



PSBUSINESSPARKS.

**Analysis of Operating Results
and Financial Condition**

June 30, 2008

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

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

OPERATING DATA						
	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED		
	06/30/08	06/30/07	% Change	06/30/08	06/30/07	% Change
Total rental income	\$ 70,446	\$ 67,275	4.7%	\$ 140,557	\$ 132,399	6.2%
Total cost of operations	21,939	21,022	4.4%	44,429	41,461	7.2%
Net operating income	<u>\$ 48,507</u>	<u>\$ 46,253</u>	4.9%	<u>\$ 96,128</u>	<u>\$ 90,938</u>	5.7%
Net income allocable to common shareholders	\$ 4,623	\$ 3,781	22.3%	\$ 8,425	\$ 9,704	(13.2%)
Net income per common share:						
Basic	\$ 0.23	\$ 0.18	27.8%	\$ 0.41	\$ 0.46	(10.9%)
Diluted	\$ 0.22	\$ 0.17	29.4%	\$ 0.41	\$ 0.45	(8.9%)
Weighted average common shares outstanding - basic	20,430	21,334	(4.2%)	20,432	21,325	(4.2%)
Weighted average common shares outstanding - diluted	20,686	21,681	(4.6%)	20,665	21,692	(4.7%)
Weighted average common OP units outstanding	7,305	7,305	-	7,305	7,305	-
Total fully-converted diluted shares	<u>27,991</u>	<u>28,986</u>	(3.4%)	<u>27,970</u>	<u>28,997</u>	(3.5%)

FUNDS FROM OPERATIONS						
	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED		
	06/30/08	06/30/07	% Change	06/30/08	06/30/07	% Change
FFO allocable to common shareholders/unitholders	\$ 31,382	\$ 29,991	4.6%	\$ 61,979	\$ 59,584	4.0%
Diluted FFO per common share and OP units	\$ 1.12	\$ 1.03	8.7%	\$ 2.22	\$ 2.05	8.3%

PROPERTY INFORMATION						
	FOR THE THREE MONTHS ENDED			FOR THE SIX MONTHS ENDED		
	06/30/08	06/30/07	% Change	06/30/08	06/30/07	% Change
Total Owned Portfolio						
Total rentable square footage at period end	19,557	19,431	0.6%	19,557	19,431	0.6%
Weighted average occupancy	93.5%	93.1%	0.4%	93.7%	93.2%	0.5%
Annualized realized rent per sq. ft. ⁽¹⁾	\$ 15.41	\$ 14.88	3.6%	\$ 15.34	\$ 14.81	3.6%
REVPAF ⁽²⁾	\$ 14.41	\$ 13.85	4.0%	\$ 14.37	\$ 13.80	4.1%
Same Park Portfolio						
Total rentable square footage at period end	18,687	18,687	-	18,687	18,687	-
Weighted average occupancy	93.7%	93.5%	0.2%	94.0%	93.3%	0.8%
Annualized realized rent per sq. ft. ⁽¹⁾	\$ 15.22	\$ 14.81	2.8%	\$ 15.15	\$ 14.78	2.5%
REVPAF ⁽²⁾	\$ 14.26	\$ 13.85	3.0%	\$ 14.24	\$ 13.79	3.3%

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

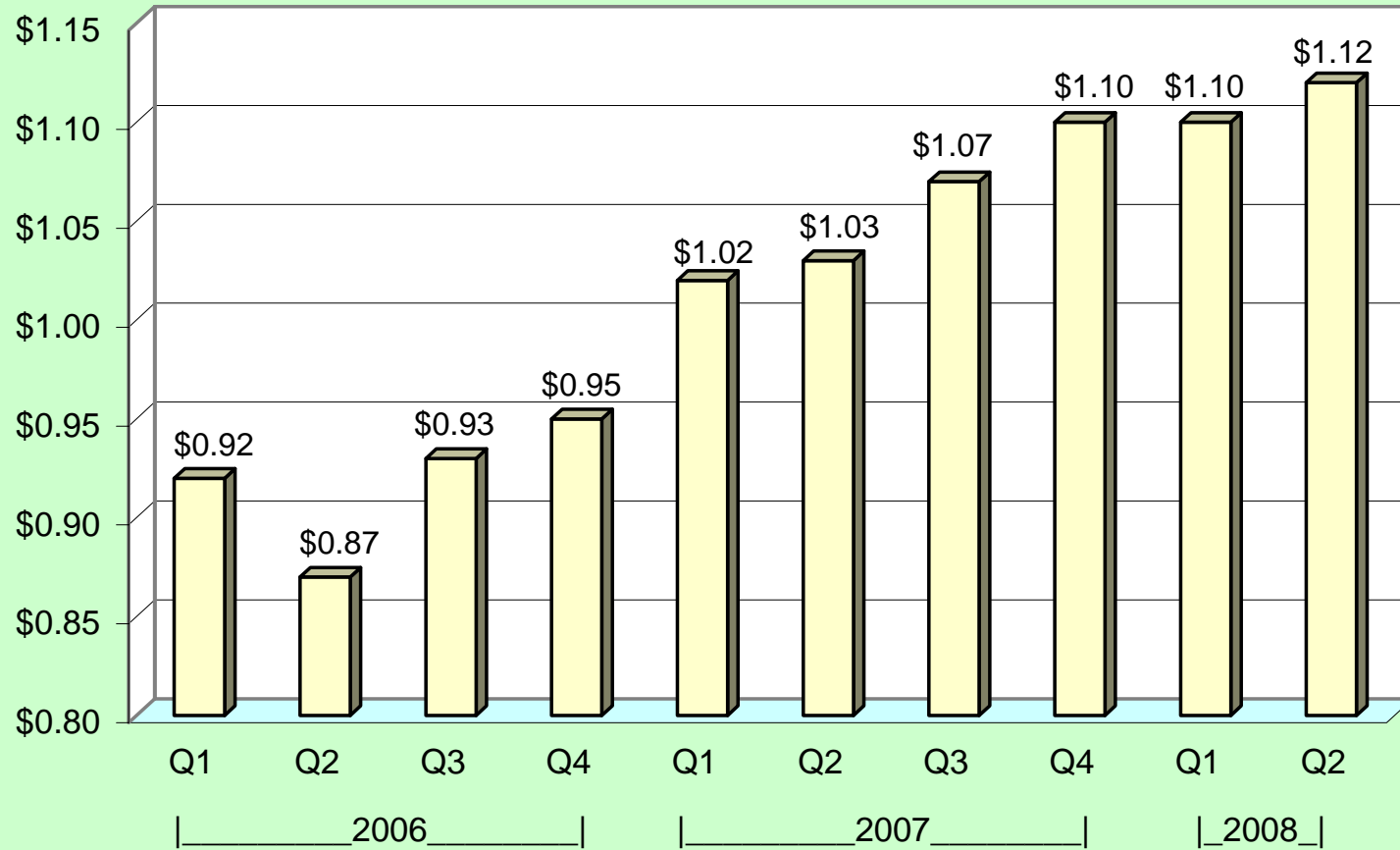
BALANCE SHEET DATA			
	06/30/08	12/31/07	% Change
Total assets	\$ 1,485,301	\$ 1,516,583	(2.1%)
Minority interest - preferred	\$ 94,750	\$ 94,750	-
Minority interest - common	\$ 148,620	\$ 154,470	(3.8%)
Perpetual preferred stock	\$ 716,250	\$ 716,250	-
Common shareholders' equity	\$ 415,815	\$ 439,330	(5.4%)
Total common shares outstanding at period end	20,439	20,777	(1.6%)
Book value per common share	\$ 20.34	\$ 21.15	(3.8%)

MARKET VALUE INFORMATION			
	06/30/08	12/31/07	% Change
Market value of common stock and common OP units	\$ 1,431,614	\$ 1,475,739	(3.0%)
Total debt	60,037	60,725	(1.1%)
Total preferred equity	811,000	811,000	-
Total market capitalization	<u>\$ 2,302,651</u>	<u>\$ 2,347,464</u>	(1.9%)
Stock price at the end of the period	\$ 51.60	\$ 52.55	(1.8%)

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 SIX MONTHS ENDED		Increase (Decrease)	% Change
	06/30/08	06/30/07			06/30/08	06/30/07		
<u>Funds from operations (FFO):</u>								
Net income allocable to common shareholders	\$ 4,623	\$ 3,781	\$ 842	22.3%	\$ 8,425	\$ 9,704	\$ (1,279)	(13.2%)
Adjustments:								
Depreciation and amortization	25,120	24,916	204	0.8%	50,567	46,556	4,011	8.6%
Minority interest in income - common units	1,639	1,294	345	26.7%	2,987	3,324	(337)	(10.1%)
FFO allocable to common shareholders/unitholders	<u>\$ 31,382</u>	<u>\$ 29,991</u>	<u>\$ 1,391</u>	4.6%	<u>\$ 61,979</u>	<u>\$ 59,584</u>	<u>\$ 2,395</u>	4.0%
Weighted average common shares outstanding	20,430	21,334	(904)	(4.2%)	20,432	21,325	(893)	(4.2%)
Weighted average common OP units outstanding	7,305	7,305	-	-	7,305	7,305	-	-
Weighted average common stock equivalents outstanding	256	347	(91)	(26.2%)	233	367	(134)	(36.5%)
Total pro forma fully-converted shares	<u>27,991</u>	<u>28,986</u>	<u>(995)</u>	(3.4%)	<u>27,970</u>	<u>28,997</u>	<u>(1,027)</u>	(3.5%)
Diluted FFO per common share/OP unit	<u>\$ 1.12</u>	<u>\$ 1.03</u>	<u>\$ 0.09</u>	8.7%	<u>\$ 2.22</u>	<u>\$ 2.05</u>	<u>\$ 0.17</u>	8.3%
<u>Funds available for distribution (FAD):</u>								
Funds from operations	\$ 31,382	\$ 29,991	\$ 1,391	4.6%	\$ 61,979	\$ 59,584	\$ 2,395	4.0%
Adjustments:								
Recurring capital improvements	(3,016)	(3,069)	(53)	(1.7%)	(4,950)	(4,891)	59	1.2%
Tenant improvements	(5,200)	(3,062)	2,138	69.8%	(9,654)	(7,501)	2,153	28.7%
Lease commissions	(1,966)	(1,378)	588	42.7%	(4,234)	(2,412)	1,822	75.5%
Straight-line rent	(11)	(51)	(40)	(78.4%)	83	(259)	342	132.0%
Stock compensation expense	1,018	1,065	(47)	(4.4%)	2,030	1,704	326	19.1%
In-place lease adjustment	(48)	(36)	12	33.3%	(96)	(9)	87	966.7%
Lease incentives net of tenant improvement reimbursements	(38)	52	(90)	(173.1%)	(69)	111	(180)	(162.2%)
FAD	<u>\$ 22,121</u>	<u>\$ 23,512</u>	<u>\$ (1,391)</u>	(5.9%)	<u>\$ 45,089</u>	<u>\$ 46,327</u>	<u>\$ (1,238)</u>	(2.7%)
Diluted FAD per common share/OP unit	<u>\$ 0.79</u>	<u>\$ 0.81</u>	<u>\$ (0.02)</u>	(2.5%)	<u>\$ 1.61</u>	<u>\$ 1.60</u>	<u>\$ 0.01</u>	0.6%
<u>Cash available for debt repayments and reinvestments:</u>								
FAD	\$ 22,121	\$ 23,512	\$ (1,391)	(5.9%)	\$ 45,089	\$ 46,327	\$ (1,238)	(2.7%)
Distributions to common shareholders	(8,993)	(9,388)	(395)	(4.2%)	(17,975)	(15,571)	2,404	15.4%
Distributions to common OP unit holders	(3,214)	(3,214)	-	-	(6,428)	(5,333)	1,095	20.5%
Cash available for debt repayments and reinvestments	<u>\$ 9,914</u>	<u>\$ 10,910</u>	<u>\$ (996)</u>	(9.1%)	<u>\$ 20,686</u>	<u>\$ 25,423</u>	<u>\$ (4,737)</u>	(18.6%)
FAD payout ratio	<u>55.2%</u>	<u>53.6%</u>	<u>1.6%</u>	3.0%	<u>54.1%</u>	<u>45.1%</u>	<u>9.0%</u>	20.0%

Reported Diluted FFO Per Common Share/OP Unit



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

	As of June 30, 2008			As of December 31, 2007		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
Long-Term Debt:						
7.290% mortgage note, due February 2009	\$ 5,235			\$ 5,323		
5.730% mortgage note, due March 2013	14,390			14,510		
5.520% mortgage note, due May 2013	10,165			10,274		
5.680% mortgage note, due May 2013	10,175			10,281		
6.150% mortgage note, due November 2031 (includes unamortized premium of \$736,000 on \$16.4 million mortgage note with stated rate of 7.200%)	17,133			17,348		
5.610% mortgage note, due January 2011 (includes unamortized premium of \$168,000 on \$2.8 million mortgage note with stated rate of 7.610%)	2,939			2,989		
Total mortgage notes payable (1)	60,037	2.6%	5.94%	60,725	2.6%	5.94%
Total debt	60,037	2.6%	5.94%	60,725	2.6%	5.94%
Preferred Equity						
7.950% Series G preferred operating partnership units (800,000 units outstanding) callable 10/30/07	20,000			20,000		
7.000% Series H preferred stock (8,200,000 depository shares outstanding) callable 1/30/09	205,000			205,000		
6.875% Series I preferred stock (3,000,000 depository share outstanding) callable 4/21/09	75,000			75,000		
7.500% Series J preferred operating partnership units (1,710,000 units outstanding) callable 5/27/09	42,750			42,750		
7.950% Series K preferred stock (2,300,000 depository shares outstanding) callable 6/30/09	57,500			57,500		
7.600% Series L preferred stock (2,300,000 depository shares outstanding) callable 8/31/09	57,500			57,500		
7.200% Series M preferred stock (3,300,000 depository shares outstanding) callable 5/2/10	82,500			82,500		
7.125% Series N preferred operating partnership units (800,000 units outstanding) callable 12/12/10	20,000			20,000		
7.375% Series O preferred stock (3,800,000 depository shares outstanding) callable 6/16/11	95,000			95,000		
6.700% Series P preferred stock (5,750,000 depository shares outstanding) callable 1/17/12	143,750			143,750		
6.550% Series Q preferred operating partnership units (480,000 units outstanding) callable 3/12/12	12,000			12,000		
Total preferred equity	811,000	35.2%	7.16%	811,000	34.5%	7.16%
Total debt and preferred equity	871,037	37.8%	7.07%	871,725	37.1%	7.07%
Common stock (20,439,118 and 20,777,219 shares outstanding as of June 30, 2008 and December 31, 2007, respectively)	1,054,658			1,091,843		
Common operating partnership units (7,305,355 units outstanding as of June 30, 2008 and December 31, 2007)	376,956			383,896		
Total common equity (2)	1,431,614	62.2%		1,475,739	62.9%	
Total market capitalization	\$ 2,302,651	100%		\$ 2,347,464	100%	

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

	Principal Maturity Dates						
	2008	2009	2010	2011	2012	Thereafter	Total
Park East III	\$ 91	\$ 5,144	\$ -	\$ -	\$ -	\$ -	\$ 5,235
Rose Canyon	123	261	277	293	309	13,127	14,390
Meadows	120	258	278	15,741	-	-	16,397
Palm Beach	242	507	536	3,178	547	18,101	23,111
Meadows Loan Premium	100	208	218	210	-	-	736
Palm Beach Loan Premium	31	64	67	6	-	-	168
	\$ 707	\$ 6,442	\$ 1,376	\$ 19,428	\$ 856	\$ 31,228	\$ 60,037

(2) Closing stock price was \$51.60 and \$52.55 as of June 30, 2008 and December 31, 2007, respectively.

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

	06/30/08	12/31/07	Increase (Decrease)	% Change
<u>ASSETS</u>				
Cash and cash equivalents	\$ 38,309	\$ 35,041	\$ 3,268	(a) 9.3%
Real estate facilities, at cost:				
Land	494,849	494,849	-	-
Buildings and equipment	1,503,218	1,484,049	19,169	1.3%
	1,998,067	1,978,898	19,169	(b) 1.0%
Accumulated depreciation	(589,657)	(539,857)	49,800	9.2%
	1,408,410	1,439,041	(30,631)	(2.1%)
Land held for development	7,869	7,869	-	-
	1,416,279	1,446,910	(30,631)	(2.1%)
Rent receivable	1,720	2,240	(520)	(c) (23.2%)
Deferred rent receivables	21,844	21,927	(83)	(0.4%)
Other assets	7,149	10,465	(3,316)	(d) (31.7%)
Total assets	<u>\$ 1,485,301</u>	<u>\$ 1,516,583</u>	<u>\$ (31,282)</u>	(2.1%)
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Accrued and other liabilities	\$ 49,829	\$ 51,058	\$ (1,229)	(e) (2.4%)
Mortgage notes payable	60,037	60,725	(688)	(1.1%)
Total liabilities	109,866	111,783	(1,917)	(1.7%)
Minority interests:				
Preferred units	94,750	94,750	-	-
Common units	148,620	154,470	(5,850)	(3.8%)
Shareholders' equity:				
Preferred stock	716,250	716,250	-	-
Common stock	204	207	(3)	(1.4%)
Paid-in capital	357,305	371,267	(13,962)	(f) (3.8%)
Cumulative net income	586,007	552,069	33,938	6.1%
Cumulative distributions	(527,701)	(484,213)	43,488	(g) 9.0%
Total shareholders' equity	<u>1,132,065</u>	<u>1,155,580</u>	<u>(23,515)</u>	(2.0%)
Total liabilities and shareholders' equity	<u>\$ 1,485,301</u>	<u>\$ 1,516,583</u>	<u>\$ (31,282)</u>	(2.1%)

PS BUSINESS PARKS, INC. CONSOLIDATED BALANCE SHEETS VARIANCE DETAIL (in thousands)			
(a) Change in cash and cash equivalents:			
Beginning cash balance			\$ 35,041
Net cash provided by operating activities			98,363
Net cash used in investing activities			(19,936)
Net cash used in financing activities			(75,159)
Ending cash balance			<u>\$ 38,309</u>
(b) Change in real estate facilities, at cost:			
Beginning balance			\$ 1,978,898
Property renovations			1,098
Recurring capital improvements			4,950
Tenant improvements			9,654
Lease commissions			4,234
Ending balance			<u>\$ 1,998,834</u>
(c) Rent receivable consists of:			
	<u>06/30/08</u>	<u>12/31/07</u>	Increase (Decrease)
U.S. Government tenants	\$ 1,121	\$ 1,143	\$ (22)
Other	899	\$ 1,397	(498)
Allowance for bad debt	(300)	\$ (300)	-
	<u>\$ 1,720</u>	<u>\$ 2,240</u>	<u>\$ (520)</u>
(d) Other assets consist of:			
	<u>06/30/08</u>	<u>12/31/07</u>	Increase (Decrease)
Insurance claim receivable	\$ 107	\$ 122	\$ (15)
Prepaid insurance	2,644	1,316	1,328
Prepaid property taxes	141	2,615	(2,474)
Lease incentives, net	1,423	1,705	(282)
Mortgage impounds	1,220	1,474	(254)
In-place lease adjustment, net	300	419	(119)
Other	1,314	2,814	(1,500)
	<u>\$ 7,149</u>	<u>\$ 10,465</u>	<u>\$ (3,316)</u>
(e) Accrued and other liabilities consist of:			
	<u>06/30/08</u>	<u>12/31/07</u>	Increase (Decrease)
Prepaid rent	\$ 5,251	\$ 6,564	\$ (1,313)
Accrued property taxes	7,911	5,197	2,714
Security deposits	19,508	19,118	390
In-place lease adjustment, net	801	1,017	(216)
Reserves for acquisition costs	1,796	2,001	(205)
Accrued stock repurchase	-	3,302	(3,302)
Other	14,562	13,859	703
	<u>\$ 49,829</u>	<u>\$ 51,058</u>	<u>\$ (1,229)</u>
(f) Change in paid-in capital:			
Beginning paid-in capital			\$ 371,267
Repurchase of common stock			(18,321)
Exercise of stock options			447
Restricted stock and stock compensation			1,502
Adjustment to reflect minority interest to underlying ownership			2,410
Ending paid in capital			<u>\$ 357,305</u>
(g) Change in cumulative distributions:			
Beginning cumulative distributions			\$ 484,213
Distributions to preferred shareholders			25,513
Distributions to common shareholders			17,975
Ending cumulative distributions			<u>\$ 527,701</u>

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

	06/30/08	06/30/07	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 70,446	\$ 67,275	\$ 3,171 (a)	4.7%
Facility management fees	177	182	(5)	(2.7%)
Total operating revenues	<u>70,623</u>	<u>67,457</u>	<u>3,166</u>	4.7%
Expenses:				
Cost of operations	21,939	21,022	917 (b)	4.4%
Depreciation and amortization	25,120	24,916	204	0.8%
General and administrative	2,085	2,112	(27) (c)	(1.3%)
Total operating expenses	<u>49,144</u>	<u>48,050</u>	<u>1,094</u>	2.3%
Other income and expenses:				
Interest and other income	282	1,189	(907)	(76.3%)
Interest expense	(990)	(1,012)	(22) (d)	(2.2%)
Total other income and expenses	<u>(708)</u>	<u>177</u>	<u>(885)</u>	(500.0%)
Income before minority interests	<u>20,771</u>	<u>19,584</u>	<u>1,187</u>	6.1%
Minority interests:				
Minority interest in income - preferred units	(1,752)	(1,752)	-	-
Minority interest in income - common units	(1,639)	(1,294)	345	26.7%
Total minority interests	<u>(3,391)</u>	<u>(3,046)</u>	<u>345</u>	11.3%
Net income	<u>17,380</u>	<u>16,538</u>	<u>842</u>	5.1%
Net income allocable to preferred shareholders:				
Preferred stock distributions	12,757	12,757	-	-
Net income allocable to common shareholders	<u>\$ 4,623</u>	<u>\$ 3,781</u>	<u>\$ 842</u>	22.3%
Net income per common share:				
Basic	\$ 0.23	\$ 0.18	\$ 0.05	27.8%
Diluted	\$ 0.22	\$ 0.17	\$ 0.05	29.4%
Weighted average common shares outstanding:				
Basic	<u>20,430</u>	<u>21,334</u>	<u>(904)</u>	(4.2%)
Diluted	<u>20,686</u>	<u>21,681</u>	<u>(995)</u>	(4.6%)

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

	06/30/08	06/30/07	Increase (Decrease)
(a) Rental income:			
Same Park	\$ 66,697	\$ 64,664	\$ 2,033
Non-Same Park	3,738	2,560	1,178
Same Park straight-line rent	(59)	11	(70)
Non-Same Park straight-line rent	70	40	30
	<u>\$ 70,446</u>	<u>\$ 67,275</u>	<u>\$ 3,171</u>
(b) Cost of operations:			
Same Park	\$ 20,763	\$ 20,251	\$ 512
Non-Same Park	1,176	771	405
	<u>\$ 21,939</u>	<u>\$ 21,022</u>	<u>\$ 917</u>
(c) General and administrative expenses:			
Cash and non-cash compensation expense	\$ 1,582	\$ 1,623	\$ (41)
Professional fees	172	161	11
Other	331	328	3
	<u>\$ 2,085</u>	<u>\$ 2,112</u>	<u>\$ (27)</u>
(d) Interest expense:			
Mortgage notes payable	\$ (902)	\$ (936)	\$ (34)
Facilities fees & other charges	(88)	(76)	12
	<u>\$ (990)</u>	<u>\$ (1,012)</u>	<u>\$ (22)</u>

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

	6/30/2008	6/30/2007	Increase (Decrease)	% Change
Revenues:				
Rental income	\$ 140,557	\$ 132,399	\$ 8,158 (a)	6.2%
Facility management fees	372	365	7	1.9%
Total operating revenues	<u>140,929</u>	<u>132,764</u>	<u>8,165</u>	6.2%
Expenses:				
Cost of operations	44,429	41,461	2,968 (b)	7.2%
Depreciation and amortization	50,567	46,556	4,011	8.6%
General and administrative	4,131	3,814	317 (c)	8.3%
Total operating expenses	<u>99,127</u>	<u>91,831</u>	<u>7,296</u>	7.9%
Other income and expenses:				
Interest and other income	610	2,990	(2,380)	(79.6%)
Interest expense	(1,983)	(2,119)	(136) (d)	(6.4%)
Total other income and expenses	<u>(1,373)</u>	<u>871</u>	<u>(2,244)</u>	(257.6%)
Income before minority interests	<u>40,429</u>	<u>41,804</u>	<u>(1,375)</u>	(3.3%)
Minority interests:				
Minority interest in income - preferred units	(3,504)	(3,351)	153	4.6%
Minority interest in income - common units	(2,987)	(3,324)	(337)	(10.1%)
Total minority interests	<u>(6,491)</u>	<u>(6,675)</u>	<u>(184)</u>	(2.8%)
Net income	<u>33,938</u>	<u>35,129</u>	<u>(1,191)</u>	(3.4%)
Net income allocable to preferred shareholders:				
Preferred stock distributions	25,513	25,425	88	0.3%
Net income allocable to common shareholders	<u>\$ 8,425</u>	<u>\$ 9,704</u>	<u>\$ (1,279)</u>	(13.2%)
Net income per common share:				
Basic	\$ 0.41	\$ 0.46	\$ (0.05)	(10.9%)
Diluted	\$ 0.41	\$ 0.45	\$ (0.04)	(8.9%)
Weighted average common shares outstanding:				
Basic	<u>20,432</u>	<u>21,325</u>	<u>(893) (e)</u>	(4.2%)
Diluted	<u>20,665</u>	<u>21,692</u>	<u>(1,027)</u>	(4.7%)

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

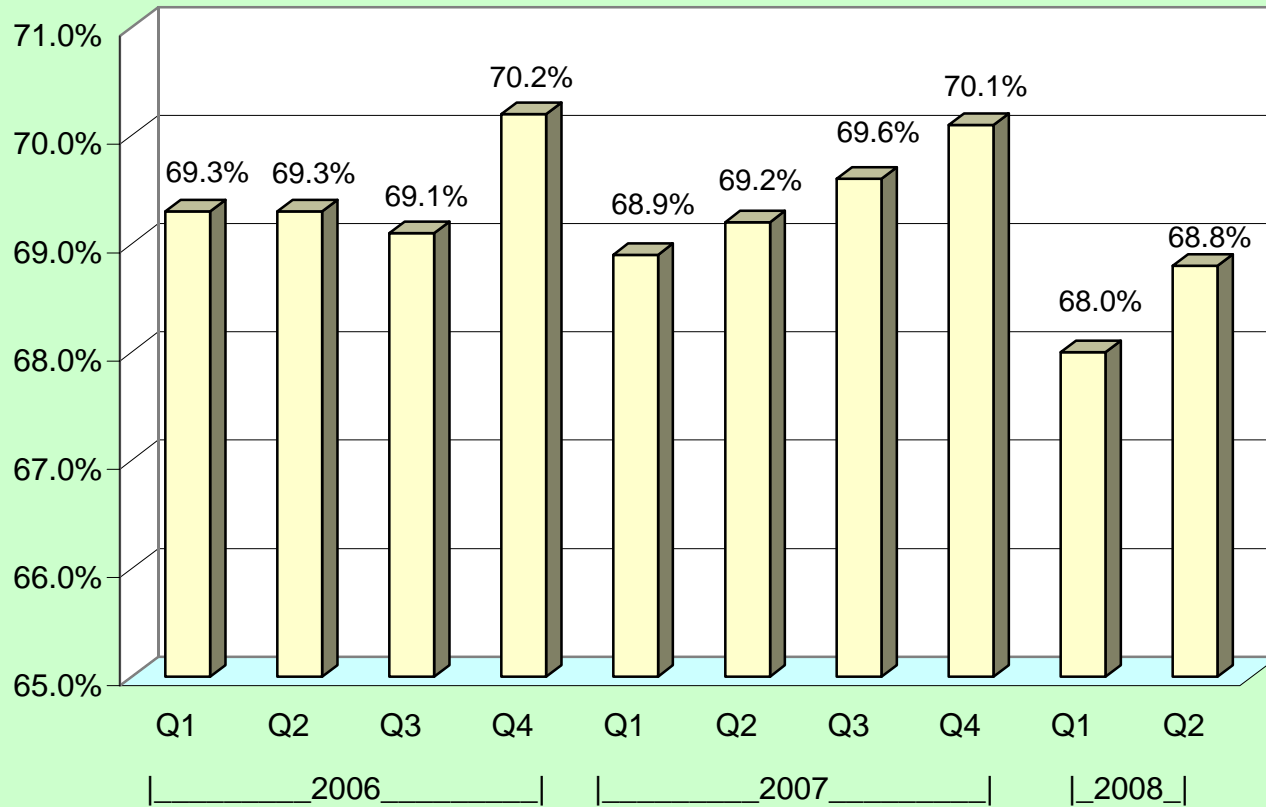
	06/30/08	06/30/07	Increase (Decrease)
(a) Rental income:			
Same Park	\$ 133,281	\$ 128,611	\$ 4,670
Non-Same Park	7,359	3,529	3,830
Same Park straight-line rent	(247)	211	(458)
Non-Same Park straight-line rent	164	48	116
	<u>\$ 140,557</u>	<u>\$ 132,399</u>	<u>\$ 8,158</u>
(b) Cost of operations:			
Same Park	\$ 42,006	\$ 40,423	\$ 1,583
Non-Same Park	2,423	1,038	1,385
	<u>\$ 44,429</u>	<u>\$ 41,461</u>	<u>\$ 2,968</u>
(c) General and administrative expenses:			
Cash and non-cash compensation expense	\$ 3,181	\$ 2,820	\$ 361
Professional fees	358	330	28
Other	592	664	(72)
	<u>\$ 4,131</u>	<u>\$ 3,814</u>	<u>\$ 317</u>
(d) Interest expense:			
Mortgage notes payable	\$ (1,807)	\$ (1,954)	\$ (147)
Facilities fees & other charges	(176)	(165)	11
	<u>\$ (1,983)</u>	<u>\$ (2,119)</u>	<u>\$ (136)</u>
(e) Net decrease relates to stock repurchases partially offset by stock option exercises and vesting of restricted stock units.			

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

<u>Recurring capital expenditures</u> ⁽¹⁾	<u>Six Months Ended June 30, 2008 Costs</u>	<u>Cost per Weighted Average Square Foot</u>
Capital improvements ⁽²⁾	\$4,950	\$0.25
Tenant improvements	9,654	\$0.49
Lease commissions	4,234	\$0.22
Total recurring capital expenditures	<u>\$18,838</u>	\$0.96
 <u>Non-recurring capital expenditures</u>		
Property renovations	\$1,098	
Total non-recurring capital expenditures	<u>\$1,098</u>	

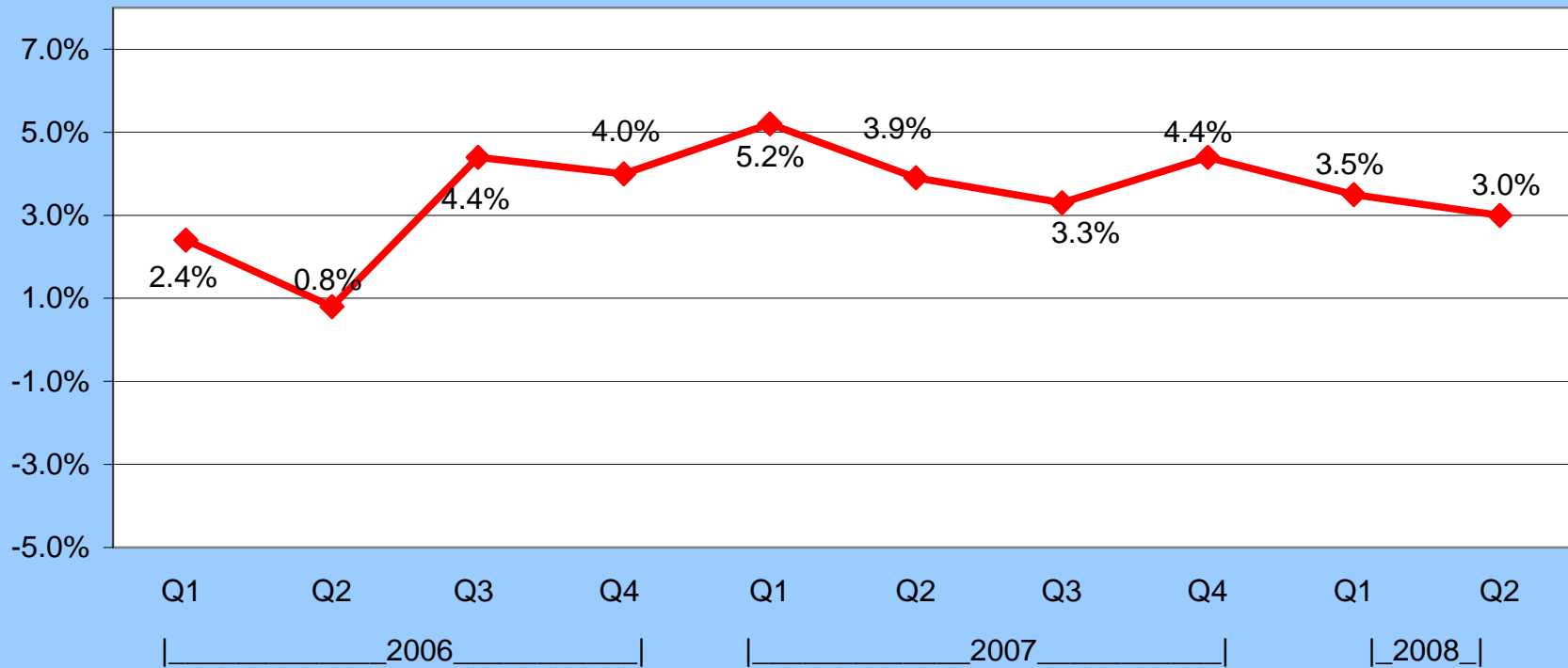
- (1) The Company defines "recurring capital expenditures" as those capitalized costs necessary to continue to operate the property at its current economic value. Leasing costs in excess of \$1,000 and capital improvements in excess of \$2,000 with a useful life greater than 24 months are capitalized. 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 \$10.2 million or approximately \$0.52 per weighted average square foot for the six months ended June 30, 2008 compared to \$9.5 million or approximately \$0.49 per weighted average square foot for the six months ended June 30, 2007.
- (2) Major costs include roof, HVAC and parking lot replacement as well as other major repairs that extend the life of the respective components of the building.

Same Park Gross Operating Margin Percentage *



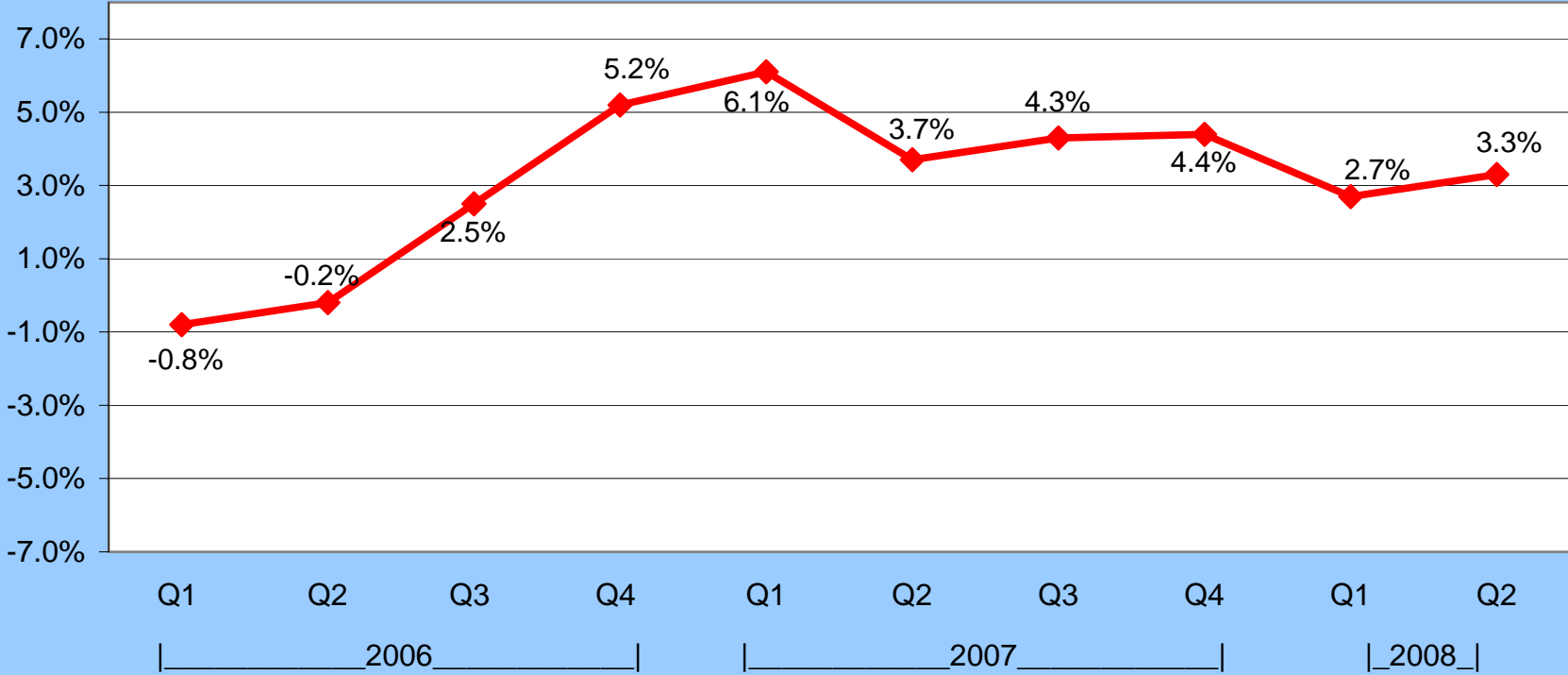
* Gross margin is computed by dividing property net operating income by rental income for Same Park properties owned in each period.

Change in Same Park Revenue *



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

Change in Same Park NOI *



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

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

Industry Concentration as of June 30, 2008

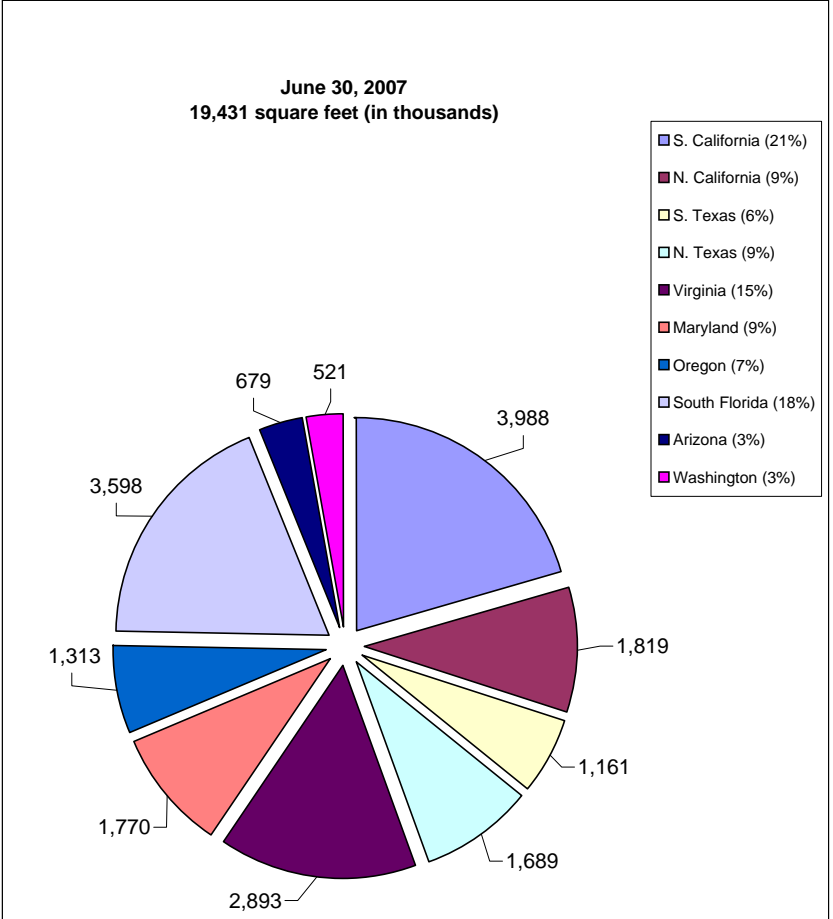
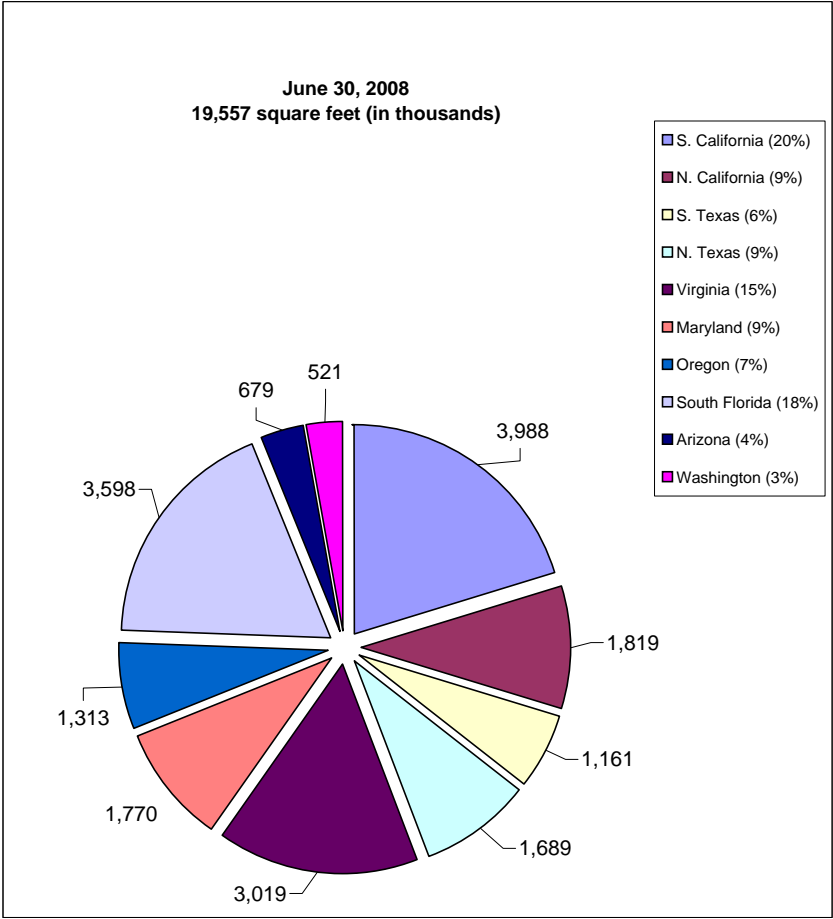
Industry	% of Total Annual Rents
Business Services	13.3%
Computer Hardware, Software and Related Service	9.8%
Health Services	9.8%
Warehouse, Transportation and Logistics	8.7%
Government	8.7%
Financial Services	8.3%
Contractors	7.5%
Retail	6.3%
Communications	5.6%
Home Furnishings	3.8%
Electronics	3.2%
Educational Services	2.8%
Total	87.8%

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

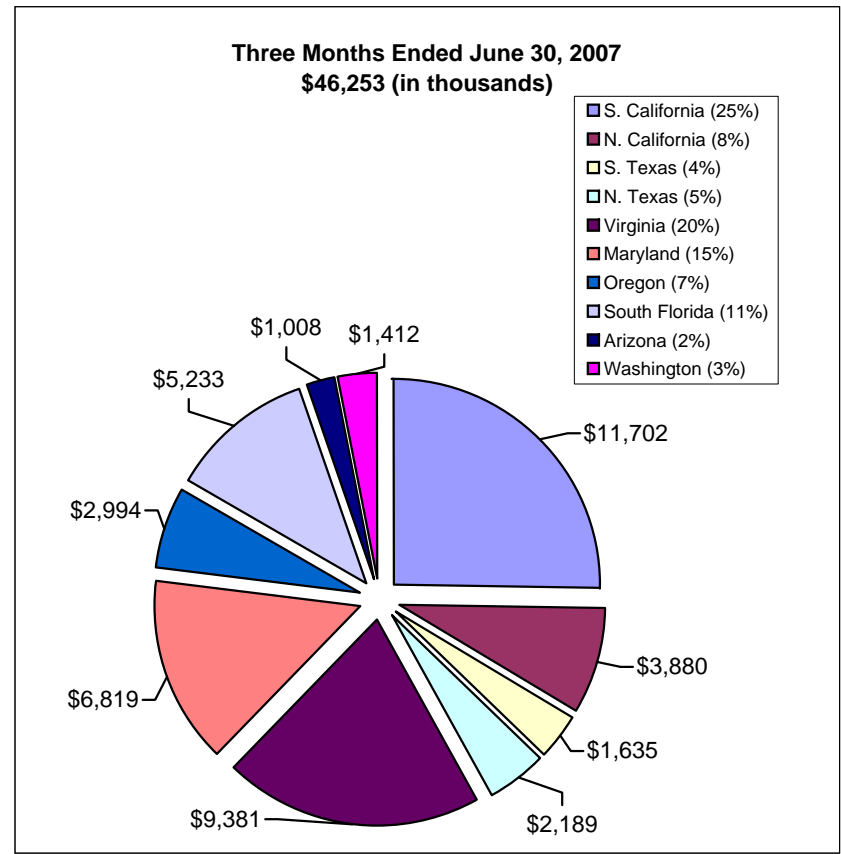
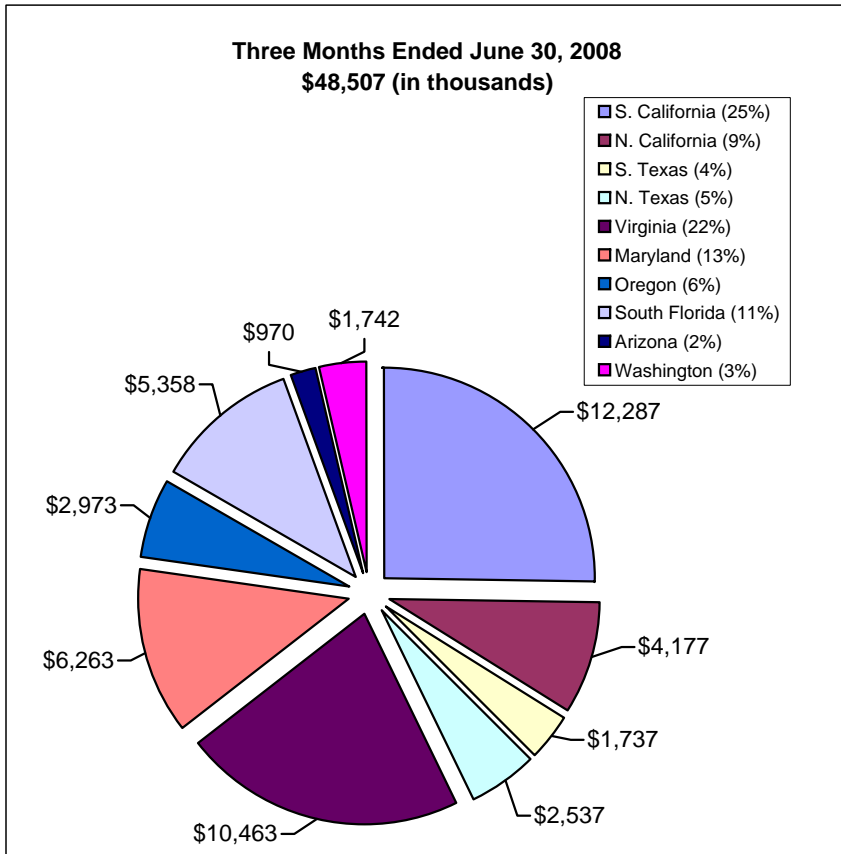
Tenant	Square Footage	Annualized Rental Income ⁽¹⁾	% of Total Annualized Rental Income
U.S. Government	462	\$ 12,035	4.3%
Kaiser Permanente	186	4,447	1.6%
Wells Fargo Bank	102	1,701	0.6%
AARP	102	1,610	0.6%
Northrop Grumman	58	1,587	0.6%
Raytheon	78	1,471	0.5%
Intel	94	1,333	0.5%
American Intercontinental University	75	1,330	0.5%
Montgomery County Public School	47	1,268	0.5%
American Systems	63	1,205	0.4%
Total	1,267	\$ 27,987	10.1%

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

Total Owned Rentable Square Footage by Region



Total Owned Property Net Operating Income by Region



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

Rentable Square Footage of Properties as of June 30, 2008					
Primary Markets	Industrial	Office	Flex	Total	%
Miami	2,556	12	632	3,200	16.4%
Northern Virginia	-	1,073	1,946	3,019	15.4%
Northern California	407	431	981	1,819	9.3%
Maryland	-	883	887	1,770	9.1%
Dallas	231	-	1,458	1,689	8.6%
Orange County	-	704	911	1,615	8.3%
Los Angeles County	712	31	862	1,605	8.2%
Portland	-	187	1,126	1,313	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	-	-	398	398	2.0%
Houston	-	131	243	374	1.9%
Total	3,906	3,480	12,171	19,557	100.0%
Percentage by Product Type	20.0%	17.8%	62.2%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended June 30, 2008				
Primary Markets	Industrial	Office	Flex	Total
Miami	95.8%	100.0%	98.7%	96.4%
Northern Virginia	-	96.3%	98.2%	97.6%
Northern California	99.8%	94.1%	89.0%	92.6%
Maryland	-	91.0%	90.5%	90.7%
Dallas	100.0%	-	91.8%	92.9%
Orange County	-	93.9%	93.8%	93.9%
Los Angeles County	97.9%	92.0%	91.8%	94.5%
Portland	-	85.8%	81.4%	82.0%
Austin	-	-	95.2%	95.2%
San Diego County	-	-	94.3%	94.3%
Phoenix	-	-	86.7%	86.7%
Seattle	-	96.9%	95.3%	95.3%
Palm Beach	-	-	93.1%	93.1%
Houston	-	100.0%	95.2%	96.9%
Total	96.8%	93.7%	92.4%	93.5%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended June 30, 2008			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	96.1%	98.2%	96.4%
Northern Virginia	98.3%	96.1%	97.6%
Northern California	99.9%	85.3%	92.6%
Maryland	90.9%	88.9%	90.7%
Dallas	95.1%	82.9%	92.9%
Orange County	96.1%	91.8%	93.9%
Los Angeles County	97.9%	91.8%	94.5%
Portland	81.1%	86.6%	82.0%
Austin	96.9%	90.0%	95.2%
San Diego County	-	94.3%	94.3%
Phoenix	-	86.7%	86.7%
Seattle	-	95.3%	95.3%
Palm Beach	-	93.1%	93.1%
Houston	-	96.9%	96.9%
Total	94.7%	91.7%	93.5%

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 June 30, 2008					
Primary Markets	Industrial	Office	Flex	Total	%
Miami	2,556	12	632	3,200	17.1%
Northern Virginia	-	948	1,946	2,894	15.5%
Maryland	-	883	887	1,770	9.5%
Dallas	231	-	1,458	1,689	9.0%
Orange County	-	704	911	1,615	8.7%
Los Angeles County	712	31	862	1,605	8.6%
Northern California	407	431	729	1,567	8.4%
Portland	-	187	1,126	1,313	7.0%
Austin	-	-	787	787	4.2%
San Diego County	-	-	768	768	4.1%
Phoenix	-	-	679	679	3.6%
Palm Beach	-	-	398	398	2.1%
Houston	-	131	243	374	2.0%
Seattle	-	-	28	28	0.2%
Total	3,906	3,327	11,454	18,687	100.0%
Percentage by Product Type	20.9%	17.8%	61.3%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended June 30, 2008				
Primary Markets	Industrial	Office	Flex	Total
Miami	95.8%	100.0%	98.7%	96.4%
Northern Virginia	-	96.2%	98.2%	97.6%
Maryland	-	91.0%	90.5%	90.7%
Dallas	100.0%	-	91.8%	92.9%
Orange County	-	93.9%	93.8%	93.9%
Los Angeles County	97.9%	92.0%	91.8%	94.5%
Northern California	99.8%	94.1%	94.9%	95.9%
Portland	-	85.8%	81.4%	82.0%
Austin	-	-	95.2%	95.2%
San Diego County	-	-	94.3%	94.3%
Phoenix	-	-	86.7%	86.7%
Palm Beach	-	-	93.1%	93.1%
Houston	-	100.0%	95.2%	96.9%
Seattle	-	-	92.1%	92.1%
Total	96.8%	93.6%	92.7%	93.7%

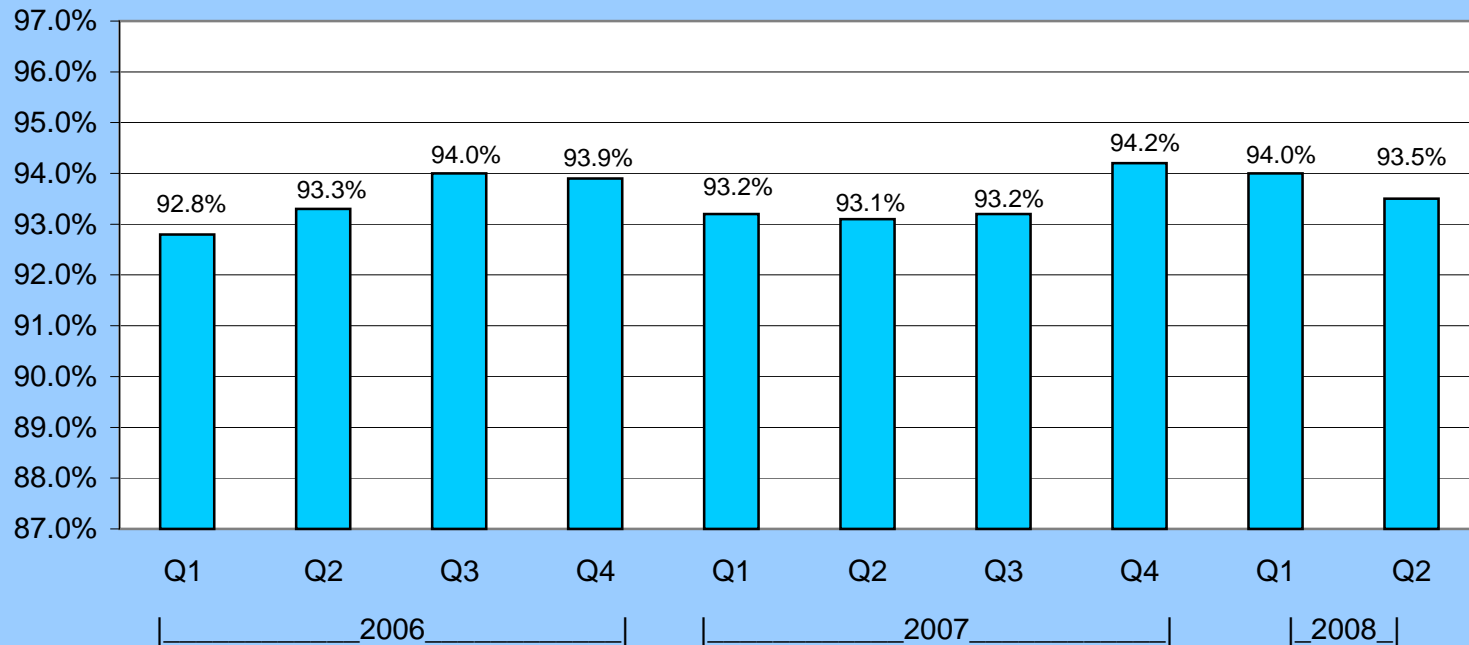
Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended June 30, 2008			
Primary Markets	Large Tenant	Small Tenant	Total
Miami	96.1%	98.2%	96.4%
Northern Virginia	98.4%	96.1%	97.6%
Maryland	90.9%	88.9%	90.7%
Dallas	95.1%	82.9%	92.9%
Orange County	96.1%	91.8%	93.9%
Los Angeles County	97.9%	91.8%	94.5%
Northern California	99.9%	90.4%	95.9%
Portland	81.1%	86.6%	82.0%
Austin	96.9%	90.0%	95.2%
San Diego County	-	94.3%	94.3%
Phoenix	-	86.7%	86.7%
Palm Beach	-	93.1%	93.1%
Houston	-	96.9%	96.9%
Seattle	-	92.1%	92.1%
Total	94.7%	92.1%	93.7%

Note:

Includes all properties owned since January 1, 2007.

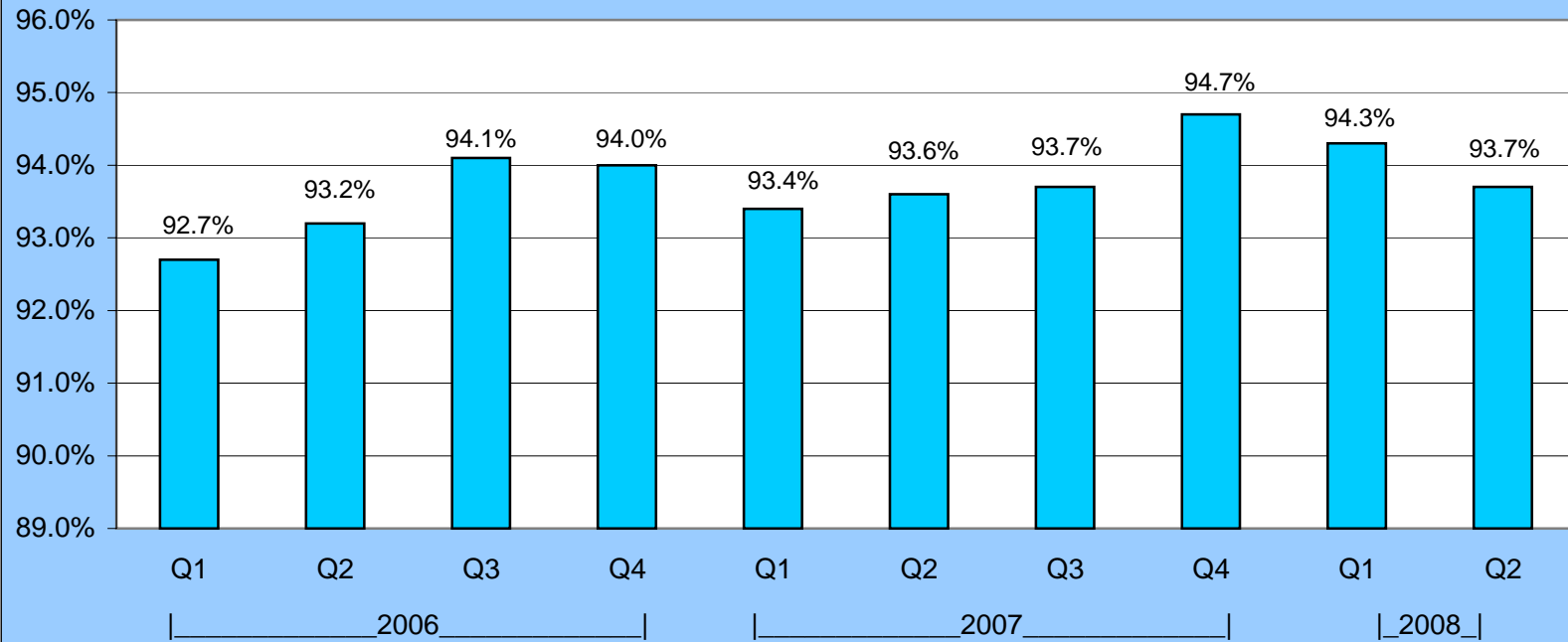
The Company's "large tenant" portfolio consists of properties with average leases greater than or equal to 5,000 square feet while the "small tenant" portfolio consists of properties with average leases less than 5,000 square feet.

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 Same Park weighted average occupancy as reported in each period.

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of June 30, 2008

(in thousands)

Lease Expirations - Flex				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	1,377	\$ 21,406	11.7%	7.2%
2009	2,992	45,752	24.9%	15.3%
2010	2,151	32,908	17.9%	11.0%
2011	1,643	28,322	15.4%	9.5%
2012	1,196	21,460	11.7%	7.2%
Thereafter	1,843	33,884	18.4%	11.4%
Total	11,202	\$ 183,732	100.0%	61.6%

Lease Expirations - Office				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	244	\$ 5,064	6.2%	1.7%
2009	631	13,314	16.3%	4.5%
2010	770	18,811	23.0%	6.3%
2011	544	13,842	16.9%	4.6%
2012	458	12,076	14.8%	4.0%
Thereafter	680	18,657	22.8%	6.3%
Total	3,327	\$ 81,764	100.0%	27.4%

Lease Expirations - Industrial				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	252	\$ 2,021	6.2%	0.7%
2009	813	6,768	20.8%	2.3%
2010	914	7,597	23.4%	2.6%
2011	729	6,443	19.8%	2.2%
2012	459	4,119	12.7%	1.4%
Thereafter	670	5,535	17.1%	1.8%
Total	3,837	\$ 32,483	100.0%	11.0%

Lease Expirations - Total				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2008	1,873	\$ 28,491	9.6%	9.6%
2009	4,436	65,834	22.1%	22.1%
2010	3,835	59,316	19.9%	19.9%
2011	2,916	48,607	16.3%	16.3%
2012	2,113	37,655	12.6%	12.6%
Thereafter	3,193	58,076	19.5%	19.5%
Total	18,366	\$ 297,979	100.0%	100.0%

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of June 30, 2008

(in thousands)

Southern California					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	379	\$	6,752	9.7%	2.3%
2009	1,072		17,928	25.7%	6.0%
2010	994		17,251	24.7%	5.8%
2011	607		10,450	15.0%	3.5%
2012	260		5,895	8.4%	2.0%
Thereafter	460		11,496	16.5%	3.9%
Total	3,772	\$	69,772	100.0%	23.5%

Northern California					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	267	\$	5,637	21.8%	1.9%
2009	472		6,636	25.6%	2.2%
2010	360		4,762	18.4%	1.6%
2011	184		2,814	10.8%	0.9%
2012	164		2,089	8.1%	0.7%
Thereafter	249		3,972	15.3%	1.3%
Total	1,696	\$	25,910	100.0%	8.6%

Southern Texas					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	192	\$	1,935	14.9%	0.7%
2009	327		3,952	30.4%	1.3%
2010	188		2,068	15.9%	0.7%
2011	116		1,369	10.5%	0.5%
2012	108		1,730	13.3%	0.6%
Thereafter	154		1,948	15.0%	0.6%
Total	1,085	\$	13,002	100.0%	4.4%

Northern Texas					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	121	\$	1,131	6.5%	0.4%
2009	248		2,103	12.1%	0.7%
2010	253		2,408	13.8%	0.8%
2011	130		1,624	9.3%	0.5%
2012	293		4,025	23.1%	1.3%
Thereafter	519		6,146	35.2%	2.0%
Total	1,564	\$	17,437	100.0%	5.7%

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of June 30, 2008

(in thousands)

South Florida					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	355	\$	3,782	11.0%	1.3%
2009	668		6,638	19.4%	2.2%
2010	789		7,481	21.8%	2.5%
2011	669		6,697	19.5%	2.3%
2012	461		4,734	13.8%	1.6%
Thereafter	485		4,966	14.5%	1.7%
Total	3,427	\$	34,298	100.0%	11.6%

Northern Virginia					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	285	\$	4,981	8.1%	1.7%
2009	660		12,381	20.2%	4.2%
2010	600		11,910	19.4%	4.0%
2011	289		6,047	9.9%	2.0%
2012	420		10,394	17.0%	3.5%
Thereafter	701		15,546	25.4%	5.2%
Total	2,955	\$	61,259	100.0%	20.6%

Maryland					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	68	\$	1,208	3.0%	0.4%
2009	267		4,896	12.3%	1.7%
2010	325		8,145	20.4%	2.7%
2011	395		10,152	25.5%	3.4%
2012	241		6,310	15.8%	2.1%
Thereafter	363		9,155	23.0%	3.1%
Total	1,659	\$	39,866	100.0%	13.4%

Oregon					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	84	\$	1,316	6.6%	0.4%
2009	338		5,658	28.3%	1.9%
2010	100		1,814	9.1%	0.6%
2011	366		6,815	34.1%	2.3%
2012	50		876	4.4%	0.3%
Thereafter	192		3,499	17.5%	1.2%
Total	1,130	\$	19,978	100.0%	6.7%

PS BUSINESS PARKS, INC.
Owned Portfolio Lease Expirations as of June 30, 2008
(in thousands)

Washington					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	61	\$	1,014	11.2%	0.3%
2009	153		2,710	30.0%	0.9%
2010	90		1,718	19.0%	0.6%
2011	92		1,802	19.9%	0.6%
2012	34		728	8.0%	0.2%
Thereafter	49		1,080	11.9%	0.4%
Total	479	\$	9,052	100.0%	3.0%

Arizona					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	61	\$	735	9.9%	0.2%
2009	231		2,932	39.6%	1.0%
2010	136		1,759	23.8%	0.6%
2011	68		837	11.3%	0.3%
2012	82		874	11.8%	0.3%
Thereafter	21		268	3.6%	0.1%
Total	599	\$	7,405	100.0%	2.5%

Total					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	1,873	\$	28,491	9.6%	9.6%
2009	4,436		65,834	22.1%	22.1%
2010	3,835		59,316	19.9%	19.9%
2011	2,916		48,607	16.3%	16.3%
2012	2,113		37,655	12.6%	12.6%
Thereafter	3,193		58,076	19.5%	19.5%
Total	18,366	\$	297,979	100.0%	100.0%

PS BUSINESS PARKS, INC.

Owned Portfolio Lease Expirations as of June 30, 2008

(in thousands)

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	918	\$	13,338	7.7%	4.5%
2009	2,245		29,902	17.3%	10.0%
2010	2,130		29,856	17.2%	10.0%
2011	1,991		31,448	18.1%	10.5%
2012	1,466		25,127	14.5%	8.4%
Thereafter	2,585		43,766	25.2%	14.7%
Total	11,335	\$	173,437	100.0%	58.1%

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	955	\$	15,153	12.2%	5.1%
2009	2,191		35,932	28.8%	12.1%
2010	1,705		29,460	23.6%	9.9%
2011	925		17,159	13.8%	5.8%
2012	647		12,528	10.1%	4.2%
Thereafter	608		14,310	11.5%	4.8%
Total	7,031	\$	124,542	100.0%	41.9%

Lease Expirations - Total					
Year of Lease Expiration	Leased Square Footage		Annualized Rental Income	%	% of Total Annualized Rental Income
2008	1,873	\$	28,491	9.6%	9.6%
2009	4,436		65,834	22.1%	22.1%
2010	3,835		59,316	19.9%	19.9%
2011	2,916		48,607	16.3%	16.3%
2012	2,113		37,655	12.6%	12.6%
Thereafter	3,193		58,076	19.5%	19.5%
Total	18,366	\$	297,979	100.0%	100.0%