



PSBUSINESSSPARKSSM

**Analysis of Operating Results
and Financial Condition**

December 31, 2014

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2014**

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

NET OPERATING INCOME

	For The Three Months Ended			For The Years Ended		
	12/31/14	12/31/13	% Change	12/31/14	12/31/13	% Change
Rental income:						
Same Park ⁽¹⁾	\$ 83,784	\$ 81,690	2.6%	\$ 333,363	\$ 324,983	2.6%
Non-Same Park ⁽²⁾	6,426	3,223	99.4%	23,500	7,511	212.9%
Total rental income	90,210	84,913	6.2%	356,863	332,494	7.3%
Cost of operations:						
Same Park ⁽¹⁾	25,323	25,239	0.3%	106,904	103,307	3.5%
Non-Same Park ⁽²⁾	2,717	1,437	89.1%	10,086	3,345	201.5%
Total cost of operations	28,040	26,676	5.1%	116,990	106,652	9.7%
Net operating income:						
Same Park ⁽¹⁾	58,461	56,451	3.6%	226,459	221,676	2.2%
Non-Same Park ⁽²⁾	3,709	1,786	107.7%	13,414	4,166	222.0%
Total net operating income	\$ 62,170	\$ 58,237	6.8%	\$ 239,873	\$ 225,842	6.2%

FUNDS FROM OPERATIONS

	For The Three Months Ended			For The Years Ended		
	12/31/14	12/31/13	% Change	12/31/14	12/31/13	% Change
FFO allocable to common and dilutive shares - as reported	\$ 39,086	\$ 51,440	(24.0%)	\$ 162,196	\$ 165,845	(2.2%)
Acquisition transaction costs	226	701	(67.8%)	350	854	(59.0%)
Gain on sale of ownership interest in STOR-Re	-	(1,144)	(100.0%)	-	(1,144)	(100.0%)
Lease buyout payments	-	(2,252)	(100.0%)	-	(2,252)	(100.0%)
LTEIP amortization ⁽³⁾	2,297	(6,879)	(133.4%)	7,425	(3,893)	(290.7%)
FFO allocable to common and dilutive shares - as adjusted	\$ 41,609	\$ 41,866	(0.6%)	\$ 169,971	\$ 159,410	6.6%
FFO per common and dilutive share - reported	\$ 1.14	\$ 1.54	(26.0%)	\$ 4.72	\$ 5.15	(8.3%)
FFO per common and dilutive share - as adjusted	\$ 1.21	\$ 1.26	(4.0%)	\$ 4.94	\$ 4.95	(0.2%)
Weighted average common shares outstanding - diluted	27,012	25,961	4.0%	27,000	24,833	8.7%
Weighted average common OP units outstanding	7,305	7,305	-	7,305	7,305	-
Weighted average restricted stock units outstanding	83	55	50.9%	69	51	35.3%
Total common and dilutive shares	34,400	33,321	3.2%	34,374	32,189	6.8%

PROPERTY INFORMATION

	For The Three Months Ended			For The Years Ended		
	12/31/14	12/31/13	% Change	12/31/14	12/31/13	% Change
<u>Total Portfolio</u> ⁽⁴⁾						
Total rentable square footage at period end	28,425	27,747	2.4%	28,425	27,747	2.4%
Weighted average occupancy	91.9%	90.2%	1.9%	91.3%	89.8%	1.7%
Period end occupancy	92.3%	91.2%	1.2%	92.3%	91.2%	1.2%
Annualized realized rent per sq. ft. ⁽⁵⁾	\$ 13.92	\$ 13.81	0.8%	\$ 14.00	\$ 13.94	0.4%
REVPAF ⁽⁶⁾	\$ 12.79	\$ 12.46	2.6%	\$ 12.78	\$ 12.52	2.1%
<u>Same Park Portfolio</u> ⁽¹⁾						
Total rentable square footage at period end	25,030	25,030	-	25,030	25,030	-
Weighted average occupancy	93.4%	91.8%	1.7%	92.9%	91.2%	1.9%
Period end occupancy	93.4%	93.0%	0.4%	93.4%	93.0%	0.4%
Annualized realized rent per sq. ft. ⁽⁵⁾	\$ 14.34	\$ 14.22	0.8%	\$ 14.34	\$ 14.23	0.8%
REVPAF ⁽⁶⁾	\$ 13.39	\$ 13.05	2.6%	\$ 13.32	\$ 12.98	2.6%
<u>Non-Same Park Portfolio</u> ⁽²⁾						
Total rentable square footage at period end	3,395	2,717	25.0%	3,395	2,717	25.0%
Weighted average occupancy	79.8%	72.8%	9.6%	77.7%	66.5%	16.8%
Period end occupancy	84.2%	74.6%	12.9%	84.2%	74.6%	12.9%

MARKET VALUE INFORMATION

	12/31/14	% of Total	12/31/13	% of Total
Market value of common stock and common OP units	\$ 2,722,218	68.6%	\$ 2,610,138	67.7%
Total debt	250,000	6.3%	250,000	6.5%
Total preferred equity	995,000	25.1%	995,000	25.8%
Total market capitalization	\$ 3,967,218	100.0%	\$ 3,855,138	100.0%
Stock price at the end of the period	\$ 79.54		\$ 76.42	

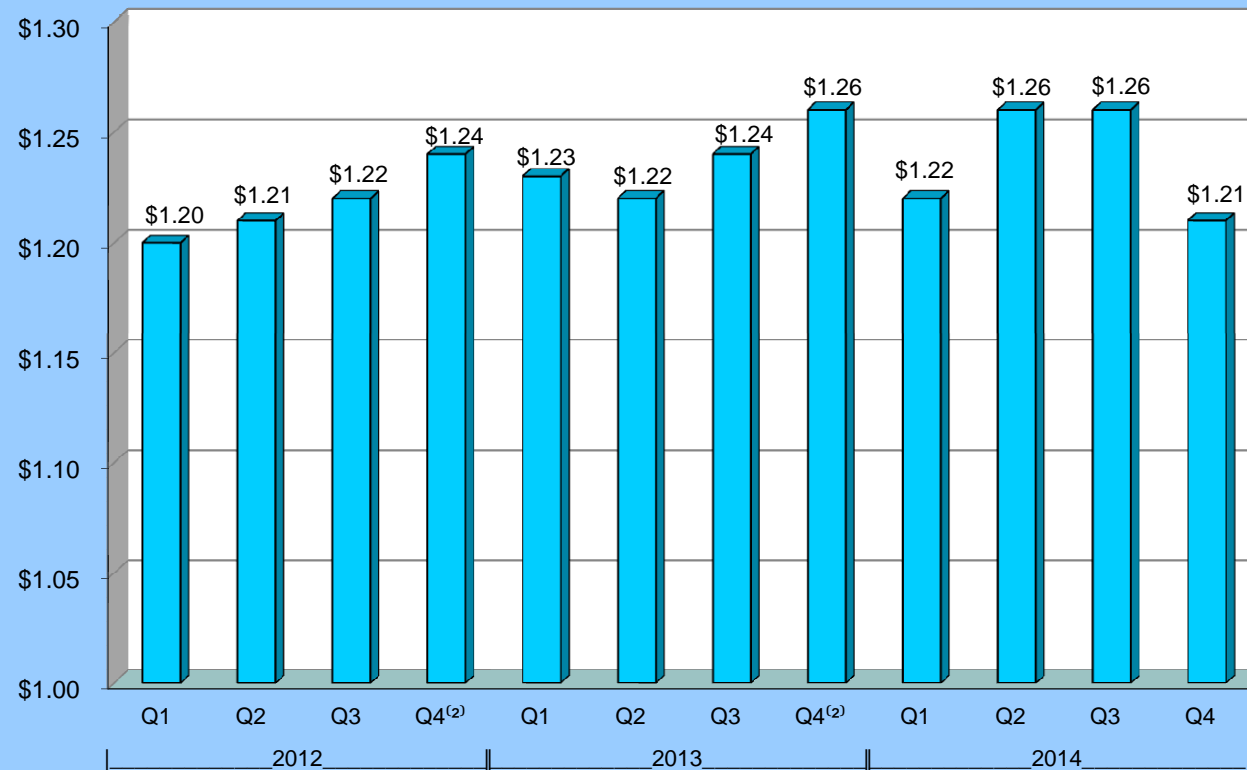
NOTES

- (1) All assets acquired prior to January 1, 2012 (excludes assets held for sale or sold during 2014).
(2) All assets acquired subsequent to January 1, 2012.
(3) In order to provide comparable data points, the impact of the reported compensation related to the Long-Term Equity Incentive Plan ("LTEIP") has been neutralized. As such, 2014 amounts represents amortization recorded relating to the plan effective in March, 2014 while 2013 amounts represents the reversal of amortization recorded during 2012 relating to the 2012 LTEIP plan.
(4) Excludes assets held for sale or sold.
(5) Represents the annualized revenues earned per occupied square foot.
(6) Represents the annualized revenues earned per total weighted average square foot.

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

	For The Three Months Ended				For The Years Ended			
	12/31/14	12/31/13	Change	% Change	12/31/14	12/31/13	Change	% Change
<u>Funds from operations (FFO):</u>								
Net income allocable to common shareholders	\$ 82,131	\$ 17,682	\$ 64,449	364.5%	\$ 113,154	\$ 43,851	\$ 69,303	158.0%
Adjustments:								
Gain on sale of real estate facilities	(92,373)	-	(92,373)	(100.0%)	(92,373)	-	(92,373)	(100.0%)
Depreciation and amortization	26,810	28,730	(1,920)	(6.7%)	110,357	108,917	1,440	1.3%
Net income allocable to noncontrolling interests - common units	22,288	4,994	17,294	346.3%	30,729	12,952	17,777	137.3%
Net income allocable to restricted stock unit holders	230	34	196	576.5%	329	125	204	163.2%
FFO allocable to common and dilutive shares	<u>\$ 39,086</u>	<u>\$ 51,440</u>	<u>\$ (12,354)</u>	<u>(24.0%)</u>	<u>\$ 162,196</u>	<u>\$ 165,845</u>	<u>\$ (3,649)</u>	<u>(2.2%)</u>
Weighted average common shares outstanding	26,919	25,864	1,055	4.1%	26,899	24,732	2,167	8.8%
Weighted average common OP units outstanding	7,305	7,305	-	-	7,305	7,305	-	-
Weighted average restricted stock units outstanding	56	55	1	1.8%	54	51	3	5.9%
Weighted average common share equivalents outstanding	93	97	(4)	(4.1%)	101	101	-	0.0%
Total common and dilutive shares	<u>34,373</u>	<u>33,321</u>	<u>1,052</u>	<u>3.2%</u>	<u>34,359</u>	<u>32,189</u>	<u>2,170</u>	<u>6.7%</u>
FFO per common and dilutive share	<u>\$ 1.14</u>	<u>\$ 1.54</u>	<u>\$ (0.40)</u>	<u>(26.0%)</u>	<u>\$ 4.72</u>	<u>\$ 5.15</u>	<u>\$ (0.43)</u>	<u>(8.3%)</u>
<u>Funds available for distribution (FAD):</u>								
Funds from operations	\$ 39,086	\$ 51,440	\$ (12,354)	(24.0%)	\$ 162,196	\$ 165,845	\$ (3,649)	(2.2%)
Adjustments:								
Recurring capital improvements	(1,172)	(1,889)	717	(38.0%)	(8,664)	(10,084)	1,420	(14.1%)
Tenant improvements	(8,090)	(7,467)	(623)	8.3%	(27,824)	(29,224)	1,400	(4.8%)
Lease commissions	(2,403)	(3,744)	1,341	(35.8%)	(10,684)	(9,849)	(835)	8.5%
Straight-line rent	(759)	(238)	(521)	218.9%	(3,003)	(1,457)	(1,546)	106.1%
Stock compensation expense (excluding LTEIP)	1,166	332	834	251.2%	2,154	1,361	793	58.3%
LTEIP amortization	2,297	(6,879)	9,176	(133.4%)	7,425	(3,893)	11,318	(290.7%)
In-place lease adjustment	(229)	(30)	(199)	663.3%	(901)	118	(1,019)	(863.6%)
Tenant improvement reimbursements, net of lease incentives	(385)	(419)	34	(8.1%)	(1,580)	(1,414)	(166)	11.7%
Capitalized interest expense	(247)	(359)	112	(31.2%)	(944)	(359)	(585)	163.0%
FAD	<u>\$ 29,264</u>	<u>\$ 30,747</u>	<u>\$ (1,483)</u>	<u>(4.8%)</u>	<u>\$ 118,175</u>	<u>\$ 111,044</u>	<u>\$ 7,131</u>	<u>6.4%</u>
FAD per common and dilutive share	<u>\$ 0.85</u>	<u>\$ 0.92</u>	<u>\$ (0.07)</u>	<u>(7.6%)</u>	<u>\$ 3.44</u>	<u>\$ 3.45</u>	<u>\$ (0.01)</u>	<u>(0.3%)</u>
<u>Cash available for debt repayment and investments:</u>								
FAD	\$ 29,264	\$ 30,747	(1,483)	(4.8%)	\$ 118,175	\$ 111,044	\$ 7,131	6.4%
Distributions to common shareholders	(13,459)	(11,814)	(1,645)	13.9%	(53,810)	(43,972)	(9,838)	22.4%
Distributions to common OP unit holders	(3,654)	(3,214)	(440)	13.7%	(14,612)	(12,856)	(1,756)	(0.14)
Distributions to restricted stock unit holders	(36)	(34)	(2)	5.9%	(135)	(125)	(10)	8.0%
Debt Service	-	-	-	-	-	(47)	47	(100.0%)
Joint venture development	(167)	(182)	15	(8.2%)	(1,245)	(394)	(851)	216.0%
Non-recurring property renovations	(1,455)	(2,277)	822	(36.1%)	(4,614)	(9,018)	4,404	(48.8%)
Cash available for debt repayment and investments	<u>\$ 10,493</u>	<u>\$ 13,226</u>	<u>\$ (2,733)</u>	<u>(20.7%)</u>	<u>\$ 43,759</u>	<u>\$ 44,632</u>	<u>\$ (873)</u>	<u>(2.0%)</u>
FAD distributions payout ratio	<u>58.6%</u>	<u>49.0%</u>			<u>58.0%</u>	<u>51.3%</u>		

Adjusted FFO Per Common and Dilutive Share⁽¹⁾



⁽¹⁾ Where applicable, amounts exclude net gain on repurchase of preferred equity, non-cash distributions related to the redemption/repurchase of preferred equity, acquisition transaction costs and LTEIP amortization.

⁽²⁾ Amounts exclude lease buyout payments of \$1.8 million in Q4'12 and \$2.3 million in Q4'13.

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

Mortgage Debt:

5.452% mortgage note, due December 2016

Total mortgage debt

Unsecured Debt:

\$250.0 million unsecured credit facility (LIBOR + 0.925%)

Total unsecured debt

Total debt

Preferred Equity:

6.875% Series R preferred stock (3,000,000 depositary shares outstanding) callable 10/15/15

6.450% Series S preferred stock (9,200,000 depositary shares outstanding) callable 1/18/17

6.000% Series T preferred stock (14,000,000 depositary shares outstanding) callable 5/14/17

5.750% Series U preferred stock (9,200,000 depositary shares outstanding) callable 9/14/17

5.700% Series V preferred stock (4,400,000 depositary shares outstanding) callable 3/14/18

Total preferred equity

Total debt and preferred equity

Common stock (26,919,161 and 26,849,822 shares outstanding as of December 31, 2014 and 2013)

Common operating partnership units (7,305,355 units outstanding as of December 31, 2014 and 2013)

Total common equity (1)

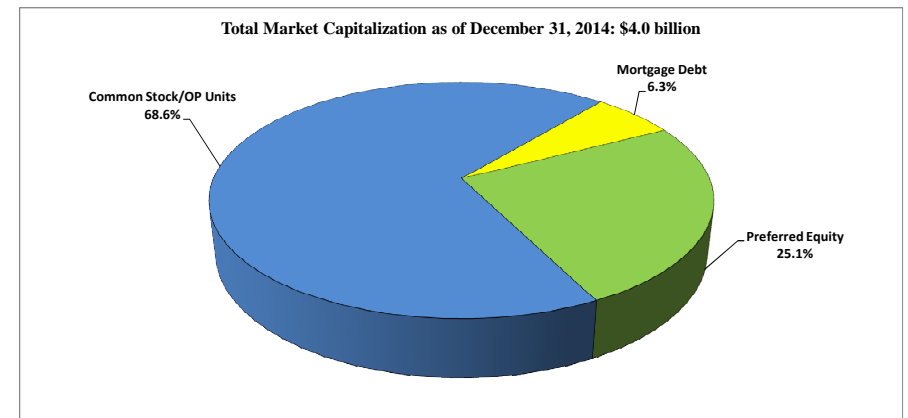
Total market capitalization

As of December 31, 2014		
Total	% of Total Market Capitalization	WTD Average Rate
\$ 250,000		
250,000	6.3%	5.45%
-		
-	-	-
250,000	6.3%	5.45%
75,000		
230,000		
350,000		
230,000		
110,000		
995,000	25.1%	6.08%
1,245,000	31.4%	5.95%
2,141,150		
581,068		
2,722,218	68.6%	
\$ 3,967,218	100.0%	

As of December 31, 2013		
Total	% of Total Market Capitalization	WTD Average Rate
\$ 250,000		
250,000	6.5%	5.45%
-		
-	-	-
250,000	6.5%	5.45%
75,000		
230,000		
350,000		
230,000		
110,000		
995,000	25.8%	6.08%
1,245,000	32.3%	5.95%
2,051,863		
558,275		
2,610,138	67.7%	
\$ 3,855,138	100.0%	

Principal maturity dates are represented by the following chart:

Principal Maturity Dates						
	2014	2015	2016	2017	2018	Total
5.452% Mortgage Note	\$ -	\$ -	\$ 250,000	\$ -	\$ -	\$ 250,000
	\$ -	\$ -	\$ 250,000	\$ -	\$ -	\$ 250,000



(1) Closing stock price was \$79.54 and \$76.42 as of December 31, 2014 and 2013, respectively.

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

	12/31/14	12/31/13	Change		% Change
<u>ASSETS</u>					
Cash and cash equivalents	\$ 152,467	\$ 31,481	\$ 120,986	(a)	384.3%
Real estate facilities, at cost:					
Land	802,949	781,541	21,408		0.03
Buildings and equipment	2,219,397	2,152,178	67,219		3.1%
	3,022,346	2,933,719	88,627		3.0%
Accumulated depreciation	(1,014,633)	(918,202)	(96,431)		10.5%
	2,007,713	2,015,517	(7,804)	(b)	(0.4%)
Properties held for disposition, net	3,289	124,883	(121,594)		(97.4%)
Land and building held for development	24,442	22,253	2,189		9.8%
	2,035,444	2,162,653	(127,209)		(5.9%)
Rent receivable	2,838	5,248	(2,410)	(c)	(45.9%)
Deferred rent receivable	26,050	25,903	147		0.6%
Other assets	10,315	13,274	(2,959)	(d)	(22.3%)
Total assets	<u>\$ 2,227,114</u>	<u>\$ 2,238,559</u>	<u>\$ (11,445)</u>		(0.5%)
<u>LIABILITIES AND EQUITY</u>					
Accrued and other liabilities	\$ 68,905	\$ 73,919	\$ (5,014)	(e)	(6.8%)
Mortgage note payable	250,000	250,000	-		-
Total liabilities	318,905	323,919	(5,014)		(1.5%)
Equity:					
PS Business Parks, Inc.'s shareholders' equity:					
Preferred stock	995,000	995,000	-		-
Common stock	268	267	1		0.4%
Paid-in capital	709,008	699,314	9,694	(f)	1.4%
Cumulative net income	1,244,946	1,070,975	173,971		16.2%
Cumulative distributions	(1,235,941)	(1,047,615)	(188,326)	(g)	18.0%
Total PS Business Parks, Inc.'s shareholders' equity	1,713,281	1,717,941	(4,660)		(0.3%)
Noncontrolling interests:					
Common units	194,928	196,699	(1,771)		(0.9%)
Total noncontrolling interests:	194,928	196,699	(1,771)		(0.9%)
Total equity	1,908,209	1,914,640	(6,431)		(0.3%)
Total liabilities and equity	<u>\$ 2,227,114</u>	<u>\$ 2,238,559</u>	<u>\$ (11,445)</u>		(0.5%)

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

(a) Change in cash and cash equivalents:			
Beginning cash balance			\$ 31,481
Net cash provided by operating activities			227,771
Net cash provided by investing activities			113,188
Net cash used in financing activities			(219,973)
Ending cash balance			<u>\$ 152,467</u>
(b) Change in real estate facilities, at cost:			
Beginning balance			\$ 2,015,517
Property acquisitions			46,298
Nonrecurring capital improvements			4,614
Recurring capital improvements			8,664
Tenant improvements, gross			30,500
Lease commissions			10,684
Transfer to properties held for disposition			1,793
Depreciation and amortization			(110,357)
Ending balance			<u>\$ 2,007,713</u>
(c) Rent receivable consists of:			
	12/31/14	12/31/13	Change
Non-government tenants	\$ 1,810	\$ 2,294	\$ (484)
U.S. Government tenants	1,428	3,354	(1,926)
Allowance for doubtful accounts	(400)	(400)	-
	<u>\$ 2,838</u>	<u>\$ 5,248</u>	<u>\$ (2,410)</u>
(d) Other assets consist of:			
	12/31/14	12/31/13	Change
In-place lease adjustment, net	\$ 2,458	\$ 3,708	\$ (1,250)
Prepaid property taxes	2,029	2,990	(961)
Prepaid insurance	1,721	1,915	(194)
Lease incentives, net	592	716	(124)
Other	3,515	3,945	(430)
	<u>\$ 10,315</u>	<u>\$ 13,274</u>	<u>\$ (2,959)</u>
(e) Accrued and other liabilities consist of:			
	12/31/14	12/31/13	Change
Security deposits	\$ 27,482	\$ 26,884	\$ 598
Accrued property taxes	8,767	6,943	1,824
Prepaid rent	15,839	17,233	(1,394)
In-place lease adjustment and tenant improvement reimbursements, net	8,099	9,676	(1,577)
Other	8,718	13,183	(4,465)
	<u>\$ 68,905</u>	<u>\$ 73,919</u>	<u>\$ (5,014)</u>
(f) Change in paid-in capital:			
Beginning paid-in capital			\$ 699,314
Exercise of stock options			3,053
Stock compensation, net			8,842
Adjustment to reflect noncontrolling interests to underlying ownership			(2,201)
Ending paid in capital			<u>\$ 709,008</u>
(g) Change in cumulative distributions:			
Beginning cumulative distributions			\$ (1,047,615)
Distributions to preferred shareholders			(60,488)
Distributions to common shareholders			(127,838)
Ending cumulative distributions			<u>\$ (1,235,941)</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	For The Three Months Ended			
	12/31/14	12/31/13	Change	% Change
Revenues:				
Rental income	\$ 91,321	\$ 93,424	\$ (2,103)	(a) (2.3%)
Facility management fees	165	162	3	1.9%
Total operating revenues	91,486	93,586	(2,100)	(2.2%)
Expenses:				
Cost of operations	29,290	26,826	2,464	(b) 9.2%
Depreciation and amortization	26,810	28,730	(1,920)	(6.7%)
General and administrative	4,711	(2,092)	6,803	(c) (325.2%)
Total operating expenses	60,811	53,464	7,347	13.7%
Other income and expense:				
Interest and other income	125	1,310	(1,185)	(d) (90.5%)
Interest and other expense	(3,402)	(3,600)	198	(e) (5.5%)
Total other income and expense	(3,277)	(2,290)	(987)	43.1%
Gain on sale of real estate facilities	92,373	-	92,373	100.0%
Income from continuing operations	119,771	37,832	81,939	216.6%
Net income	<u>\$ 119,771</u>	<u>\$ 37,832</u>	<u>\$ 81,939</u>	216.6%
Net income allocation:				
Net income allocable to noncontrolling interests:				
Noncontrolling interests - common units	\$ 22,288	\$ 4,994	\$ 17,294	346.3%
Total net income allocable to noncontrolling interests	22,288	4,994	17,294	346.3%
Net income allocable to PS Business Parks, Inc.:				
Preferred shareholders	15,122	15,122	-	-
Restricted stock unit holders	230	34	196	576.5%
Common shareholders	82,131	17,682	64,449	364.5%
Total net income allocable to PS Business Parks, Inc.	97,483	32,838	64,645	196.9%
	<u>\$ 119,771</u>	<u>\$ 37,832</u>	<u>\$ 81,939</u>	216.6%
Net income per common share				
Basic	\$ 3.05	\$ 0.68	\$ 2.37	348.5%
Diluted	\$ 3.04	\$ 0.68	\$ 2.36	347.1%
Weighted average common shares outstanding:				
Basic	26,919	25,864	1,055	4.1%
Diluted	<u>27,012</u>	<u>25,961</u>	<u>1,051</u>	4.0%

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENT OF INCOME
VARIANCE DETAIL
(in thousands)

	For The Three Months Ended		
	12/31/14	12/31/13	Change
(a) Rental income:			
Same Park	\$ 83,272	\$ 81,627	\$ 1,645
Non-Same Park	6,183	3,031	3,152
Same Park straight-line rent	512	63	449
Non-Same Park straight-line rent	243	192	51
Assets held for sale or sold	1,111	8,511	(7,400)
	<u>\$ 91,321</u>	<u>\$ 93,424</u>	<u>\$ (2,103)</u>
(b) Cost of Operations:			
Same Park	\$ 25,323	\$ 25,239	\$ 84
Non-Same Park	2,717	1,437	1,280
Assets held for sale or sold	458	2,334	(1,876)
LTEIP amortization	792	(2,184)	2,976
	<u>\$ 29,290</u>	<u>\$ 26,826</u>	<u>\$ 2,464</u>
(c) General and administrative expenses:			
Cash and non-cash compensation expense	\$ 2,049	\$ 1,393	\$ 656
LTEIP amortization	1,505	(4,695)	6,200
Acquisition transaction costs	226	701	(475)
Other	931	509	422
	<u>\$ 4,711</u>	<u>\$ (2,092)</u>	<u>\$ 6,803</u>
(d) Interest and other income			
Gain on sale of ownership interest in STOR-Re	\$ -	\$ 1,144	\$ (1,144)
Interest income	125	166	(41)
	<u>\$ 125</u>	<u>\$ 1,310</u>	<u>\$ (1,185)</u>
(e) Interest and other expense:			
Mortgage notes payable	\$ (3,483)	\$ (3,483)	\$ -
Credit facility	-	(51)	51
Term loan	-	(127)	127
Capitalized interest	247	359	(112)
Facilities fees & other charges	(166)	(298)	132
	<u>\$ (3,402)</u>	<u>\$ (3,600)</u>	<u>\$ 198</u>

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	For The Years Ended			
	12/31/2014	12/31/2013	Change	% Change
Revenues:				
Rental income	\$ 376,255	\$ 359,246	\$ 17,009	(a) 4.7%
Facility management fees	660	639	21	3.3%
Total operating revenues	376,915	359,885	17,030	4.7%
Expenses:				
Cost of operations	127,371	114,831	12,540	(b) 10.9%
Depreciation and amortization	110,357	108,917	1,440	1.3%
General and administrative	13,639	5,312	8,327	(c) 156.8%
Total operating expenses	251,367	229,060	22,307	9.7%
Other income and expense:				
Interest and other income	372	1,485	(1,113)	(d) (74.9%)
Interest and other expense	(13,593)	(16,166)	2,573	(e) (15.9%)
Total other income and expense	(13,221)	(14,681)	1,460	(9.9%)
Gain on sale of real estate facilities	92,373	-	92,373	100.0%
Income from continuing operations	112,327	116,144	(3,817)	(3.3%)
Net income	<u>\$ 112,327</u>	<u>\$ 116,144</u>	<u>\$ (3,817)</u>	(3.3%)
Net income allocation:				
Net income allocable to noncontrolling interests:				
Noncontrolling interests - common units	<u>\$ 30,729</u>	<u>\$ 12,952</u>	<u>\$ 17,777</u>	137.3%
Total net income allocable to noncontrolling interests	30,729	12,952	17,777	137.3%
Net income allocable to PS Business Parks, Inc.:				
Preferred shareholders	60,488	59,216	1,272	2.1%
Restricted stock unit holders	329	125	204	163.2%
Common shareholders	<u>113,154</u>	<u>43,851</u>	<u>69,303</u>	158.0%
Total net income allocable to PS Business Parks, Inc.	173,971	103,192	70,779	68.6%
	<u>\$ 204,700</u>	<u>\$ 116,144</u>	<u>\$ 88,556</u>	76.2%
Net income per common share				
Basic	\$ 4.21	\$ 1.77	\$ 2.44	137.9%
Diluted	\$ 4.19	\$ 1.77	\$ 2.42	136.7%
Weighted average common shares outstanding:				
Basic	<u>26,899</u>	<u>24,732</u>	<u>2,167</u>	8.8%
Diluted	<u>27,000</u>	<u>24,833</u>	<u>2,167</u>	8.7%

PS BUSINESS PARKS, INC.
CONSOLIDATED STATEMENT OF INCOME
VARIANCE DETAIL
(in thousands)

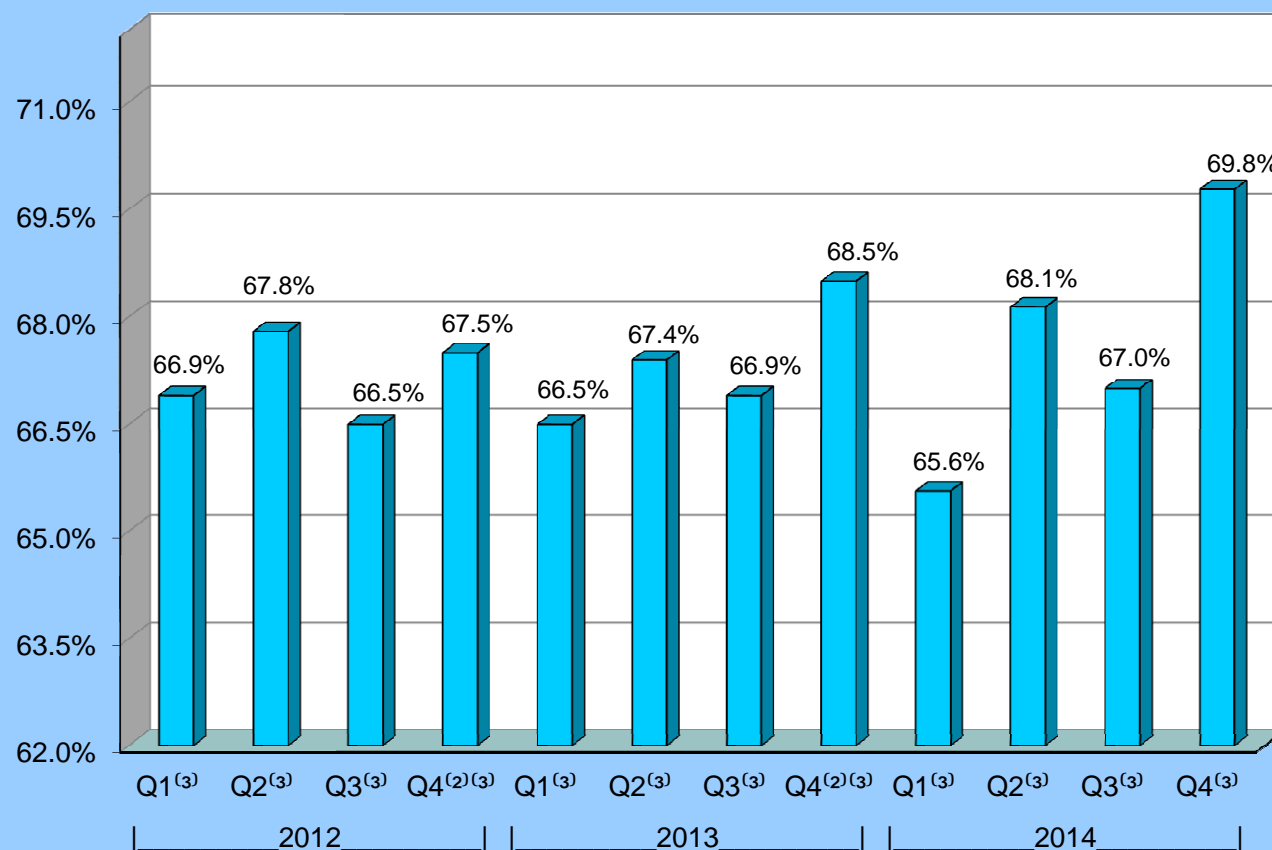
	For The Years Ended		
	12/31/14	12/31/13	Change
(a) Rental income:			
Same Park	\$ 331,883	\$ 324,257	\$ 7,626
Non-Same Park	22,664	6,874	15,790
Same Park straight-line rent	1,480	726	754
Non-Same Park straight-line rent	836	637	199
Assets held for sale or sold	19,392	26,752	(7,360)
	<u>\$ 376,255</u>	<u>\$ 359,246</u>	<u>\$ 17,009</u>
(b) Cost of operations:			
Same Park	\$ 106,904	\$ 103,307	\$ 3,597
Non-Same Park	10,086	3,345	6,741
Assets held for sale or sold	7,758	9,420	(1,662)
LTEIP amortization	2,623	(1,241)	3,864
	<u>\$ 127,371</u>	<u>\$ 114,831</u>	<u>\$ 12,540</u>
(c) General and administrative expenses:			
Cash and non-cash compensation expense	\$ 5,795	\$ 5,059	736
LTEIP amortization	4,802	(2,652)	7,454
Acquisition transaction costs	350	854	(504)
Other	2,692	2,051	641
	<u>\$ 13,639</u>	<u>\$ 5,312</u>	<u>\$ 8,327</u>
(d) Interest and other income			
Gain on sale of ownership interest in STOR-Re	\$ -	\$ 1,144	\$ (1,144)
Interest income	372	341	31
	<u>\$ 372</u>	<u>\$ 1,485</u>	<u>\$ (1,113)</u>
(e) Interest and other expense:			
Mortgage notes payable	\$ (13,818)	\$ (13,919)	\$ 101
Credit facility	-	(51)	51
Term loan	-	(1,393)	1,393
Capitalized interest	945	359	586
Facilities fees & other charges	(720)	(1,162)	442
	<u>\$ (13,593)</u>	<u>\$ (16,166)</u>	<u>\$ 2,573</u>

PS BUSINESS PARKS, INC.
Analysis of Capital Expenditures
(in thousands, except per square foot data)

<u>Recurring capital expenditures</u> ⁽¹⁾	<u>For The Year Ended December 31, 2014</u>	<u>Cost per Weighted Average Square Foot</u>
Capital improvements	\$8,664	\$0.29
Tenant improvements	27,824	\$0.94
Lease commissions	10,684	\$0.36
Total recurring capital expenditures	<u>\$47,172</u>	\$1.59
<u>Non-recurring property renovations</u>		
Non-recurring property renovations	\$4,614	

- (1) The Company defines "recurring capital expenditures" as those capitalized costs necessary to continue to operate the property at its current economic value. Capital improvements in excess of \$2,000 with a useful life greater than 24 months are capitalized. Lease transaction costs in excess of \$1,000 for leases with terms greater than 12 months are capitalized. It excludes 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 expense was \$27.8 million or approximately \$0.94 per weighted average square foot for the twelve months ended December 31, 2014 compared to \$25.3 million or approximately \$0.88 per weighted average square foot for the twelve months ended December 31, 2013.

Same Park Gross Operating Margin Percentage ⁽¹⁾

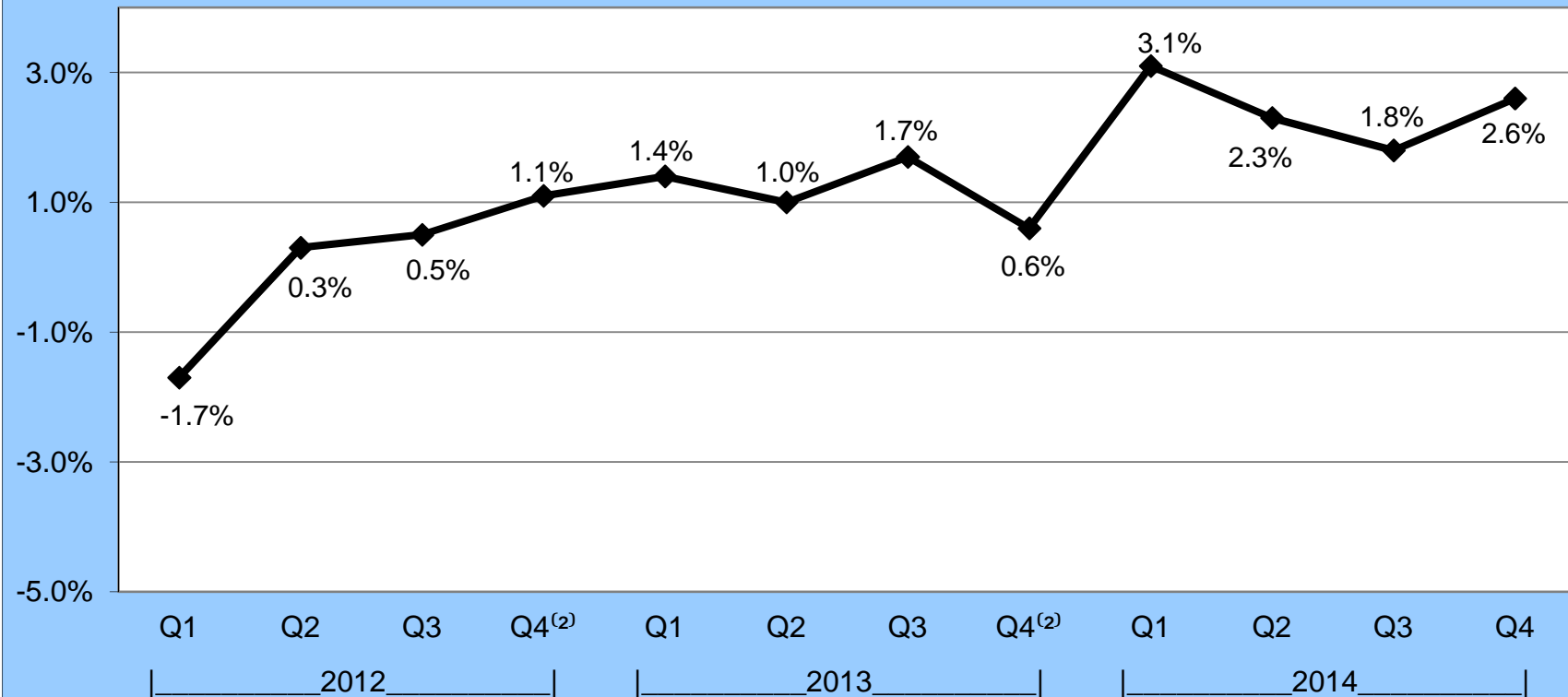


⁽¹⁾ Gross margin is computed by dividing property net operating income by rental income for Same Park properties in each period.

⁽²⁾ Amounts exclude lease buyout payments of \$1.8 million in Q4'12 and \$2.3 million in Q4'13.

⁽³⁾ Amounts exclude LTEIP amortization.

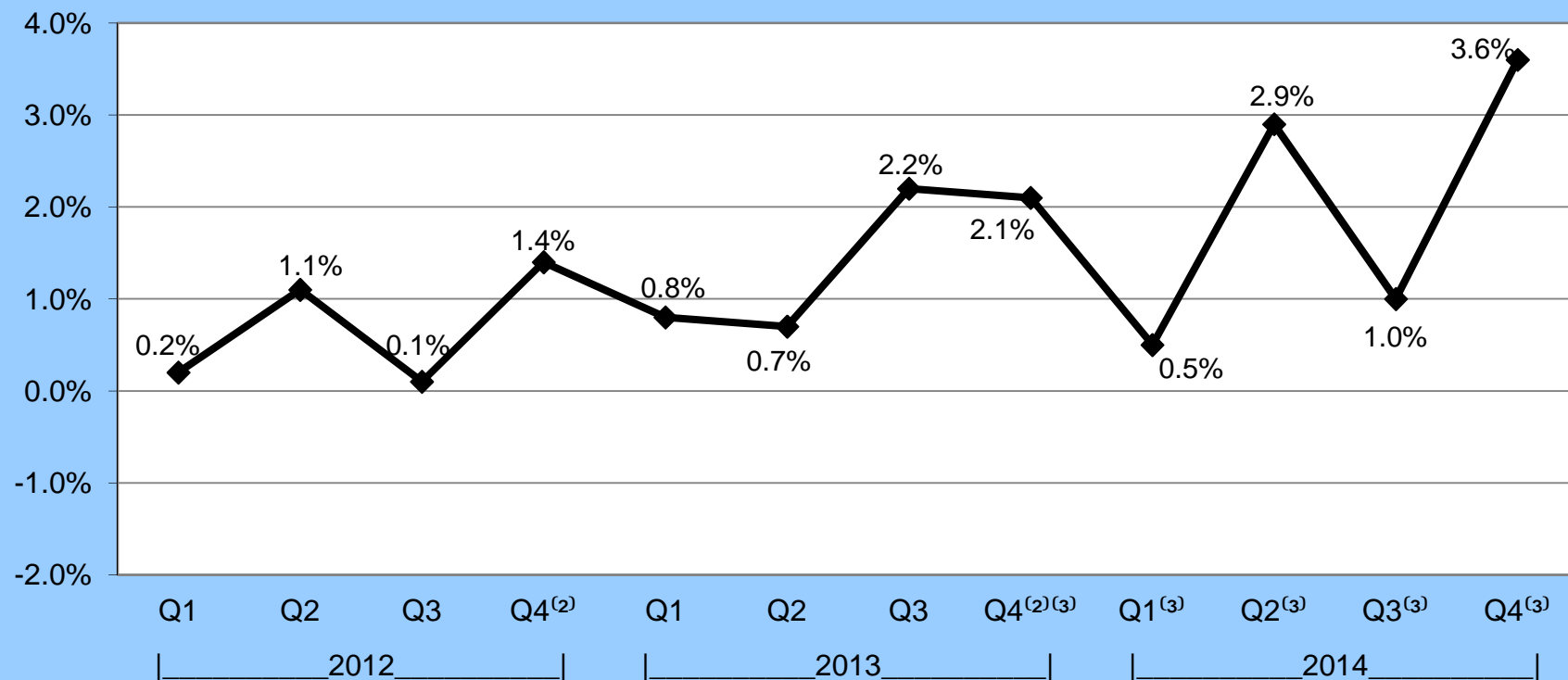
Change in Same Park Revenue⁽¹⁾



⁽¹⁾ Percentage represents the change over the comparable period in the previous year based on Same Park operating assets as reported in each period.

⁽²⁾ Amounts exclude lease buyout payments of \$1.8 million in Q4'12 and \$2.3 million in Q4'13.

Change in Same Park NOI⁽¹⁾



⁽¹⁾ Percentage represents the change over the comparable period in the previous year based on Same Park operating assets as reported in each period.

⁽²⁾ Amounts exclude lease buyout payments of \$1.8 million in Q4'12 and \$2.3 million in Q4'13.

⁽³⁾ Amounts exclude LTEIP amortization.

PS BUSINESS PARKS, INC.
PORTFOLIO CONCENTRATION SUMMARY
(in thousands, excludes assets held for sale or sold)

Industry Concentration as of December 31, 2014

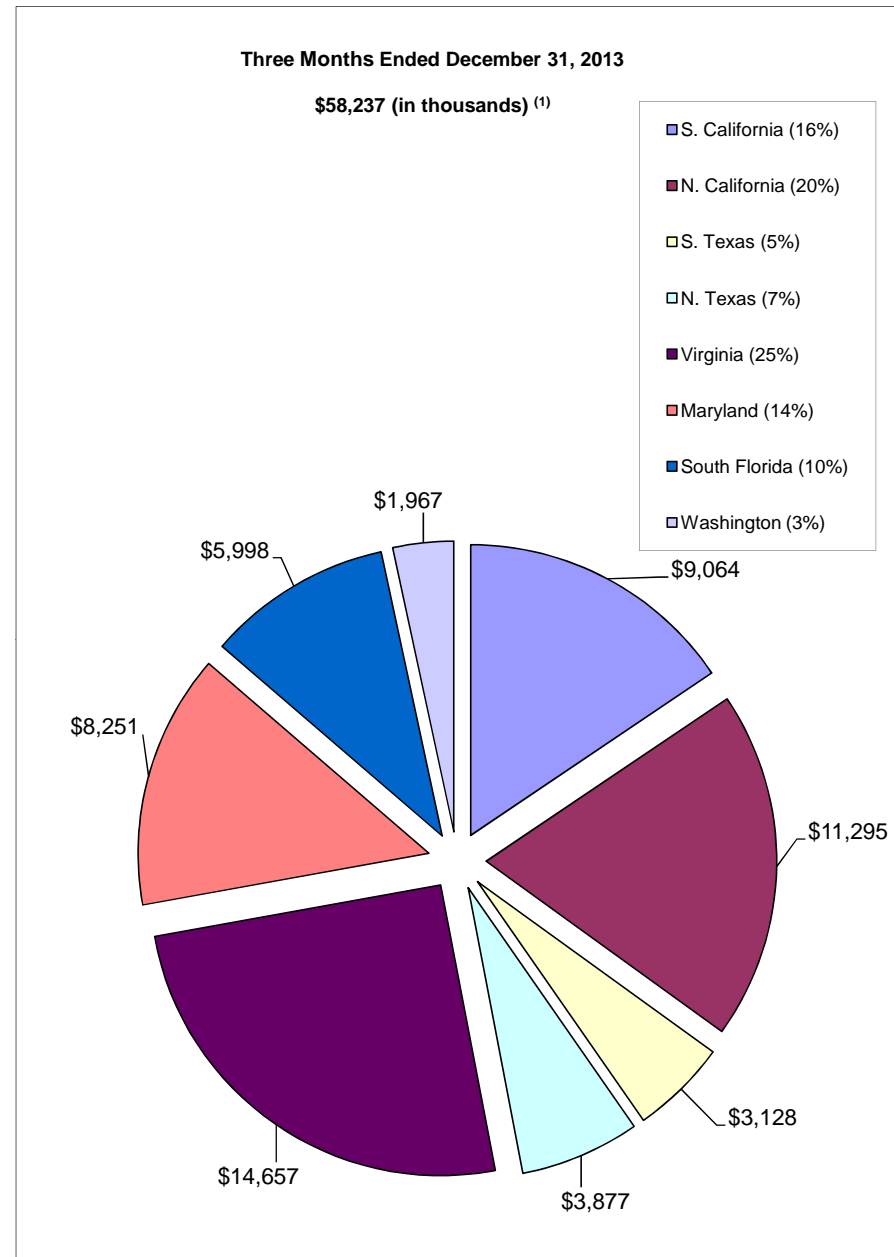
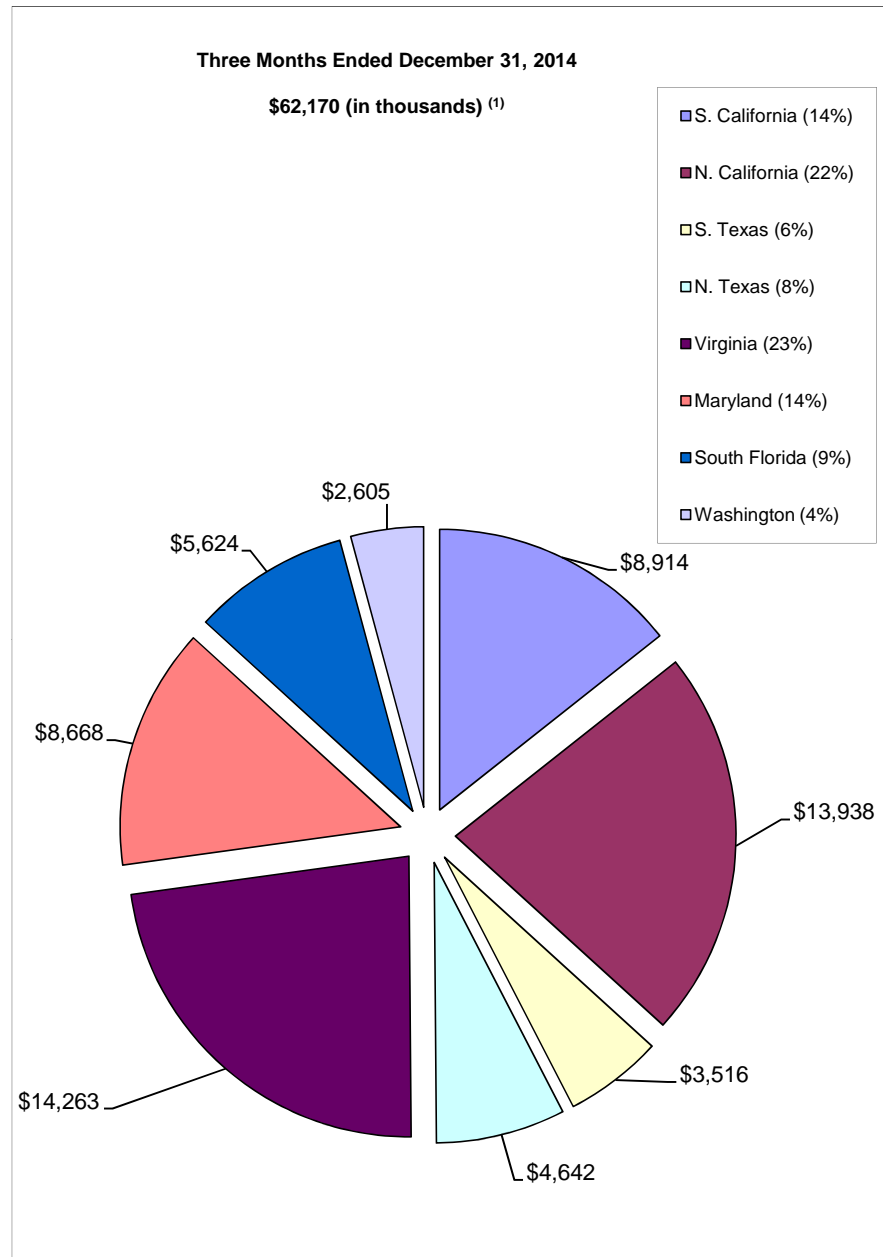
	% of Total Rental Income
Business services	17.7%
Government	10.4%
Computer hardware, software and related services	10.2%
Warehouse, distribution, transportation and logistics	10.0%
Health services	9.9%
Retail, food, and automotive	6.3%
Engineering and construction	6.3%
Insurance and financial services	4.9%
Home furnishings	3.1%
Electronics	2.9%
Aerospace/defense products and services	2.8%
Communications	2.3%
Educational services	1.7%
Other	11.5%
Total	100.0%

Top 10 Customers by Total Annual Rental Income as of December 31, 2014

Tenant	Square Footage	Annualized Rental Income ⁽¹⁾	% of Total Annualized Rental Income
US Government	845	\$ 21,212	5.9%
Kaiser Permanente	199	4,462	1.2%
Lockheed Martin Corporation	171	4,440	1.2%
Keeco LLC	460	3,295	0.9%
Luminex Corporation	185	3,003	0.8%
Wells Fargo	118	2,410	0.7%
Salient Federal Solutions, Inc.	58	1,959	0.5%
Raytheon	80	1,819	0.5%
Investorplace Media, LLC	46	1,736	0.5%
Inova Health Care Services	63	1,670	0.5%
Total	2,225	\$ 46,006	12.7%

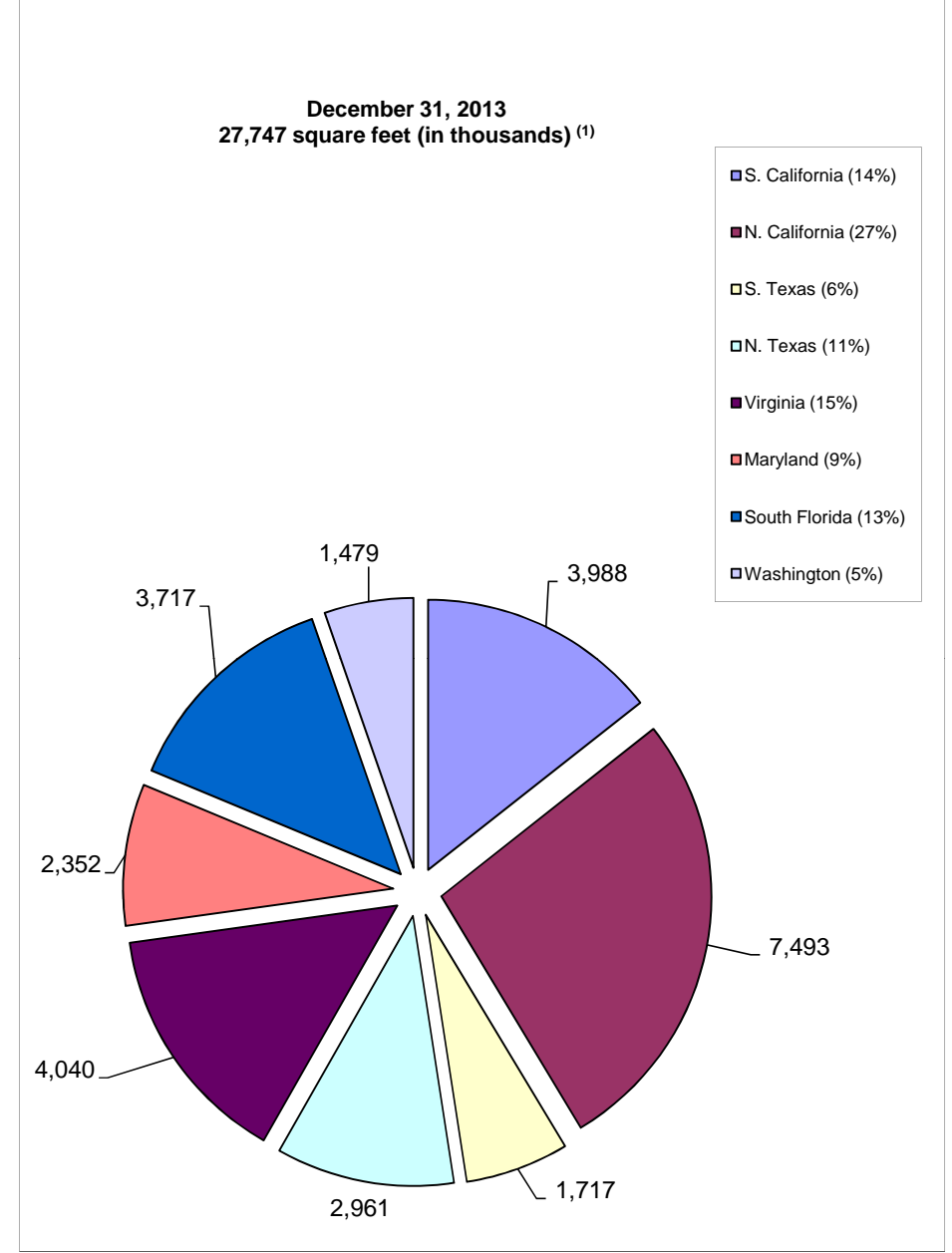
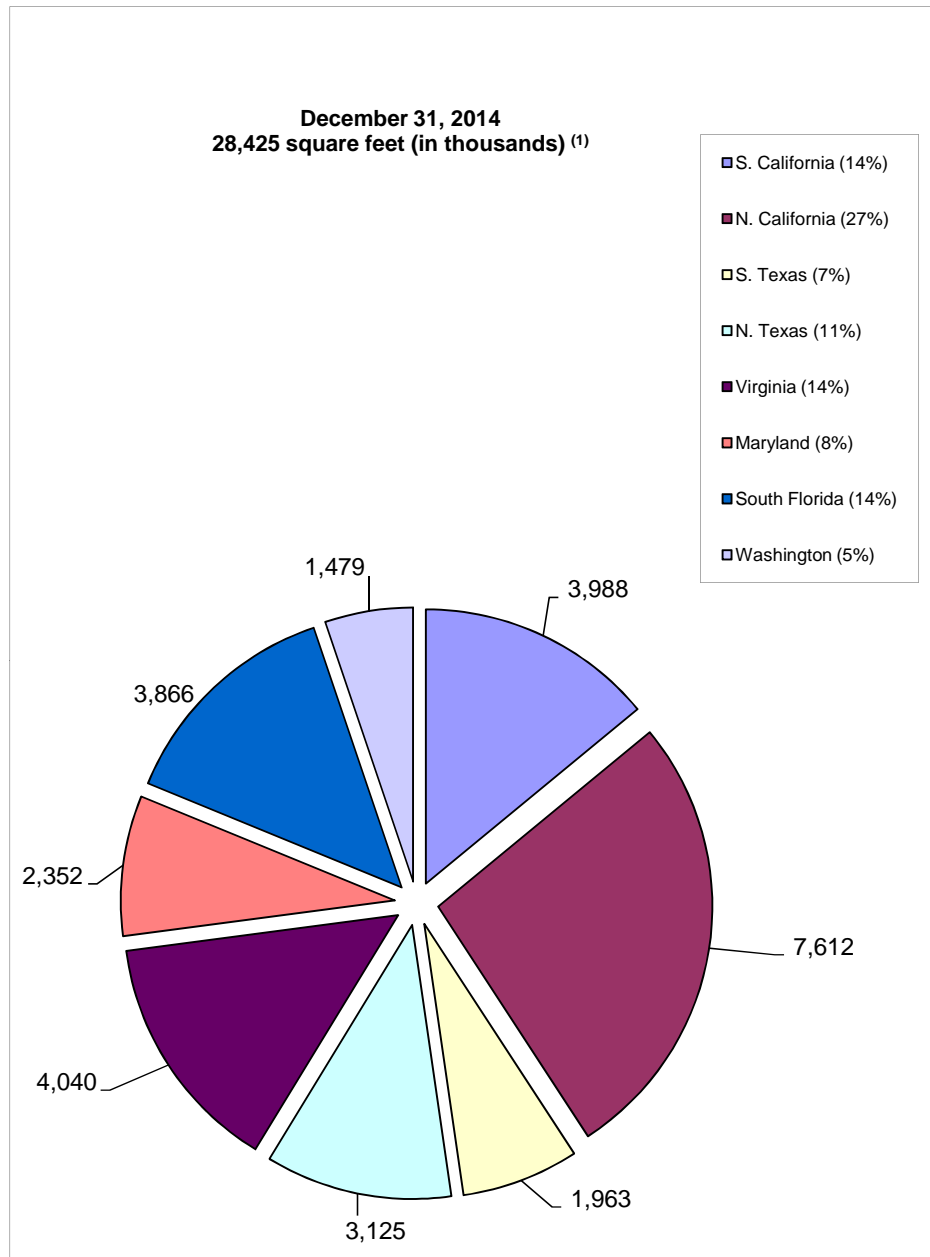
(1) - For leases expiring within one year, annualized rental income represents income to be received under existing leases from January 1, 2015 through the date of expiration.

Total Property Net Operating Income by Region



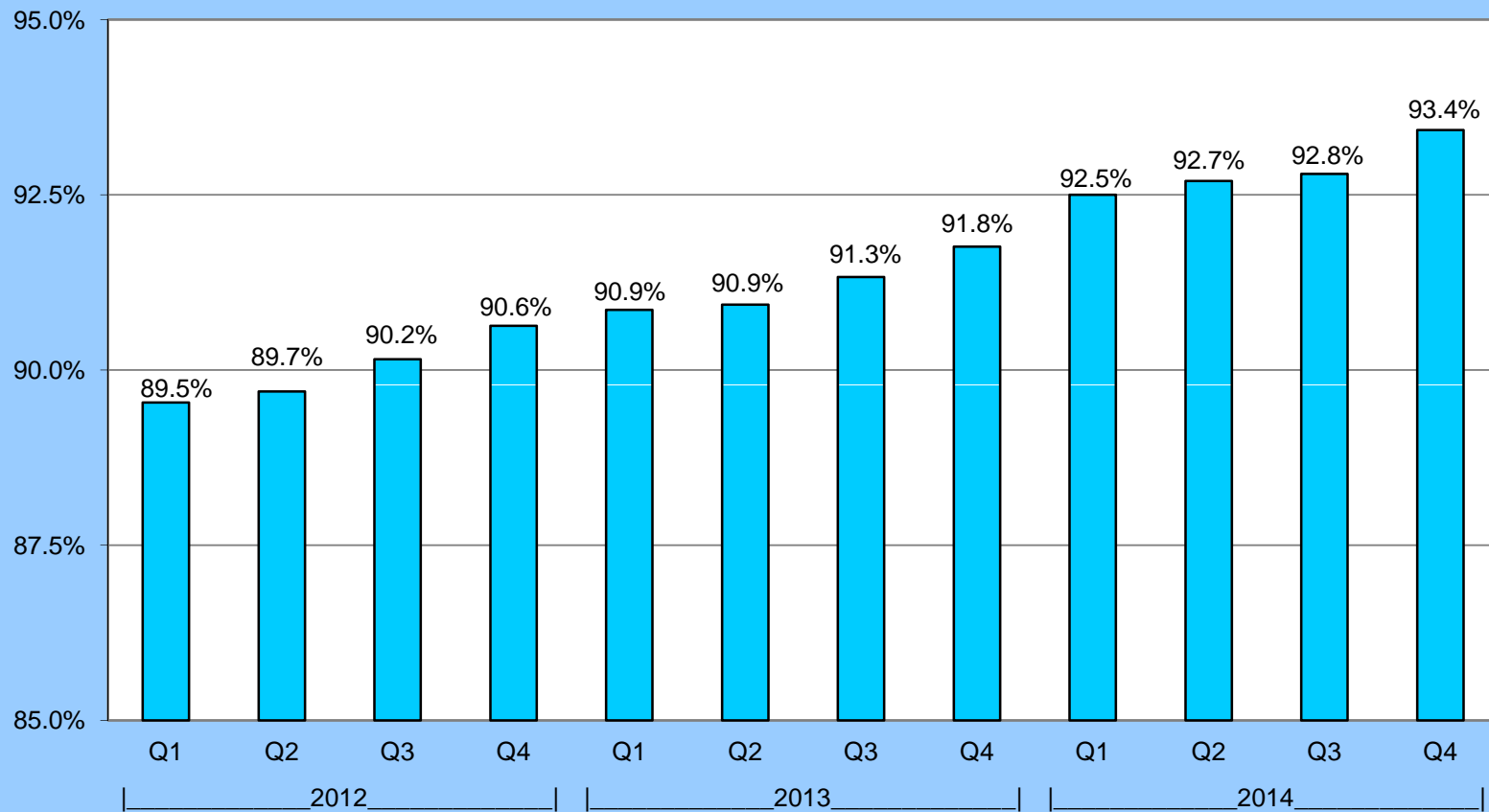
(1) - Excludes assets held for sale or sold.

Total Owned Rentable Square Footage by Region



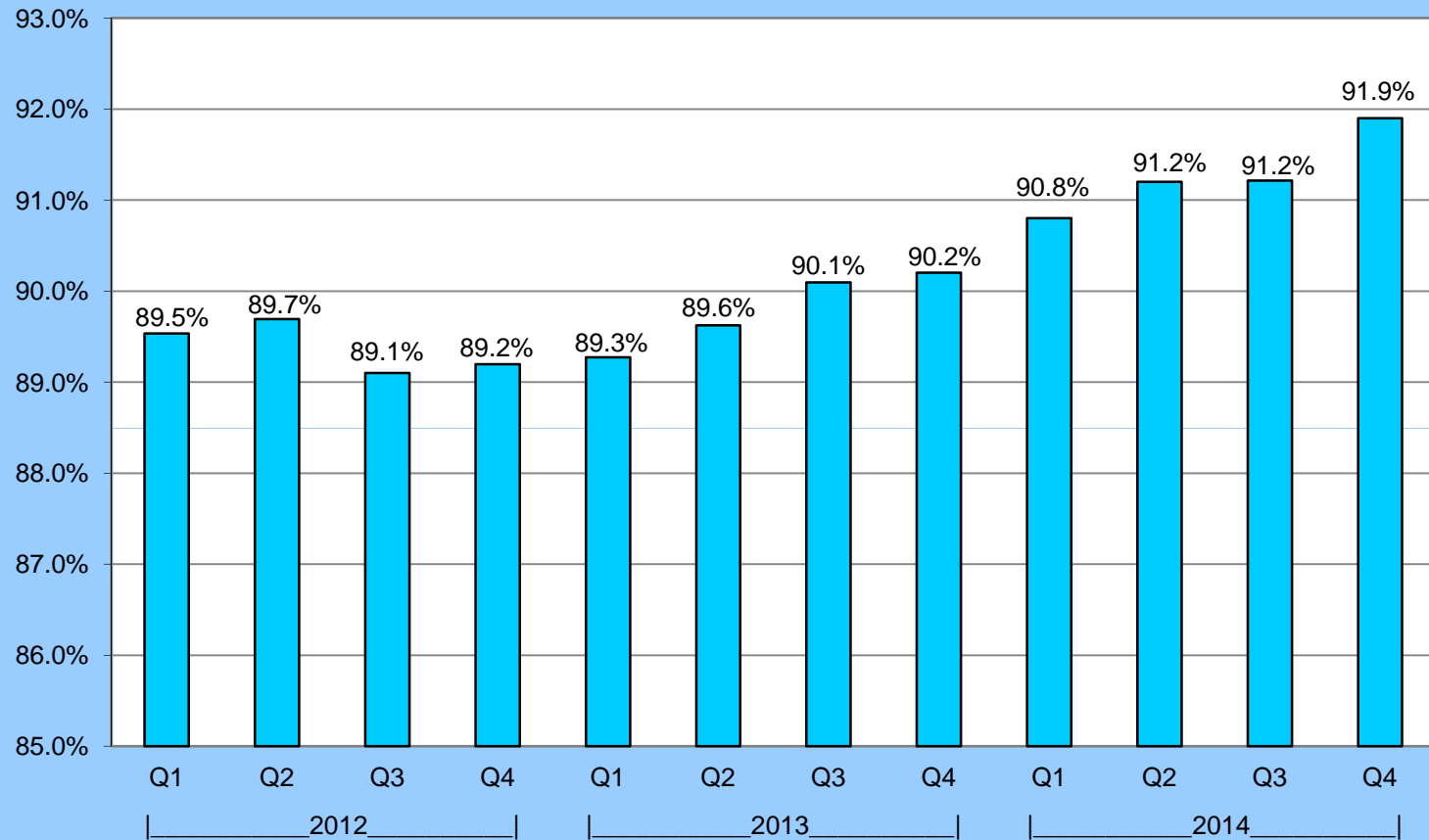
(1) - Excludes assets held for sale or sold.

Same Park Weighted Average Occupancy ⁽¹⁾



⁽¹⁾ Represents the weighted average occupancy for the current Same Park portfolio, excluding assets held for sale or sold.

Total Owned Portfolio Weighted Average Occupancy ⁽¹⁾



⁽¹⁾ Represents the weighted average occupancy for total owned portfolio as reported in each period, excluding assets held for sale or sold.

PS BUSINESS PARKS, INC.
SAME PARK PORTFOLIO OVERVIEW
(in thousands, excludes assets held for sale or sold)

Rentable Square Footage of Properties as of December 31, 2014					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Northern California	3,906	-	3,247	7,153	28.6%
Northern Virginia	-	2,093	1,947	4,040	16.1%
South Florida	2,631	12	1,074	3,717	14.8%
Maryland	-	1,382	970	2,352	9.4%
Dallas	231	-	1,537	1,768	7.1%
Orange County	-	705	911	1,616	6.4%
Los Angeles County	712	31	861	1,604	6.4%
Austin	-	-	1,491	1,491	6.0%
San Diego County	-	-	768	768	3.1%
Seattle	-	28	493	521	2.1%
Total	7,480	4,251	13,299	25,030	100.0%
Percentage by Product Type	29.9%	17.0%	53.1%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended December 31, 2014				
Primary Markets	Industrial	Office	Flex	Total
Northern California	97.3%	0.0%	94.4%	96.0%
Northern Virginia	-	89.8%	91.2%	90.5%
South Florida	93.4%	100.0%	94.5%	93.7%
Maryland	-	92.8%	81.7%	88.2%
Dallas	100.0%	-	92.6%	93.5%
Orange County	-	86.9%	92.7%	90.2%
Los Angeles County	94.0%	93.4%	97.9%	96.1%
Austin	-	-	95.9%	95.9%
San Diego County	-	-	92.1%	92.1%
Seattle	-	100.0%	98.4%	98.5%
Total	95.7%	90.4%	93.1%	93.4%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended December 31, 2014			
Primary Markets	Large Tenant	Small Tenant	Total
Northern California	96.3%	94.6%	96.0%
Northern Virginia	90.9%	89.7%	90.5%
South Florida	94.0%	92.9%	93.7%
Maryland	87.8%	89.5%	88.2%
Dallas	93.7%	92.9%	93.5%
Orange County	92.3%	88.3%	90.2%
Los Angeles County	94.0%	97.7%	96.1%
Austin	96.0%	95.2%	95.9%
San Diego County	-	92.1%	92.1%
Seattle	-	98.5%	98.5%
Total	93.7%	92.7%	93.4%

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.
TOTAL PORTFOLIO OVERVIEW
(in thousands, excludes assets held for sale or sold)

Rentable Square Footage of Properties as of December 31, 2014					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Northern California	3,906	340	3,366	7,612	26.8%
Northern Virginia	-	2,093	1,947	4,040	14.2%
South Florida	2,780	12	1,074	3,866	13.6%
Maryland	-	1,382	970	2,352	8.3%
Dallas	231	-	2,894	3,125	11.0%
Austin	246	-	1,717	1,963	6.9%
Orange County	-	705	911	1,616	5.7%
Los Angeles County	712	31	861	1,604	5.6%
Seattle	958	28	493	1,479	5.2%
San Diego County	-	-	768	768	2.7%
Total	8,833	4,591	15,001	28,425	100.0%
Percentage by Product Type	31.1%	16.2%	52.7%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended December 31, 2014				
Primary Markets	Industrial	Office	Flex	Total
Northern California	97.3%	82.2%	94.5%	95.4%
Northern Virginia	-	89.8%	91.2%	90.5%
South Florida	90.2%	100.0%	98.0%	91.4%
Maryland	-	92.8%	81.7%	88.2%
Dallas	100.0%	-	85.2%	86.3%
Austin	53.3%	-	96.4%	92.8%
Orange County	-	86.9%	92.7%	90.2%
Los Angeles County	94.0%	93.4%	97.9%	96.1%
Seattle	89.8%	100.0%	98.4%	92.9%
San Diego County	-	-	92.1%	92.1%
Total	93.2%	89.8%	91.7%	91.9%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended December 31, 2014			
Primary Markets	Large Tenant	Small Tenant	Total
Northern California	96.3%	91.8%	95.4%
Northern Virginia	90.9%	89.7%	90.5%
South Florida	91.1%	97.8%	91.4%
Maryland	87.8%	89.5%	88.2%
Dallas	90.4%	79.4%	86.3%
Austin	92.4%	95.2%	92.8%
Orange County	92.3%	88.3%	90.2%
Los Angeles County	94.0%	97.7%	96.1%
Seattle	89.8%	98.5%	92.9%
San Diego County	-	92.1%	92.1%
Total	92.5%	90.5%	91.9%

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.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF DECEMBER 31, 2014
(in thousands, excludes assets held for sale or sold)

Lease Expirations - Flex					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2015	4,440	\$ 59,456	29.3%	15.5%	
2016	3,192	46,219	22.8%	12.1%	
2017	2,154	31,392	15.5%	8.2%	
2018	1,219	17,795	8.7%	4.6%	
2019	1,146	17,394	8.6%	4.5%	
Thereafter	1,637	30,681	15.1%	8.0%	
Total	13,788	\$ 202,937	100.0%	52.9%	

Lease Expirations - Office					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2015	1,053	\$ 25,341	23.3%	6.6%	
2016	1,054	27,973	25.7%	7.3%	
2017	659	16,968	15.6%	4.4%	
2018	638	17,303	15.9%	4.5%	
2019	334	8,969	8.2%	2.3%	
Thereafter	387	12,294	11.3%	3.2%	
Total	4,125	\$ 108,848	100.0%	28.3%	

Lease Expirations - Industrial					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2015	1,703	\$ 14,007	19.6%	3.7%	
2016	1,751	13,487	18.9%	3.5%	
2017	1,455	12,114	16.9%	3.2%	
2018	683	6,150	8.6%	1.6%	
2019	1,314	11,664	16.3%	3.1%	
Thereafter	1,330	14,053	19.7%	3.7%	
Total	8,236	\$ 71,475	100.0%	18.8%	

Lease Expirations - Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2015	7,196	\$ 98,804	25.8%	25.8%	
2016	5,997	87,679	22.9%	22.9%	
2017	4,268	60,474	15.8%	15.8%	
2018	2,540	41,248	10.7%	10.7%	
2019	2,794	38,027	9.9%	9.9%	
Thereafter	3,354	57,028	14.9%	14.9%	
Total	26,149	\$ 383,260	100.0%	100.0%	

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF DECEMBER 31, 2014
(in thousands, excludes assets held for sale or sold)

Southern California				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2015	1,416	\$ 21,568	35.9%	5.6%
2016	945	14,633	24.4%	3.8%
2017	680	10,254	17.1%	2.7%
2018	293	5,679	9.4%	1.5%
2019	244	4,041	6.7%	1.0%
Thereafter	130	3,893	6.5%	1.0%
Total	3,708	\$ 60,068	100.0%	15.6%

Northern California				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2015	1,518	\$ 18,299	22.1%	4.8%
2016	1,661	17,551	21.2%	4.6%
2017	900	10,743	12.9%	2.8%
2018	687	8,148	9.8%	2.1%
2019	1,299	13,664	16.5%	3.6%
Thereafter	1,129	14,536	17.5%	3.8%
Total	7,194	\$ 82,941	100.0%	21.7%

Southern Texas				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2015	588	\$ 6,378	27.5%	1.6%
2016	255	3,511	15.1%	0.9%
2017	333	4,540	19.6%	1.2%
2018	211	2,710	11.7%	0.7%
2019	113	1,446	6.2%	0.4%
Thereafter	279	4,603	19.9%	1.2%
Total	1,779	\$ 23,188	100.0%	6.0%

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF DECEMBER 31, 2014
(in thousands, excludes assets held for sale or sold)

Northern Texas				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2015	826	\$ 10,204	32.3%	2.7%
2016	524	4,896	15.5%	1.3%
2017	485	5,516	17.5%	1.4%
2018	203	1,835	5.8%	0.5%
2019	283	3,123	9.9%	0.8%
Thereafter	424	6,004	19.0%	1.6%
Total	2,745	\$ 31,578	100.0%	8.3%

South Florida				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2015	1,137	\$ 9,884	29.2%	2.6%
2016	885	8,369	24.7%	2.2%
2017	718	7,012	20.7%	1.8%
2018	381	4,265	12.6%	1.1%
2019	140	1,606	4.8%	0.4%
Thereafter	261	2,694	8.0%	0.7%
Total	3,522	\$ 33,830	100.0%	8.8%

Northern Virginia				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2015	862	\$ 16,511	19.5%	4.3%
2016	1,017	23,241	27.5%	6.1%
2017	579	13,504	16.0%	3.5%
2018	300	8,237	9.8%	2.1%
2019	311	7,700	9.1%	2.0%
Thereafter	618	15,279	18.1%	4.0%
Total	3,687	\$ 84,472	100.0%	22.0%

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF DECEMBER 31, 2014
(in thousands, excludes assets held for sale or sold)

Maryland				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2015	486	\$ 10,933	21.2%	2.9%
2016	540	12,803	24.9%	3.3%
2017	269	6,383	12.4%	1.7%
2018	348	8,890	17.3%	2.3%
2019	221	4,885	9.5%	1.3%
Thereafter	257	7,576	14.7%	2.0%
Total	2,121	\$ 51,470	100.0%	13.5%

Washington				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2015	363	\$ 5,027	32.0%	1.3%
2016	170	2,675	17.0%	0.7%
2017	304	2,522	16.1%	0.7%
2018	117	1,484	9.4%	0.4%
2019	183	1,562	9.9%	0.4%
Thereafter	256	2,443	15.6%	0.6%
Total	1,393	\$ 15,713	100.0%	4.1%

Total Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2015	7,196	\$ 98,804	25.8%	25.8%
2016	5,997	87,679	22.9%	22.9%
2017	4,268	60,474	15.8%	15.8%
2018	2,540	41,248	10.7%	10.7%
2019	2,794	38,027	9.9%	9.9%
Thereafter	3,354	57,028	14.9%	14.9%
Total	26,149	\$ 383,260	100.0%	100.0%

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF DECEMBER 31, 2014
(in thousands, excludes assets held for sale or sold)

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2015	3,971	\$ 48,900	19.8%	12.8%	
2016	3,824	50,880	20.5%	13.3%	
2017	3,064	38,974	15.7%	10.2%	
2018	1,935	29,841	12.1%	7.8%	
2019	2,330	28,443	11.5%	7.4%	
Thereafter	3,111	50,587	20.4%	13.2%	
Total	18,235	\$ 247,625	100.0%	64.7%	

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2015	3,225	\$ 49,904	36.8%	13.0%	
2016	2,173	36,799	27.1%	9.6%	
2017	1,204	21,500	15.9%	5.6%	
2018	605	11,407	8.4%	2.9%	
2019	464	9,584	7.1%	2.5%	
Thereafter	243	6,441	4.7%	1.7%	
Total	7,914	\$ 135,635	100.0%	35.3%	

Lease Expirations - Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2015	7,196	\$ 98,804	25.8%	25.8%	
2016	5,997	87,679	22.9%	22.9%	
2017	4,268	60,474	15.8%	15.8%	
2018	2,540	41,248	10.7%	10.7%	
2019	2,794	38,027	9.9%	9.9%	
Thereafter	3,354	57,028	14.9%	14.9%	
Total	26,149	\$ 383,260	100.0%	100.0%	

PS BUSINESS PARKS, INC.
QUARTER TO DATE PRODUCTION STATISTICS - TOTAL PORTFOLIO ⁽¹⁾
December 31, 2014

	Leasing Volume 4th Quarter	Leasing Volume YTD	Tenant Retention 4th Quarter	Tenant Retention YTD	Rental Rate Change ⁽²⁾ 4th Quarter	Rental Rate Change ⁽²⁾ YTD
Maryland	108,000	490,000	76.8%	77.1%	-5.4%	-6.1%
Northern Virginia	269,000	1,236,000	53.9%	71.2%	-7.3%	-8.7%
San Diego County	122,000	362,000	61.4%	59.9%	1.6%	0.8%
Orange County	185,000	671,000	42.2%	57.4%	0.3%	-1.7%
Los Angeles County	188,000	749,000	73.8%	63.2%	1.8%	3.3%
South Florida	379,000	1,246,000	46.0%	56.5%	10.7%	5.0%
Austin	55,000	503,000	71.9%	78.0%	21.5%	7.8%
Dallas	346,000	886,000	74.9%	65.8%	8.0%	5.7%
Seattle	73,000	434,000	46.0%	64.4%	14.0%	4.2%
Northern California	278,000	1,982,000	60.0%	63.1%	9.4%	7.3%
Company Totals	2,003,000	8,559,000	57.6%	64.5%	2.9%	0.5%

⁽¹⁾ Excludes assets held for sale or sold.

⁽²⁾ Rental rate change is computed by taking the percentage difference between outgoing rents and incoming rents for leases executed during the period. Leases executed on spaces vacant for more than the preceding twelve months have been excluded.