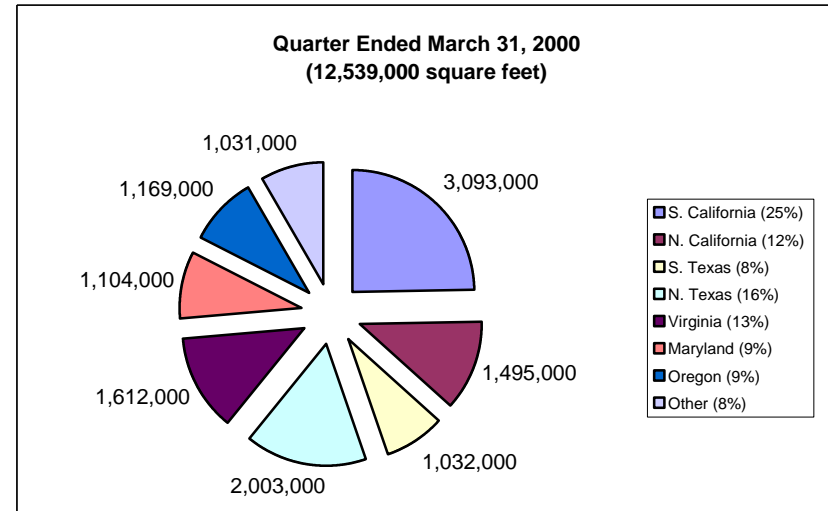
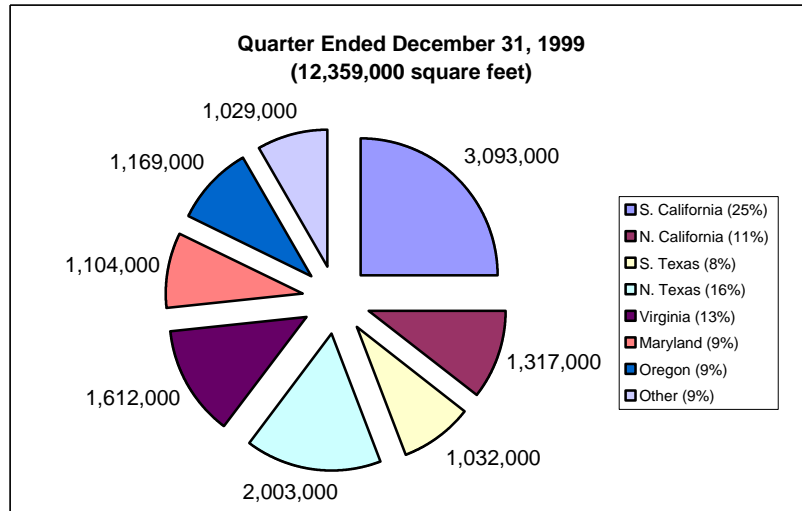
<b>(a)</b> Rental income has increased due to the following:	
Acquisitions/Dispositions/Developments during 1999 and 2000	\$ 2,369,000
"Same Park" facilities	2,071,000
Straight line rent adjustment	(210,000)
	<u>\$ 4,230,000</u>
<b>(b)</b> Business services includes construction management fees and licensing fees from telecommunication service providers (Teligent and Winstar).	
<b>(c)</b> Interest income increased as a result of higher average cash balances and better interest rates.	
<b>(d)</b> Cost of operations has increased due to the following:	
Acquisitions/Dispositions/Developments during 1999 and 2000	\$ 825,000
"Same Park" facilities	17,000
	<u>\$ 842,000</u>
<b>(e)</b> Depreciation expense increased in connection with the acquisition of real estate facilities during 1999 and 2000.	
<b>(f)</b> General and administrative expenses for the three months ended September 30, 2000 consists of:	
Professional fees	\$ 215,000
Salaries	430,000
General administrative costs	133,000
Internal acquisition and development costs	130,000
Other	87,000
	<u>\$ 995,000</u>
<b>(g)</b> Interest expense for the three months ended September 30, 2000 consists of:	
Assumed mortgages	\$ 593,000
Line of credit renewal fee	152,000
Line of credit facility fee	65,000
Capitalized interest	(308,000)
	<u>\$ 502,000</u>
<b>(h)</b> Decrease relates to the repurchase of common shares.	

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

	09/30/00	09/30/99	Increase (Decrease)	% Change
<b>Revenues:</b>				
Rental income	\$ 107,265,000	\$ 92,544,000	\$ 14,721,000 (a)	15.9%
Facility management fees from affiliates	383,000	351,000	32,000	9.1%
Business services	349,000	-	349,000 (b)	N/A
Interest income	3,046,000	845,000	2,201,000 (c)	260.5%
Dividend income	1,297,000	40,000	1,257,000	3142.5%
	<u>112,340,000</u>	<u>93,780,000</u>	<u>18,560,000</u>	<u>19.8%</u>
<b>Expenses:</b>				
Cost of operations	29,432,000	25,951,000	3,481,000 (d)	13.4%
Cost of facility management	77,000	70,000	7,000	10.0%
Cost of business services	142,000	-	142,000	N/A
Depreciation and amortization	26,723,000	21,641,000	5,082,000 (e)	23.5%
General and administrative	2,859,000 (f)	2,339,000	520,000	22.2%
Interest expense	1,246,000 (g)	2,658,000	(1,412,000)	(53.1%)
	<u>60,479,000</u>	<u>52,659,000</u>	<u>7,820,000</u>	<u>14.9%</u>
Income before disposition of real estate and minority interest	51,861,000	41,121,000	10,740,000	26.1%
Gain on disposition of real estate	256,000	-	256,000	N/A
Income before minority interest	52,117,000	41,121,000	10,996,000	26.7%
Minority interest in income - preferred units	(8,998,000)	(1,236,000)	(7,762,000)	628.0%
Minority interest in income - common units	(9,393,000)	(9,533,000)	140,000	(1.5%)
Net income	<u>\$ 33,726,000</u>	<u>\$ 30,352,000</u>	<u>\$ 3,374,000</u>	<u>11.1%</u>
Net income allocation:				
Allocable to preferred shareholders	\$ 3,816,000	\$ 2,134,000	\$ 1,682,000	78.8%
Allocable to common shareholders	29,910,000	28,218,000	1,692,000	6.0%
	<u>\$ 33,726,000</u>	<u>\$ 30,352,000</u>	<u>\$ 3,374,000</u>	<u>11.1%</u>
Net income per common share:				
Basic	\$ 1.28	\$ 1.19	\$ 0.09	7.6%
Diluted	\$ 1.28	\$ 1.19	\$ 0.09	7.6%
Weighted average common shares outstanding:				
Basic	23,354,000	23,639,000	(285,000) (h)	(1.2%)
Diluted	<u>23,426,000</u>	<u>23,713,000</u>	<u>(287,000) (h)</u>	<u>(1.2%)</u>

(a)	Rental income has increased due to the following:	
	Acquisitions/Dispositions/Developments during 1999 and 2000	\$ 9,444,000
	"Same Park" facilities	5,870,000
	Straight line rent adjustment	(593,000)
		<u>\$ 14,721,000</u>
(b)	Business services includes construction management fees and licensing fees from telecommunication service providers (Teligent and Winstar).	
(c)	Interest income increased as a result of higher average cash balances and better interest rates.	
(d)	Cost of operations have increased due to the following:	
	Acquisitions/Dispositions/Developments during 1999 and 2000	\$ 3,030,000
	"Same Park" facilities	451,000
		<u>\$ 3,481,000</u>
(e)	Depreciation expense increased in connection with the acquisition of real estate facilities during 1999 and 2000.	
(f)	General and administrative expenses for the nine months ended September 30, 2000 consists of:	
	Professional fees	\$ 743,000
	Salaries	996,000
	General administrative costs	475,000
	Internal acquisition costs	378,000
	Abandoned projects	7,000
	Other	260,000
		<u>\$ 2,859,000</u>
(g)	Interest expense for the nine months ended September 30, 2000 consists of:	
	Mortgage notes payable	\$ 1,899,000
	Line of credit renewal fees	152,000
	Line of credit facility fees	191,000
	Capitalized interest	(996,000)
		<u>\$ 1,246,000</u>
(h)	Decrease relates to the repurchase of common shares	

## Rentable Square Footage by Region



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

Rentable Square Footage of Properties as of September 30, 2000				
Primary Markets	Office	Flex	Total	%
Northern Virginia	233,000	1,379,000	1,612,000	13.3%
Los Angeles County	88,000	1,482,000	1,570,000	13.0%
Northern California	64,000	1,431,000	1,495,000	12.4%
Dallas	-	1,475,000	1,475,000	12.2%
Portland	187,000	1,004,000	1,191,000	9.8%
Orange County	161,000	911,000	1,072,000	8.9%
Maryland	29,000	837,000	866,000	7.2%
Austin	-	833,000	833,000	6.9%
San Diego County	234,000	378,000	612,000	5.1%
Phoenix	-	569,000	569,000	4.7%
Other	331,000	470,000	801,000	6.6%
	<u>1,327,000</u>	<u>10,769,000</u>	<u>12,096,000</u>	<u>100.0%</u>

Average Occupancy Rates for the Quarter Ending September 30, 2000*			
Primary Markets	Office	Flex	Total
Northern Virginia	97.5%	98.2%	98.1%
Los Angeles County	91.6%	96.4%	96.1%
Northern California	100.0%	96.8%	96.9%
Dallas	-	98.3%	98.3%
Portland	93.2%	98.8%	97.9%
Orange County	-	96.2%	96.1%
Maryland	99.0%	99.8%	99.6%
Austin	-	93.6%	93.6%
San Diego County	99.7%	98.3%	98.9%
Phoenix	-	93.6%	93.6%
Other	82.9%	93.4%	89.1%
	<u>93.8%</u>	<u>97.0%</u>	<u>96.7%</u>

\* Excludes properties sold during the quarter.

**PS BUSINESS PARKS, INC.**  
**PORTFOLIO ANALYSIS AS OF SEPTEMBER 30, 2000**

Lease Expirations - Flex			
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
2000	871,000	6,600,000	6.1%
2001	2,485,000	24,409,000	22.7%
2002	2,507,000	22,936,000	21.4%
2003	1,658,000	18,097,000	16.8%
2004	1,166,000	11,437,000	10.6%
Thereafter	1,765,000	23,940,000	22.4%
	<u>10,452,000</u>	<u>\$ 107,419,000</u>	<u>100.0%</u>

Lease Expirations - Office			
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
2000	137,000	1,876,000	9.9%
2001	276,000	4,383,000	23.1%
2002	226,000	3,824,000	20.1%
2003	179,000	3,309,000	17.4%
2004	58,000	1,293,000	6.8%
Thereafter	207,000	4,293,000	22.7%
	<u>1,083,000</u>	<u>\$ 18,978,000</u>	<u>100.0%</u>

Lease Expirations - Total			
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>
2000	1,008,000	8,476,000	6.7%
2001	2,761,000	28,792,000	22.8%
2002	2,733,000	26,760,000	21.2%
2003	1,837,000	21,406,000	16.9%
2004	1,224,000	12,730,000	10.1%
Thereafter	1,972,000	28,233,000	22.3%
	<u>11,535,000</u>	<u>\$ 126,397,000</u>	<u>100.0%</u>

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

Industry Concentration

Computer hardware, software and related service	11.6%
Business services	11.3%
Home furnishings	7.1%
Financial services	6.8%
Retail	6.8%
Manufacturing and assembly	5.7%
Electronics	5.6%
Communications	4.8%
General Contractors	4.3%
Government	3.5%
	<u>67.5%</u>

Top Ten Customers by Annual Rent

Tenant	Square Footage	Annual Rents	%
IBM	313,000	4,102,000	2.9%
The Associates	197,000	2,902,000	2.0%
U.S. Government	97,000	1,717,000	1.2%
Footstar	116,000	1,587,000	1.1%
Pycon, Inc.	133,000	1,583,000	1.1%
County of Santa Clara	112,000	1,522,000	1.1%
Protocol Systems, Inc.	102,000	1,323,000	0.9%
Sun Microsystems	84,000	1,165,000	0.8%
AARP	102,000	1,122,000	0.8%
Travelers Insurance	72,000	1,087,000	0.8%
	<u>1,328,000</u>	<u>\$ 18,110,000</u>	<u>12.7%</u>



### Lease Expirations (annual rents in millions) as of September 30, 2000

