



PSBUSINESSPARKS

**Analysis of Operating Results
and Financial Condition**

September 30, 2005

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

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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		
	09/30/05	09/30/04	% Change	09/30/05	09/30/04	% Change
Total operating revenues	\$ 54,799	\$ 53,162	3.1%	\$ 164,305	\$ 157,020	4.6%
Net income allocable to common shareholders	\$ 14,264	\$ 2,847	401.0%	\$ 27,360	\$ 12,211	124.1%
Net income per common share - diluted:						
Continuing operations	\$ 0.17	\$ 0.06	183.3%	\$ 0.58	\$ 0.40	45.0%
Discontinued operations	\$ 0.47	\$ 0.07	571.4%	\$ 0.66	\$ 0.16	312.5%
Net income per common share - diluted	\$ 0.65	\$ 0.13	400.0%	\$ 1.24	\$ 0.56	121.4%
Weighted average common shares outstanding - basic	21,858	21,813	0.2%	21,867	21,744	0.6%
Weighted average common shares outstanding - diluted	22,030	21,977	0.2%	22,050	21,919	0.6%
Weighted average common OP units outstanding	7,305	7,305	0.0%	7,305	7,305	0.0%
Total pro forma fully-converted shares	29,335	29,282	0.2%	29,355	29,224	0.4%

FUNDS FROM OPERATIONS						
	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED		
	09/30/05	09/30/04	% Change	09/30/05	09/30/04	% Change
FFO allocable to common shareholders before adjustments	\$ 25,770	\$ 25,161	2.4%	\$ 77,712	\$ 76,189	2.0%
EITF Topic D-42	-	(2,872)	(100.0%)	(301)	(5,005)	(94.0%)
FFO allocable to common shareholders, reported	\$ 25,770	\$ 22,289	15.6%	\$ 77,411	\$ 71,184	8.7%
Diluted FFO per common share and units - before adjustments	\$ 0.88	\$ 0.86	2.3%	\$ 2.65	\$ 2.61	1.5%
Diluted FFO per common share and units - as reported	\$ 0.88	\$ 0.76	15.8%	\$ 2.64	\$ 2.44	8.2%

PROPERTY INFORMATION						
	FOR THE THREE MONTHS ENDED			FOR THE NINE MONTHS ENDED		
	09/30/05	09/30/04	% Change	09/30/05	09/30/04	% Change
Total Owned Portfolio (excluding discontinued operations)						
Net weighted rentable square footage	17,279	17,279	0.0%	17,279	17,212	0.4%
Weighted average occupancy	92.4%	89.4%	3.4%	91.9%	88.8%	3.5%
Annualized realized rent per sq. ft. (1)	\$ 13.70	\$ 13.72	(0.1%)	\$ 13.76	\$ 13.65	0.8%
REVPAR (2)	\$ 12.66	\$ 12.27	3.2%	\$ 12.65	\$ 12.12	4.4%
Same Park Portfolio						
Net rentable square footage at period end	17,114	17,114	0.0%	17,114	17,114	0.0%
Weighted average occupancy	92.4%	89.4%	3.4%	91.9%	88.8%	3.5%
Annualized realized rent per sq. ft. (1)	\$ 13.62	\$ 13.66	(0.3%)	\$ 13.69	\$ 13.65	0.3%
REVPAR (2)	\$ 12.58	\$ 12.21	3.0%	\$ 12.58	\$ 12.12	3.8%

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

BALANCE SHEET DATA			
	09/30/05	12/31/04	% Change
Total assets	\$ 1,440,283	\$ 1,363,829	5.6%
Minority interest - preferred	\$ 115,750	\$ 127,750	(9.4%)
Minority interest - common	\$ 171,279	\$ 169,295	1.2%
Perpetual preferred stock	\$ 593,350	\$ 510,850	16.1%
Common shareholders' equity	\$ 510,902	\$ 506,114	0.9%
Total common shares outstanding at period end	21,791	21,840	(0.2%)
Book value per common share	\$ 23.45	\$ 23.17	1.2%

MARKET VALUE INFORMATION			
	09/30/05	12/31/04	% Change
Market value of common stock and common OP units	\$ 1,332,608	\$ 1,314,441	1.4%
Total debt	11,055	11,367	(2.7%)
Total preferred stock and preferred OP units	709,100	638,600	11.0%
Total market capitalization	\$ 2,052,763	\$ 1,964,408	4.5%
Stock price at the end of the period	\$ 45.80	\$ 45.10	1.6%

PS BUSINESS PARKS, INC.

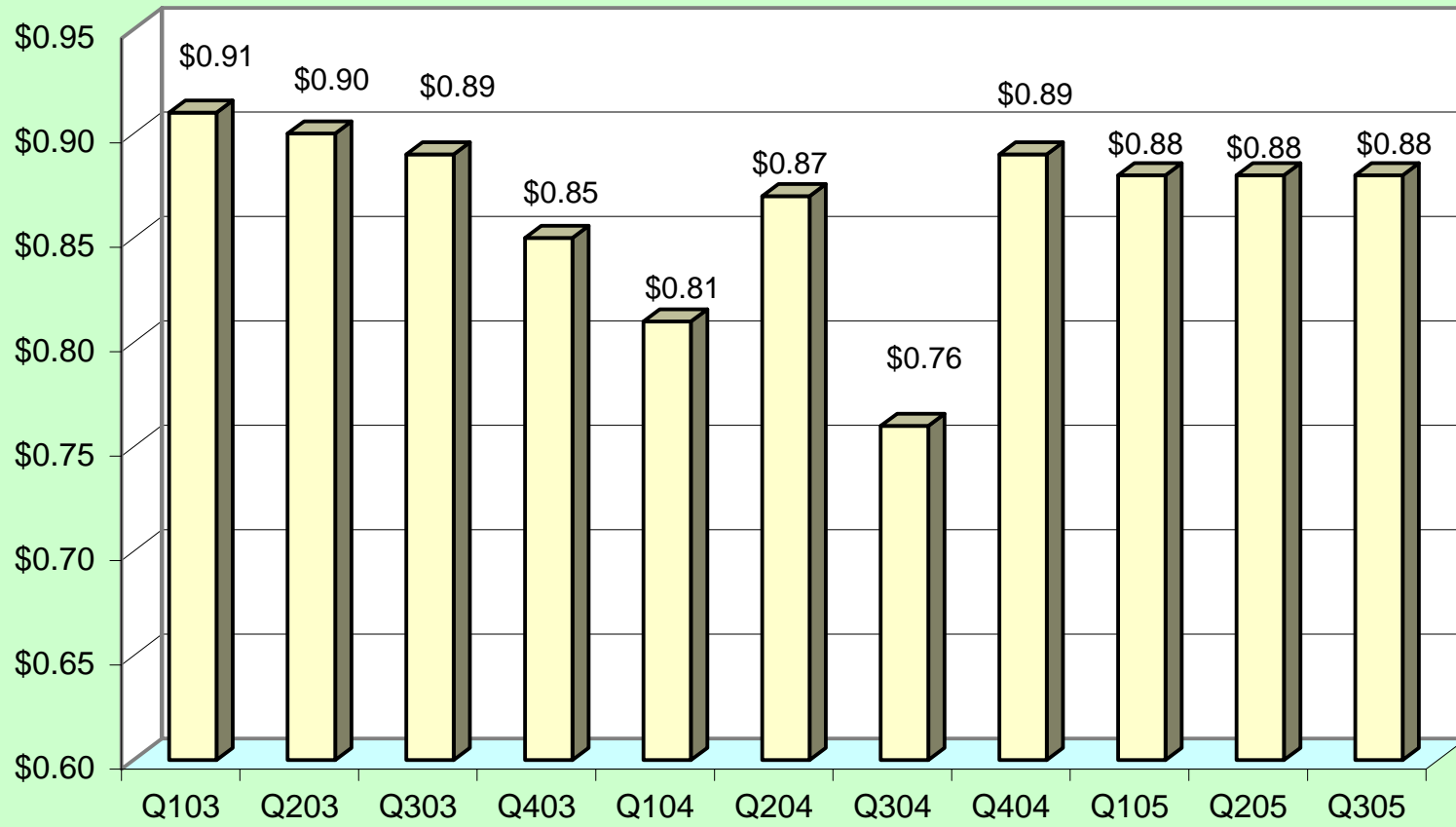
Sources and Uses of Funds (in thousands)

	NINE MONTHS ENDED September 30, 2005
<u>Sources of Funds:</u>	
Funds from operations, before EITF Topic D-42	\$ 77,712
Proceeds from disposition of real estate	80,856
Proceeds from placement of preferred stock, net	79,627
Exercise of stock options	1,715
Total sources of funds	239,910
<u>Uses of Funds:</u>	
Property renovations and other capital expenditures	(2,753)
Recurring capital expenditures	(26,313)
Common dividends and OP distributions	(25,377)
Principal payments on mortgage notes payable	(312)
Repurchase of common stock	(5,425)
Repurchase of preferred operating units	(12,000)
Change in working capital	(1,892)
Total uses of funds	(74,072)
Net increase in cash balance	165,838
Beginning cash balance	39,688
Ending cash balance	\$ 205,526

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
	09/30/05	09/30/04			09/30/05	09/30/04		
<u>Funds from operations (FFO):</u>								
Net income allocable to common shareholders	\$ 14,264	\$ 2,847	\$ 11,417	401.0%	\$ 27,360	\$ 12,211	\$ 15,149	124.1%
Adjustments:								
Gain on disposition of real estate	(12,599)	(313)	12,286	3925.5%	(16,529)	(145)	16,384	11299.3%
Depreciation and amortization	19,318	18,802	516	2.7%	57,418	55,016	2,402	4.4%
Minority interest in income - common units	4,787	953	3,834	402.3%	9,162	4,102	5,060	123.3%
FFO allocable to common shareholders/unitholders	<u>\$ 25,770</u>	<u>\$ 22,289</u>	<u>\$ 3,481</u>	<u>15.6%</u>	<u>\$ 77,411</u>	<u>\$ 71,184</u>	<u>\$ 6,227</u>	<u>8.7%</u>
Weighted average common shares outstanding	21,858	21,813	45	0.2%	21,867	21,744	123	0.6%
Weighted average common OP units outstanding	7,305	7,305	-	0.0%	7,305	7,305	-	0.0%
Weighted average common stock equivalents outstanding	172	164	8	4.9%	183	175	8	4.6%
Total pro forma fully-converted shares	<u>29,335</u>	<u>29,282</u>	<u>53</u>	<u>0.2%</u>	<u>29,355</u>	<u>29,224</u>	<u>131</u>	<u>0.4%</u>
Diluted FFO per common share/OP unit	<u>\$ 0.88</u>	<u>\$ 0.76</u>	<u>\$ 0.12</u>	<u>15.8%</u>	<u>2.64</u>	<u>2.44</u>	<u>\$ 0.20</u>	<u>8.2%</u>
<u>Funds available for distribution (FAD):</u>								
Funds from operations	\$ 25,770	\$ 22,289	\$ 3,481	15.6%	\$ 77,411	\$ 71,184	\$ 6,227	8.7%
Adjustments:								
Maintenance capital expenditures	(3,385)	(3,226)	159	4.9%	(4,889)	(4,908)	(19)	(0.4%)
Tenant improvements	(4,728)	(9,573)	(4,845)	(50.6%)	(16,434)	(18,960)	(2,526)	(13.3%)
Lease commissions	(1,757)	(1,780)	(23)	(1.3%)	(4,990)	(5,514)	(524)	(9.5%)
Straight-line rent	(1,017)	(863)	154	17.8%	(3,274)	(2,242)	1,032	46.0%
Stock compensation expense	315	353	(38)	(10.8%)	749	849	(100)	(11.8%)
In-place rents adjustment (SFAS 141)	38	39	(1)	(2.6%)	116	117	(1)	(0.9%)
Lease incentives	22	-	22	100%	22	-	22	100%
Redemption amount over carrying amount related to redeemed preferred equity	-	2,872	(2,872)	(100.0%)	301	5,005	(4,704)	(94.0%)
FAD	<u>\$ 15,258</u>	<u>\$ 10,111</u>	<u>\$ 5,147</u>	<u>50.9%</u>	<u>\$ 49,012</u>	<u>\$ 45,531</u>	<u>\$ 3,481</u>	<u>7.6%</u>
Diluted FAD per common share/OP unit	<u>\$ 0.52</u>	<u>\$ 0.35</u>	<u>\$ 0.17</u>	<u>48.6%</u>	<u>\$ 1.67</u>	<u>\$ 1.56</u>	<u>\$ 0.11</u>	<u>7.1%</u>
<u>Cash available for debt repayments and reinvestments:</u>								
FAD	\$ 15,258	\$ 10,111	\$ 5,147	50.9%	\$ 49,012	\$ 45,531	\$ 3,481	7.6%
Distributions to common shareholders	(6,330)	(6,337)	(7)	(0.1%)	(19,021)	(18,941)	80	0.4%
Distributions to common OP unit holders	(2,119)	(2,119)	-	0.0%	(6,356)	(6,356)	-	0.0%
Cash available for debt repayments and reinvestments	<u>\$ 6,809</u>	<u>\$ 1,655</u>	<u>\$ 5,154</u>	<u>311.4%</u>	<u>\$ 23,636</u>	<u>\$ 20,234</u>	<u>\$ 3,402</u>	<u>16.8%</u>
FAD payout ratio	<u>55.4%</u>	<u>83.6%</u>	<u>(28.2%)</u>	<u>(33.7%)</u>	<u>51.8%</u>	<u>55.6%</u>	<u>(3.8%)</u>	<u>(6.8%)</u>

Diluted FFO Per Common Share/OP Unit



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

	As of September 30, 2005			As of December 31, 2004		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
Long-Term Debt:						
8.190% mortgage note, secured by one commercial property, due March 2007	\$ 5,373			\$ 5,578		
7.290% mortgage note, secured by one commercial property, due February 2009	5,682			5,789		
Total mortgage notes payable (1)	<u>11,055</u>	<u>0.6%</u>	<u>7.73%</u>	<u>11,367</u>	<u>0.6%</u>	<u>7.73%</u>
Short-Term Debt:						
\$100 million unsecured line of credit	-			-		
Total short-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt	<u>11,055</u>	<u>0.6%</u>	<u>7.73%</u>	<u>11,367</u>	<u>0.6%</u>	<u>7.73%</u>
Preferred Equity						
9.500% Series D preferred stock (2,634,000 depositary shares outstanding) callable 5/10/06	65,850			65,850		
9.250% Series E preferred operating partnership units (2,120,000 units outstanding) callable 9/21/06	53,000			53,000		
8.750% Series F preferred stock (2,000,000 depositary shares outstanding) callable 1/28/07	50,000			50,000		
7.950% Series G preferred operating partnership units (800,000 units outstanding) callable 10/30/07	20,000			20,000		
7.000% Series H preferred stock (8,200,000 depositary shares outstanding) callable 1/30/09	205,000			205,000		
6.875% Series I preferred stock (3,000,000 depositary 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 depositary shares outstanding) callable 6/30/09	57,500			57,500		
7.600% Series L preferred stock (2,300,000 depositary shares outstanding) callable 8/31/09	57,500			57,500		
7.200% Series M preferred stock (3,300,000 depositary shares outstanding) callable 5/2/10	82,500			-		
8.875% Series Y preferred operating partnership units (480,000 units outstanding) called 7/12/05	-			12,000		
Total preferred equity	<u>709,100</u>	<u>34.5%</u>	<u>7.72%</u>	<u>638,600</u>	<u>32.5%</u>	<u>7.80%</u>
Total debt and preferred equity	<u>720,155</u>	<u>35.1%</u>	<u>7.72%</u>	<u>649,967</u>	<u>33.1%</u>	<u>7.80%</u>
Common stock (21,790,893 and 21,839,667 shares outstanding in September 30, 2005 and December 31, 2004 respectively)	998,023			\$ 984,969		
Common operating partnership units (7,305,355 units outstanding as of September 30, 2005 and December 31, 2004)	334,585			329,472		
Total common equity (2)	<u>1,332,608</u>	<u>64.9%</u>		<u>1,314,441</u>	<u>66.9%</u>	
Total market capitalization	<u>\$ 2,052,763</u>	<u>100%</u>		<u>\$ 1,964,408</u>	<u>100%</u>	

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

Principal Maturity Dates				
2005	2006	2007	2008	2009

Park East I & II	\$ 71	\$ 300	\$ 5,002	-	-
Park East III	37	155	167	\$ 179	\$ 5,144
	<u>\$ 108</u>	<u>\$ 455</u>	<u>\$ 5,169</u>	<u>\$ 179</u>	<u>\$ 5,144</u>

(2) Closing stock price was \$45.80 and \$45.10 as of September 30, 2005 and December 31, 2004, respectively.

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

	09/30/05	12/31/04	Increase (Decrease)	% Change
<u>ASSETS</u>				
Cash and cash equivalents	\$ 205,526	\$ 39,688	\$ 165,838	(a) 417.9%
Real estate facilities, at cost:				
Land	368,555	368,764	(209)	(0.1%)
Buildings and equipment	1,163,042	1,135,772	27,270	2.4%
	<u>1,531,597</u>	<u>1,504,536</u>	27,061	(b) 1.8%
Accumulated depreciation	(336,606)	(280,215)	56,391	20.1%
	<u>1,194,991</u>	<u>1,224,321</u>	(29,330)	(2.4%)
Properties held for disposition, net	5,881	67,632	(61,751)	(c) (91.3%)
Land held for development	9,001	11,583	(2,582)	(22.3%)
	<u>1,209,873</u>	<u>1,303,536</u>	(93,663)	(7.2%)
Rent receivable	2,611	2,079	532	(d) 25.6%
Deferred rent receivables	18,289	15,470	2,819	18.2%
Other assets	3,984	3,056	928	(e) 30.4%
Total assets	<u>\$ 1,440,283</u>	<u>\$ 1,363,829</u>	<u>\$ 76,454</u>	<u>5.6%</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Accrued and other liabilities	\$ 37,947	\$ 38,453	\$ (506)	(f) (1.3%)
Mortgage notes payable	<u>11,055</u>	<u>11,367</u>	<u>(312)</u>	<u>(2.7%)</u>
Total liabilities	49,002	49,820	(818)	(1.6%)
Minority interests:				
Preferred units	115,750	127,750	(12,000)	(9.4%)
Common units	171,279	169,295	1,984	1.2%
Shareholders' equity:				
Preferred stock	593,350	510,850	82,500	16.1%
Common stock	218	218	-	0.0%
Paid-in capital	416,800	420,351	(3,551)	(g) (0.8%)
Cumulative net income	402,646	343,529	59,117	17.2%
Cumulative distributions	(308,762)	(257,984)	50,778	(h) 19.7%
Total shareholders' equity	<u>1,104,252</u>	<u>1,016,964</u>	<u>87,288</u>	<u>8.6%</u>
Total liabilities and shareholders' equity	<u>\$ 1,440,283</u>	<u>\$ 1,363,829</u>	<u>\$ 76,454</u>	<u>5.6%</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED BALANCE SHEETS
VARIANCE EXPLANATIONS

(a) See sources and uses of funds on page 2			
(b) Change in real estate facilities, at cost:			
Property renovations		\$	2,557
Maintenance capital expenditures			4,889
Tenant improvements			16,434
Lease commissions			4,990
Capital expenditures, properties held for sale			(1,809)
			<u>\$ 27,061</u>
(c) Change in discontinued operations, net:			
Disposition of real estate		\$	(62,037)
Held for disposition			286
			<u>\$ (61,751)</u>
(d) Rent receivable consists of the following:			
	09/30/05	12/31/04	
U.S. Government Tenants	\$ 1,513	\$ 1,132	
Other	1,698	1,497	
Allowance for bad debt	(600)	(550)	
	<u>\$ 2,611</u>	<u>\$ 2,079</u>	
(e) Change in other assets:			
Due from properties sold		\$	(1,175)
Prepaid Insurance			438
Due from affiliate			372
Prepaid acquisition costs and deposits			1,064
Prepaid taxes			58
Other			171
			<u>\$ 928</u>
(f) Accrued and other liabilities consists of:			
	09/30/05	12/31/04	Change
Prepaid Rent	\$ 6,027	\$ 6,778	\$ (751)
Property taxes	8,290	3,109	5,181
Security deposits	15,584	15,220	364
Reserves for acquisition costs	4,596	5,051	(455)
Other	3,450	8,295	(4,845)
	<u>\$ 37,947</u>	<u>\$ 38,453</u>	<u>\$ (506)</u>
(g) Change in paid-in capital:			
Beginning paid-in capital		\$	420,351
Preferred stock issuance costs			(2,873)
Redemption of preferred units (EITF Topic D-42)			301
Repurchase of common stock			(5,425)
Exercise of stock options			1,715
Stock option amortization			296
Restricted stock amortization			1,612
Change in minority interest, common			823
Ending paid in capital			<u>\$ 416,800</u>
(h) Change in cumulative distributions:			
Distributions to preferred shareholders		\$	31,757
Distributions to common shareholders			19,021
			<u>\$ 50,778</u>

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

	09/30/05	09/30/04	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 54,654	\$ 52,962	\$ 1,692 (a)	3.2%
Facility management fees	145	200	(55)	(27.5%)
Total operating revenues	<u>54,799</u>	<u>53,162</u>	<u>1,637</u>	<u>3.1%</u>
Expenses:				
Property operations	16,204	15,891	313 (b)	2.0%
Depreciation and amortization	19,318	17,801	1,517	8.5%
General and administrative	1,499	1,154	345 (c)	29.9%
Total operating expenses	<u>37,021</u>	<u>34,846</u>	<u>2,175</u>	<u>6.2%</u>
Other income and expenses:				
Interest and other income	1,400	134	1,266	944.8%
Interest expense	(304)	(513)	(209) (d)	(40.7%)
Total other income and expenses	<u>1,096</u>	<u>(379)</u>	<u>(1,475)</u>	<u>(389.0%)</u>
Income from continuing operations before minority interests	<u>18,874</u>	<u>17,937</u>	<u>937</u>	<u>5.2%</u>
Minority interests in continuing operations:				
Minority interest in income - preferred units				
Distributions paid to preferred unit holders	(2,460)	(4,794)	(2,334)	(48.7%)
Redemption of preferred operating partnership units	-	(2,872)	(2,872)	(100.0%)
Minority interest in income - common units	(1,309)	(446)	863	193.5%
Total minority interests in continuing operations	<u>(3,769)</u>	<u>(8,112)</u>	<u>(4,343)</u>	<u>(53.5%)</u>
Income from continuing operations	<u>15,105</u>	<u>9,825</u>	<u>5,280</u>	<u>53.7%</u>
Discontinued operations:				
Income from discontinued operations	1,293	1,714	(421) (e)	(24.6%)
Gain on disposition of real estate	12,599	313	12,286	3925.2%
Minority interest in earnings attributable to discontinued operations - common units	(3,478)	(507)	2,971	585.9%
Income from discontinued operations	<u>10,414</u>	<u>1,520</u>	<u>8,894</u>	<u>585.1%</u>
Net Income	<u>25,519</u>	<u>11,345</u>	<u>14,174</u>	<u>124.9%</u>
Net Income allocable to preferred shareholders				
Preferred distributions				
Preferred distributions paid	11,255	8,498	2,757 (f)	32.4%
Redemption of preferred stock	-	-	-	N/A
Total preferred distributions	<u>11,255</u>	<u>8,498</u>	<u>2,757</u>	<u>32.4%</u>
Net Income allocable to common shareholders	<u>\$ 14,264</u>	<u>\$ 2,847</u>	<u>\$ 11,417</u>	<u>401.0%</u>
Net income per common share - basic:				
Continuing operations	\$ 0.18	\$ 0.06	\$ 0.12	200.0%
Discontinued operations	\$ 0.48	\$ 0.07	\$ 0.41	585.7%
Net Income	\$ 0.65	\$ 0.13	\$ 0.52	400.0%
Net income per common share - diluted				
Continuing operations	\$ 0.17	\$ 0.06	\$ 0.11	183.3%
Discontinued operations	\$ 0.47	\$ 0.07	\$ 0.40	571.4%
Net Income	\$ 0.65	\$ 0.13	\$ 0.52	400.0%
Weighted average common shares outstanding:				
Basic	<u>21,858</u>	<u>21,813</u>	<u>45 (g)</u>	<u>0.2%</u>
Diluted	<u>22,030</u>	<u>21,977</u>	<u>53</u>	<u>0.2%</u>

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

(a) Rental income has increased due to the following:			
Same Park	\$		1,589
Acquisitions			103
		<u>\$</u>	<u>1,692</u>
(b) Cost of operations have increased due to the following:			
Same Park	\$		356
Acquisitions			(43)
		<u>\$</u>	<u>313</u>
(c) General and administrative expenses for the three months ended:			
		<u>September 30, 2005</u>	<u>September 30, 2004</u>
Compensation expense	\$	824	\$ 497
Stock compensation expense		160	125
Professional fees		88	252
Other		427	280
		<u>\$ 1,499</u>	<u>\$ 1,154</u>
(d) Interest expense for the three months ended:			
		<u>September 30, 2005</u>	<u>September 30, 2004</u>
Mortgage notes payable	\$	215	\$ 360
Credit facility fees		89	63
Line of credit interest		-	90
		<u>\$ 304</u>	<u>\$ 513</u>
(e) Net operating income from discontinued operations for the three months ended:			
		<u>September 30, 2005</u>	<u>September 30, 2004</u>
Rental revenue	\$	1,826	\$ 3,641
Operating expenses		(533)	(926)
Depreciation expense			(1,001)
		<u>\$ 1,293</u>	<u>\$ 1,714</u>
(f) Increase relates to issuance of additional preferred stock .			
(g) Net increase relates to stock option exercises and vesting of restricted stock units partially offset by stock repurchases.			

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

	09/30/05	09/30/04	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 163,871	\$ 156,505	\$ 7,366 (a)	4.7%
Facility management fees	434	515	(81)	(15.7%)
Total operating revenues	<u>\$ 164,305</u>	<u>\$ 157,020</u>	<u>7,285</u>	<u>4.6%</u>
Expenses:				
Property operations	48,748	46,927	1,821 (b)	3.9%
Depreciation and amortization	56,283	51,862	4,421	8.5%
General and administrative	4,263 (c)	3,249 (c)	1,014	31.2%
Total operating expenses	<u>109,294</u>	<u>102,038</u>	<u>7,256</u>	<u>7.1%</u>
Other income and expenses:				
Interest and other income	2,780	212	2,568	1211.3%
Interest expense	(866) (d)	(2,612) (d)	(1,746)	(66.8%)
Total other income and expenses	<u>1,914</u>	<u>(2,400)</u>	<u>4,314</u>	<u>179.7%</u>
Income from continuing operations before minority interests	<u>56,925</u>	<u>52,582</u>	<u>4,343</u>	<u>8.3%</u>
Minority interests in continuing operations:				
Minority interest in income - preferred units				
Distributions paid to preferred unit holders	(7,842)	(14,409)	(6,567)	(45.6%)
Redemption of preferred operating partnership units	(301)	(3,139)	(2,838)	(90.4%)
Minority interest in income - common units	(4,280)	(2,924)	1,356	46.4%
Total minority interests in continuing operations	<u>(12,423)</u>	<u>(20,472)</u>	<u>(8,049)</u>	<u>(39.3%)</u>
Income from continuing operations	<u>44,502</u>	<u>32,110</u>	<u>12,392</u>	<u>38.6%</u>
Discontinued operations:				
Income from discontinued operations	2,968 (e)	4,542 (e)	(1,574)	(34.7%)
Gain on disposition of real estate	16,529	145	16,384	11299.3%
Minority interest in earnings attributable to discontinued operations - common units	(4,882)	(1,178)	3,704	314.4%
Income from discontinued operations	<u>14,615</u>	<u>3,509</u>	<u>11,106</u>	<u>316.5%</u>
Net Income	<u>59,117</u>	<u>35,619</u>	<u>23,498</u>	<u>66.0%</u>
Net Income allocable to preferred shareholders				
Preferred distributions				
Preferred distributions paid	31,757	21,542	10,215	47.4%
Redemption of preferred stock	-	1,866	(1,866)	(100.0%)
Total preferred distributions	<u>31,757</u>	<u>23,408</u>	<u>8,349 (f)</u>	<u>35.7%</u>
Net Income allocable to common shareholders	<u>\$ 27,360</u>	<u>\$ 12,211</u>	<u>15,149</u>	<u>124.1%</u>
Net income per common share - basic:				
Continuing operations	\$ 0.58	\$ 0.40	\$ 0.18	45.0%
Discontinued operations	\$ 0.67	\$ 0.16	\$ 0.51	318.8%
	\$ 1.25	\$ 0.56	\$ 0.69	123.2%
Net income per common share - diluted				
Continuing operations	\$ 0.58	\$ 0.40	\$ 0.18	45.0%
Discontinued operations	\$ 0.66	\$ 0.16	\$ 0.50	312.5%
	\$ 1.24	\$ 0.56	\$ 0.68	121.4%
Weighted average common shares outstanding:				
Basic	<u>21,867</u>	<u>21,744</u>	<u>123 (g)</u>	<u>0.6%</u>
Diluted	<u>22,050</u>	<u>21,919</u>	<u>131</u>	<u>0.6%</u>

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

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

Same Park	\$	5,817
Acquisitions		1,549
		7,366

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

Same Park	\$	1,196
Acquisitions		625
		1,821

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

	September 30, 2005	September 30, 2004
Compensation expense	\$ 2,404	\$ 1,690
Stock compensation expense	413	330
Professional fees	434	368
Other	1,012	861
	\$ 4,263	\$ 3,249

(d) Interest expense for the nine months ended:

	September 30, 2005	September 30, 2004
Mortgage notes payable	\$ 651	\$ 1,092
Credit facility fees	215	335
Line of credit interest	-	557
Interest Rate Swap Charges	-	191
Term Loan Interest	-	145
Affiliated Loan	-	292
	\$ 866	\$ 2,612

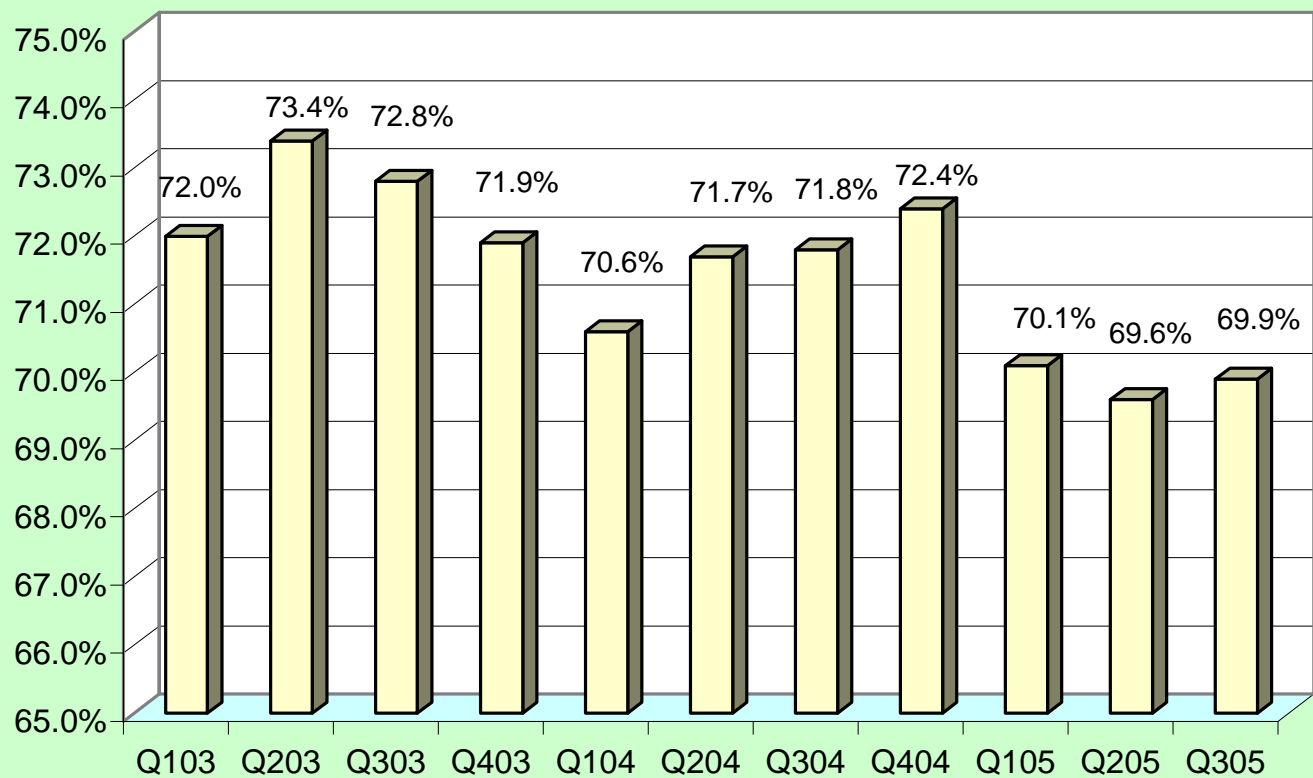
(e) Net operating income from discontinued operations for the nine months ended:

	September 30, 2005	September 30, 2004
Rental revenue	\$ 5,758	\$ 10,680
Operating expenses	(1,655)	(2,984)
Depreciation expense	(1,135)	(3,154)
	\$ 2,968	\$ 4,542

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

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

Same Park Gross Operating Margin Percentage *



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

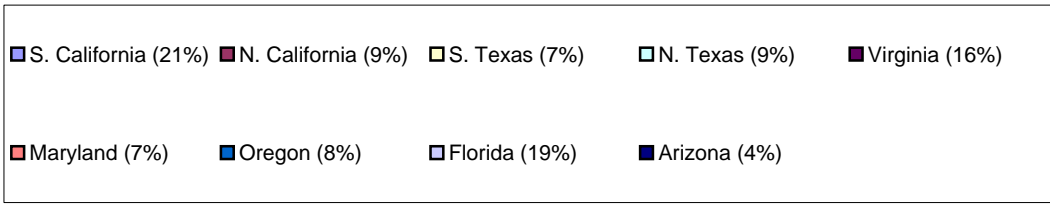
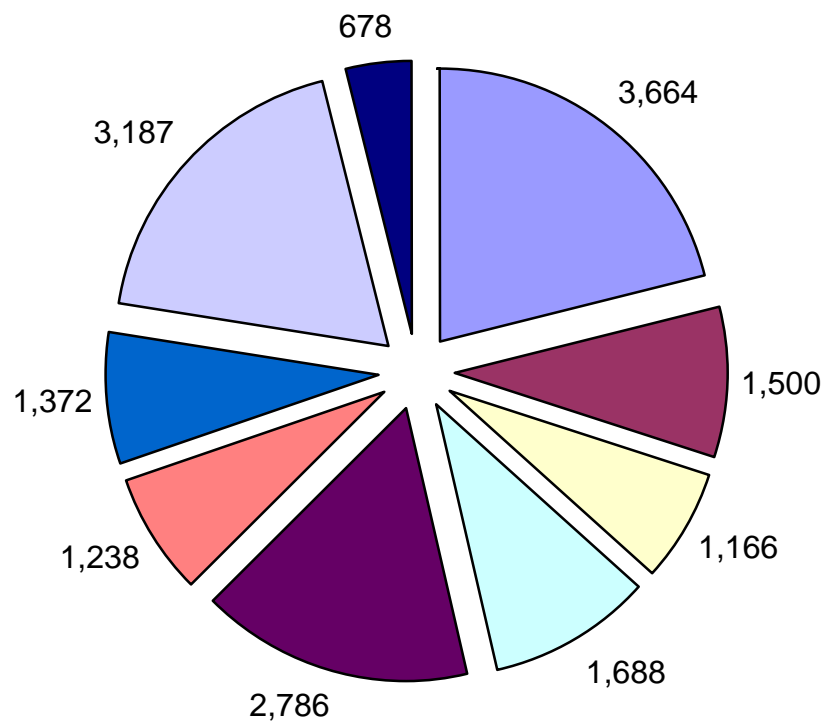
PS BUSINESS PARKS, INC.
Analysis of Capital Expenditures
(in thousands)

<u>Recurring capital expenditures (1)</u>	<u>Nine Months Ended September 30, 2005 Costs</u>	<u>Cost per Weighted Average Square Foot</u>
Maintenance capital expenditures (2)	\$4,889	\$0.28
Tenant improvements	16,434	\$0.92
Leasing commissions	4,990	\$0.28
Total recurring capital expenditures	<u>\$26,313</u>	<u>\$1.48</u>
<u>Non-recurring capital expenditures</u>		
Property renovations	\$2,753	
Total non-recurring capital expenditures	<u>\$2,753</u>	

- (1) The company defines "recurring capital expenditures" as those capitalized costs necessary to continue to operate the property at its current economic value. Costs in excess of \$1,000 for tenant improvements and \$2,000 for maintenance capital expenditures with a useful life greater than 24 months are capitalized. It excludes deferred maintenance and leasing costs committed to by previous owners for acquired properties, leasing costs committed to by previous owners for acquired properties, renovations that substantially enhance the value of a property and first generation leasing costs on development properties. Lease-up costs on acquired properties are included in recurring capital expenditures. Repairs and maintenance were \$11.6 million or approximately \$0.64 per weighted average square foot for the nine months ended September 30, 2005 compared to \$11.0 million or \$0.59 per square foot during the nine months ended September 30, 2004.
- (2) Major costs include roof and HVAC replacement, parking lot replacement and other major repairs that extend the life of the respective component of the building.

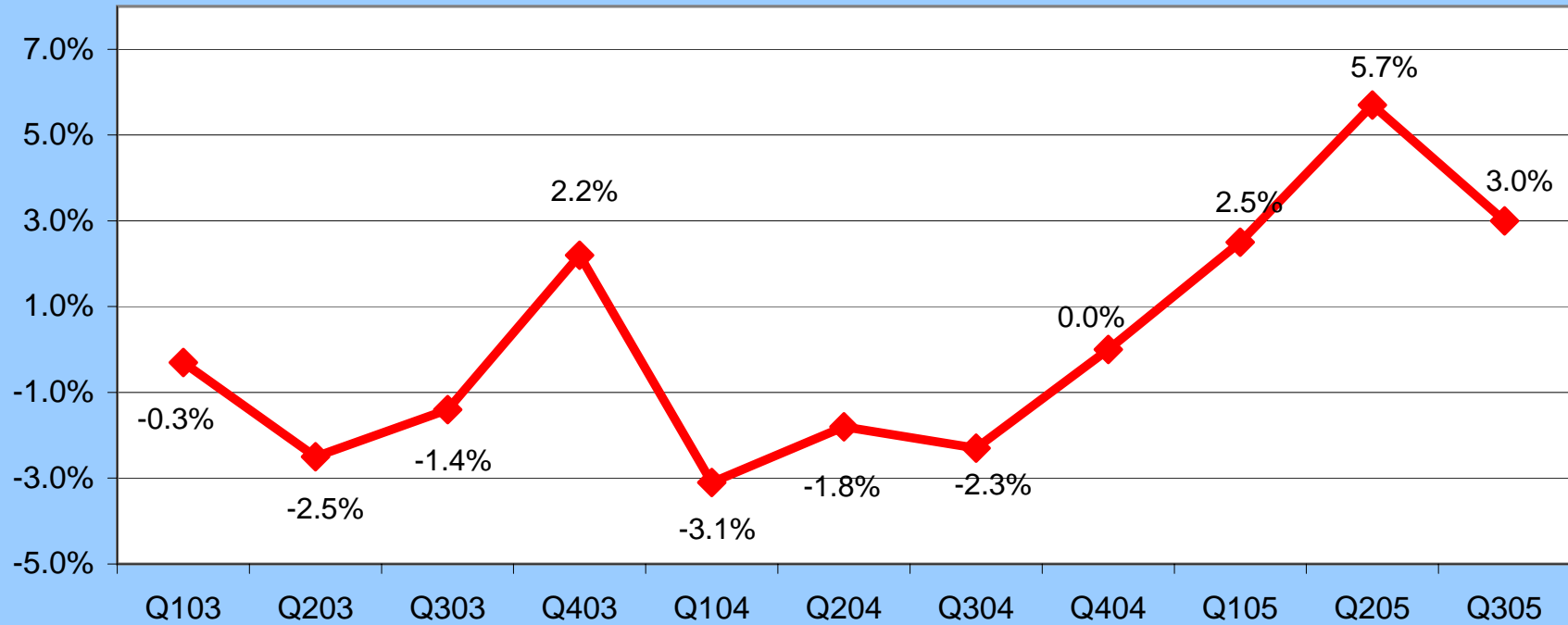
Total Owned Rentable Square Footage by Region *

December 31, 2004 and September 30, 2005
(17,279 square feet, in thousands)



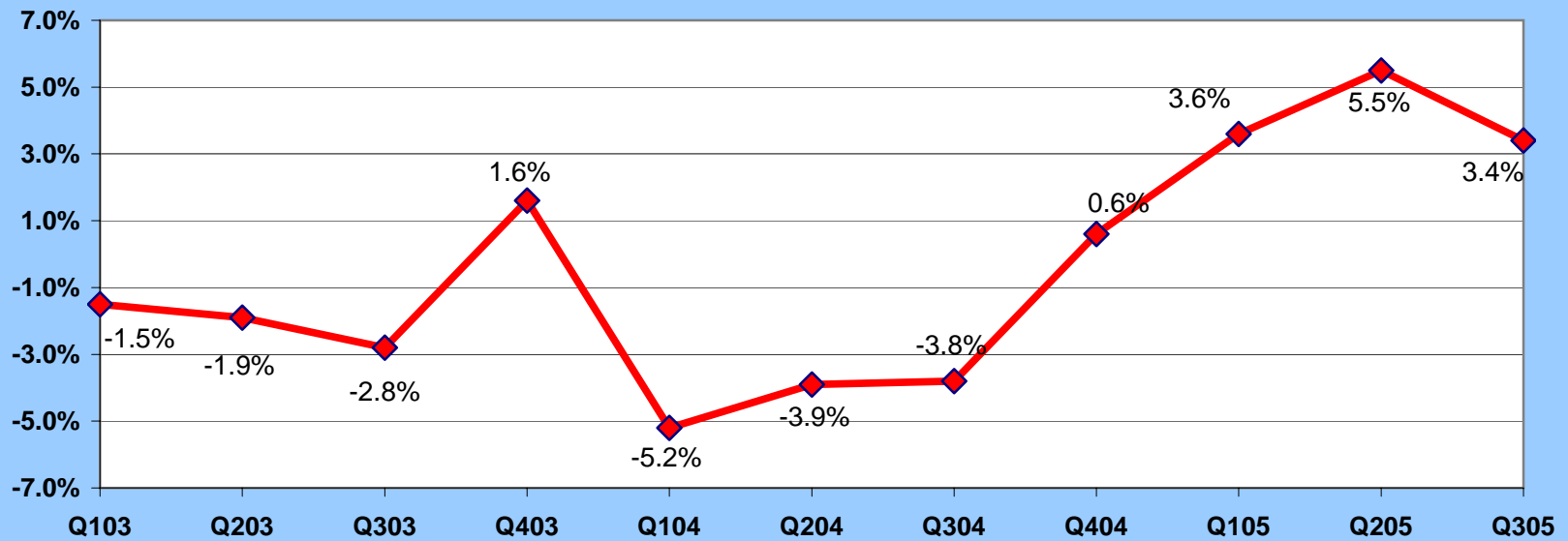
* Square footage excludes discontinued operations.

Change in Same Park Revenue *



* Percentage represents the change over the comparative period in the previous year based on Same Park operating assets as reported in each period disclosed.

Change in Same Park NOI *



* Percentage represents the change over the comparative period in the previous year based on Same Park operating assets as reported in each period disclosed.

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

Industry Concentration as of September 30, 2005

	<u>% of Total Rental Income</u>
Computer Hardware, software and related services	10.3%
Business services	12.5%
Government	10.4%
Contractors	10.0%
Financial services	9.7%
Warehouse, Transportation and Logistics	9.4%
Retail	6.3%
Home furnishings	4.5%
Communications	4.1%
Electronics	3.0%
	<u>80.2%</u>

Top Ten Customers by Total Annual Rental Income as of September 30, 2005

<u>Tenant</u>	<u>Square Footage</u>	<u>Annualized Rental Income</u>	<u>% of Total Annualized Rental Income</u>
U.S. Government	473	\$ 8,620	3.9%
Intel	214	3,525	1.6%
County of Santa Clara	97	3,053	1.4%
Citigroup	262	2,091	1.0%
Axcelis Technologies	89	1,740	0.8%
Wells Fargo	102	1,571	0.7%
Welch Allen Protocol, Inc	91	1,475	0.7%
AARP	102	1,459	0.7%
TRW Systems	58	1,448	0.7%
MCI	72	1,168	0.5%
	<u>1,560</u>	<u>\$ 26,150</u>	<u>12.0%</u>

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

Rentable Square Footage of Properties as of September 30, 2005

Primary Markets	Industrial	Office	Flex	Total	%
Miami	2,556	12	619	3,187	18.4%
Northern Virginia	-	948	1,839	2,787	16.1%
Portland	-	187	1,184	1,371	7.9%
Dallas	231	-	1,457	1,688	9.8%
Orange County	-	704	911	1,615	9.3%
Los Angeles County	712	31	770	1,513	8.8%
Northern California	407	430	663	1,500	8.7%
Maryland	-	717	521	1,238	7.2%
Austin	-	-	792	792	4.6%
Phoenix	-	-	679	679	3.9%
San Diego County	-	-	535	535	3.1%
Houston	-	131	243	374	2.2%
	3,906	3,160	10,213	17,279	100.0%

Average Occupancy Rates by Product Type for the Three Months Ended September 30, 2005

Primary Markets	Industrial	Office	Flex	Total
Miami	93.4%	100.0%	91.6%	93.1%
Northern Virginia	-	96.7%	94.2%	95.1%
Portland	-	86.7%	84.6%	84.9%
Dallas	100.0%	-	85.2%	87.3%
Orange County	-	84.7%	98.1%	92.3%
Los Angeles County	96.8%	98.5%	96.4%	96.7%
Northern California	80.2%	94.0%	98.6%	92.3%
Maryland	-	94.5%	98.3%	96.1%
Austin	-	-	86.1%	86.1%
Phoenix	-	-	94.6%	94.6%
San Diego County	-	-	95.2%	95.2%
Houston	-	99.5%	89.2%	92.8%
	93.1%	92.7%	92.0%	92.4%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended September 30, 2005

Primary Markets	Large Tenant	Small Tenant	Total
Miami	93.3%	91.7%	93.1%
Northern Virginia	93.7%	97.4%	95.1%
Portland	85.6%	81.6%	84.9%
Dallas	89.4%	77.4%	87.3%
Orange County	88.6%	95.6%	92.3%
Los Angeles County	96.8%	96.5%	96.7%
Northern California	89.7%	96.3%	92.3%
Maryland	96.3%	86.4%	96.1%
Austin	85.2%	88.5%	86.1%
Phoenix	-	94.6%	94.6%
San Diego County	-	95.2%	95.2%
Houston	-	92.8%	92.8%
	91.6%	93.8%	92.4%

Note:

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

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

PS BUSINESS PARKS, INC.
SAME PARK PORTFOLIO OVERVIEW
(in thousands)

Rentable Square Footage of Properties as of September 30, 2005

Primary Markets	Industrial	Office	Flex	Total	%
Miami	2,556	12	619	3,187	18.7%
Northern Virginia	-	782	1,839	2,621	15.3%
Portland	-	187	1,184	1,371	8.0%
Dallas	231	-	1,457	1,688	9.9%
Orange County	-	704	911	1,615	9.4%
Los Angeles County	712	31	770	1,513	8.8%
Northern California	407	431	663	1,501	8.8%
Maryland	-	717	521	1,238	7.2%
Austin	-	-	792	792	4.6%
Phoenix	-	-	679	679	4.0%
San Diego County	-	-	535	535	3.1%
Houston	-	131	243	374	2.2%
	3,906	2,995	10,213	17,114	100.0%

Average Occupancy Rates by Product Type for the Three Months Ended September 30, 2005

Primary Markets	Industrial	Office	Flex	Total
Miami	93.4%	100.0%	91.6%	93.1%
Northern Virginia	-	97.5%	94.2%	95.2%
Portland	-	86.7%	84.6%	84.9%
Dallas	100.0%	-	85.2%	87.3%
Orange County	-	84.7%	98.1%	92.3%
Los Angeles County	96.8%	98.5%	96.4%	96.7%
Northern California	80.2%	94.0%	98.6%	92.3%
Maryland	-	94.5%	98.3%	96.1%
Austin	-	-	86.1%	86.1%
Phoenix	-	-	94.6%	94.6%
San Diego County	-	-	95.2%	95.2%
Houston	-	99.5%	89.2%	92.8%
	93.1%	92.7%	92.0%	92.4%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended September 30, 2005

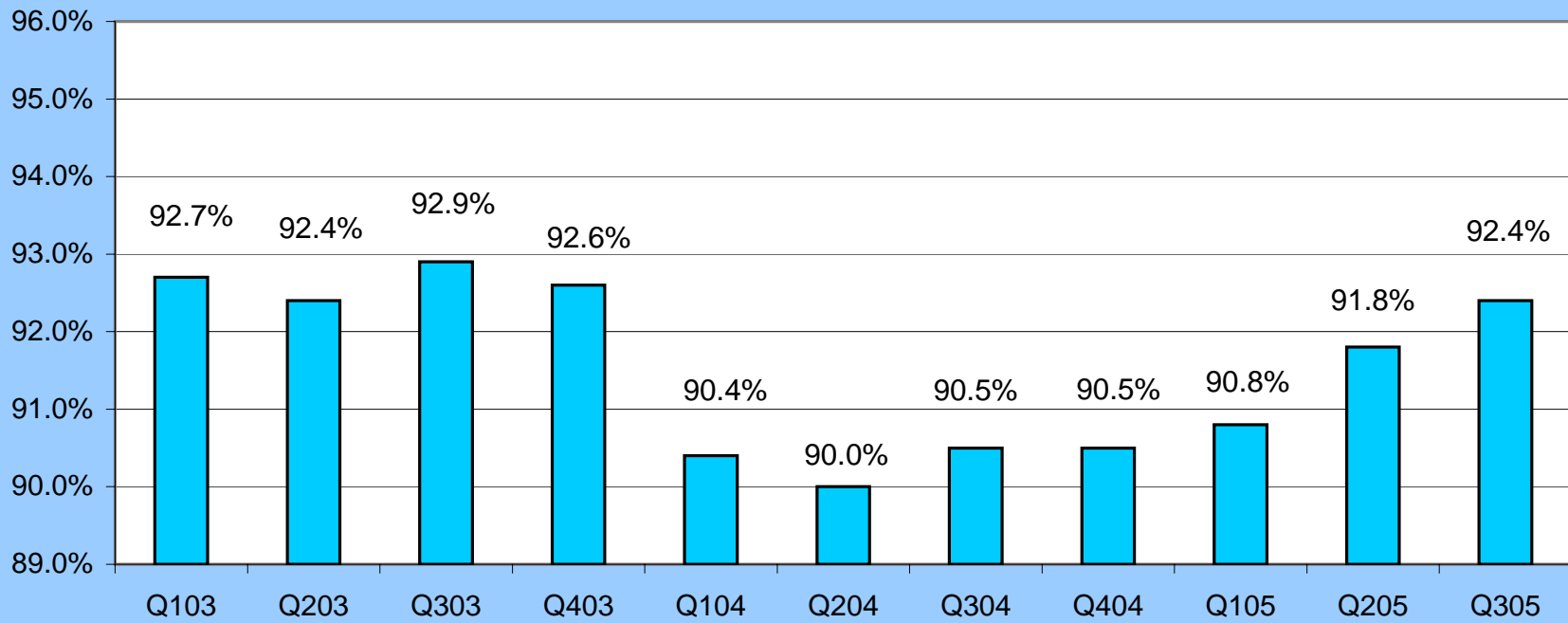
Primary Markets	Large Tenant	Small Tenant	Total
Miami	93.3%	91.7%	93.1%
Northern Virginia	93.7%	98.3%	95.2%
Portland	85.6%	81.6%	84.9%
Dallas	89.4%	77.4%	87.3%
Orange County	88.6%	95.6%	92.3%
Los Angeles County	96.8%	96.5%	96.7%
Northern California	89.7%	96.3%	92.3%
Maryland	96.3%	86.4%	96.1%
Austin	85.2%	88.5%	86.1%
Phoenix	-	94.6%	94.6%
San Diego County	-	95.2%	95.2%
Houston	-	92.8%	92.8%
	91.6%	93.8%	92.4%

Note:

Includes all properties included in continuing operations owned since January 1, 2004.

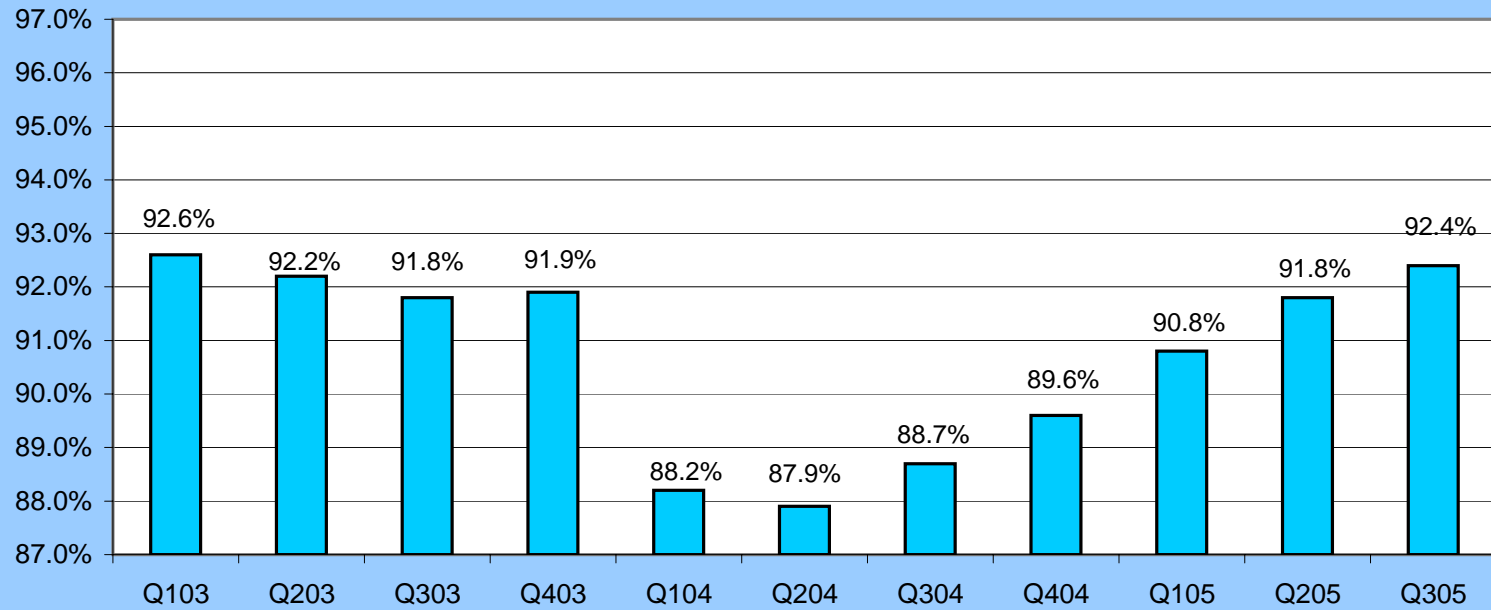
The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet while the "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

Same Park Weighted Average Occupancy *



Represents the Same Park weighted average occupancy as reported in each period disclosed.

Total Owned Portfolio 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, 2005

(in thousands)

Lease Expirations - Flex					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	572	\$ 6,215	5.4%	3.1%	
2006	2,030	23,791	20.5%	11.6%	
2007	2,025	24,047	20.7%	11.8%	
2008	1,722	22,477	19.4%	11.0%	
2009	1,009	10,906	9.4%	5.3%	
Thereafter	2,060	28,630	24.6%	14.0%	
	<u>9,418</u>	<u>\$ 116,066</u>	<u>100.0%</u>	<u>56.8%</u>	

Lease Expirations - Office					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	208	\$ 4,284	6.8%	2.1%	
2006	647	13,591	21.4%	6.6%	
2007	491	9,857	15.5%	4.8%	
2008	526	11,653	18.4%	5.7%	
2009	306	5,912	9.3%	2.9%	
Thereafter	745	18,134	28.6%	8.9%	
	<u>2,923</u>	<u>\$ 63,431</u>	<u>100.0%</u>	<u>31.0%</u>	

Lease Expirations - Industrial					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	147	\$ 1,090	4.4%	0.5%	
2006	759	5,026	20.2%	2.5%	
2007	659	4,468	17.9%	2.2%	
2008	897	6,381	25.6%	3.1%	
2009	346	2,120	8.5%	1.0%	
Thereafter	865	5,833	23.4%	2.9%	
	<u>3,673</u>	<u>\$ 24,918</u>	<u>100.0%</u>	<u>12.2%</u>	

Lease Expirations - Total					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	927	\$ 11,589	5.7%	5.7%	
2006	3,436	42,408	20.7%	20.7%	
2007	3,175	38,372	18.8%	18.8%	
2008	3,145	40,511	19.8%	19.8%	
2009	1,661	18,938	9.3%	9.3%	
Thereafter	3,670	52,597	25.7%	25.7%	
	<u>16,014</u>	<u>\$ 204,415</u>	<u>100.0%</u>	<u>100.0%</u>	

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

Southern California					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company	
				Annual rents	
2005	180	\$ 2,782	5.7%	1.3%	
2006	1,143	13,045	26.5%	6.4%	
2007	818	10,997	22.4%	5.4%	
2008	573	8,961	18.2%	4.4%	
2009	333	4,699	9.6%	2.3%	
Thereafter	434	8,660	17.6%	4.2%	
	<u>3,481</u>	<u>\$ 49,144</u>	<u>100.0%</u>	<u>24.0%</u>	

Northern California					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company	
				Annual rents	
2005	69	\$ 829	4.9%	0.4%	
2006	341	3,565	21.1%	1.7%	
2007	278	2,945	17.4%	1.5%	
2008	310	5,226	30.8%	2.6%	
2009	123	1,099	6.5%	0.5%	
Thereafter	269	3,261	19.3%	1.6%	
	<u>1,390</u>	<u>\$ 16,925</u>	<u>100.0%</u>	<u>8.3%</u>	

Southern Texas					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company	
				Annual rents	
2005	97	\$ 1,418	14.4%	0.7%	
2006	165	1,584	16.1%	0.8%	
2007	169	1,609	16.4%	0.8%	
2008	217	1,825	18.6%	0.9%	
2009	204	1,486	15.1%	0.7%	
Thereafter	172	1,916	19.4%	0.9%	
	<u>1,024</u>	<u>\$ 9,838</u>	<u>100.0%</u>	<u>4.8%</u>	

Northern Texas					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company	
				Annual rents	
2005	93	\$ 150	0.9%	0.1%	
2006	261	4,462	27.2%	2.2%	
2007	197	1,893	11.5%	0.9%	
2008	157	2,639	16.1%	1.3%	
2009	179	1,482	9.0%	0.7%	
Thereafter	589	5,779	35.3%	2.8%	
	<u>1,476</u>	<u>\$ 16,405</u>	<u>100.0%</u>	<u>8.0%</u>	

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

Florida					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	132	\$ 1,015	4.4%	0.5%	
2006	652	5,343	22.9%	2.6%	
2007	569	4,254	18.3%	2.1%	
2008	843	6,345	27.3%	3.1%	
2009	194	1,522	6.5%	0.7%	
Thereafter	630	4,803	20.6%	2.4%	
	<u>3,020</u>	<u>\$ 23,282</u>	<u>100.0%</u>	<u>11.4%</u>	

Northern Virginia					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	140	\$ 1,973	4.5%	1.0%	
2006	461	9,105	20.7%	4.4%	
2007	351	4,822	11.0%	2.4%	
2008	516	8,541	19.4%	4.2%	
2009	331	4,588	10.4%	2.2%	
Thereafter	862	14,886	34.0%	7.3%	
	<u>2,661</u>	<u>\$ 43,915</u>	<u>100.0%</u>	<u>21.5%</u>	

Maryland					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	115	\$ 2,296	10.6%	1.1%	
2006	142	2,348	10.8%	1.1%	
2007	225	5,345	24.6%	2.6%	
2008	165	3,002	13.8%	1.5%	
2009	154	2,023	9.3%	1.0%	
Thereafter	349	6,692	30.9%	3.3%	
	<u>1,150</u>	<u>\$ 21,706</u>	<u>100.0%</u>	<u>10.6%</u>	

Oregon					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	38	\$ 450	2.7%	0.2%	
2006	80	924	5.6%	0.5%	
2007	338	4,263	26.0%	2.1%	
2008	297	3,249	19.8%	1.6%	
2009	79	1,343	8.2%	0.7%	
Thereafter	338	6,163	37.7%	3.0%	
	<u>1,170</u>	<u>\$ 16,392</u>	<u>100.0%</u>	<u>8.1%</u>	

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

Arizona					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2005	63	\$ 676	9.9%	0.3%	
2006	191	2,032	29.8%	1.0%	
2007	230	2,244	33.1%	1.1%	
2008	67	723	10.6%	0.4%	
2009	64	696	10.2%	0.3%	
Thereafter	27	437	6.4%	0.2%	
	<u>642</u>	<u>\$ 6,808</u>	<u>100.0%</u>	<u>3.3%</u>	

Total					
<u>Year of Lease Expiration</u>	<u>Rentable Square Footage</u>	<u>Annual Rents</u>	<u>%</u>	<u>% of Company</u>	
				<u>Annual rents</u>	
2005	927	\$ 11,589	5.7%	5.7%	
2006	3,436	42,408	20.7%	20.7%	
2007	3,175	38,372	18.8%	18.8%	
2008	3,145	40,511	19.8%	19.8%	
2009	1,661	18,938	9.3%	9.3%	
Thereafter	3,670	52,597	25.7%	25.7%	
	<u>16,014</u>	<u>\$ 204,415</u>	<u>100.0%</u>	<u>100.0%</u>	

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of September 30, 2005

(in thousands)

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	482	\$ 6,345	5.0%	3.1%	
2006	1,777	20,801	16.4%	10.2%	
2007	1,690	19,764	15.7%	9.6%	
2008	2,236	27,662	21.8%	13.5%	
2009	1,124	10,945	8.6%	5.4%	
Thereafter	3,072	41,266	32.5%	20.2%	
Total	10,381	\$ 126,783	100.0%	62.0%	

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	445	\$ 5,244	6.8%	2.6%	
2006	1,659	21,607	27.7%	10.6%	
2007	1,485	18,608	24.0%	9.1%	
2008	909	12,849	16.6%	6.3%	
2009	537	7,993	10.3%	3.9%	
Thereafter	598	11,331	14.6%	5.5%	
Total	5,633	\$ 77,632	100.0%	38.0%	

Lease Expirations - Total					
Year of Lease Expiration	Rentable Square Footage	Annual Rents	%	% of Company Annual rents	
2005	927	\$ 11,589	5.7%	5.7%	
2006	3,436	42,408	20.7%	20.7%	
2007	3,175	38,372	18.8%	18.8%	
2008	3,145	40,511	19.8%	19.8%	
2009	1,661	18,938	9.3%	9.3%	
Thereafter	3,670	52,597	25.7%	25.7%	
Total	16,014	\$ 204,415	100.0%	100.0%	