



PSBUSINESSPARKSSM

**Analysis of Operating Results
and Financial Condition**

June 30, 2017

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017**

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PS BUSINESS PARKS, INC.
SECOND QUARTER FACT SHEET ⁽¹⁾
(in thousands, except per share amounts)

NET OPERATING INCOME

| | For The Three Months Ended | | | For The Six Months Ended | | |
|------------------------------|----------------------------|-----------|----------|--------------------------|------------|----------|
| | 06/30/17 | 06/30/16 | % Change | 06/30/17 | 06/30/16 | % Change |
| Rental income: | | | | | | |
| Same Park ⁽²⁾ | \$ 99,443 | \$ 95,152 | 4.5% | \$ 199,097 | \$ 190,060 | 4.8% |
| Non-Same Park ⁽³⁾ | 314 | - | 100.0% | 605 | - | 100.0% |
| Total rental income | 99,757 | 95,152 | 4.8% | 199,702 | 190,060 | 5.1% |
| Cost of operations: | | | | | | |
| Same Park ⁽²⁾ | 29,544 | 28,723 | 2.9% | 59,383 | 59,500 | (0.2%) |
| Non-Same Park ⁽³⁾ | 270 | - | 100.0% | 624 | - | 100.0% |
| Total cost of operations | 29,814 | 28,723 | 3.8% | 60,007 | 59,500 | 0.9% |
| Net operating income: | | | | | | |
| Same Park ⁽²⁾ | 69,899 | 66,429 | 5.2% | 139,714 | 130,560 | 7.0% |
| Non-Same Park ⁽³⁾ | 44 | - | (100.0%) | (19) | - | (100.0%) |
| Total net operating income | \$ 69,943 | \$ 66,429 | 5.3% | \$ 139,695 | \$ 130,560 | 7.0% |

FUNDS FROM OPERATIONS

| | For The Three Months Ended | | | For The Six Months Ended | | |
|--|----------------------------|------------------|--------------|--------------------------|------------------|--------------|
| | 06/30/17 | 06/30/16 | % Change | 06/30/17 | 06/30/16 | % Change |
| FFO allocable to common and dilutive shares - as reported | \$ 54,107 | \$ 45,305 | 19.4% | \$ 107,062 | \$ 88,993 | 20.3% |
| LTEIP modification due to change in senior management ⁽⁴⁾ | - | 2,018 | (100.0%) | - | 2,018 | (100.0%) |
| FFO allocable to common and dilutive shares - as adjusted | \$ 54,107 | \$ 47,323 | 14.3% | \$ 107,062 | \$ 91,011 | 17.6% |
| FFO per common and dilutive share - as reported | \$ 1.55 | \$ 1.30 | 19.2% | \$ 3.07 | \$ 2.56 | 19.9% |
| FFO per common and dilutive share - as adjusted | \$ 1.55 | \$ 1.36 | 14.0% | \$ 3.07 | \$ 2.62 | 17.2% |
| Weighted average common shares outstanding - diluted | 27,412 | 27,172 | 0.9% | 27,384 | 27,149 | 0.9% |
| Weighted average common OP units outstanding | 7,305 | 7,305 | - | 7,305 | 7,305 | - |
| Weighted average restricted stock units outstanding | 179 | 245 | (26.9%) | 196 | 253 | (22.5%) |
| Total common and dilutive shares | 34,896 | 34,722 | 0.5% | 34,885 | 34,707 | 0.5% |

PROPERTY INFORMATION

| | For The Three Months Ended | | | For The Six Months Ended | | |
|--|----------------------------|----------|----------|--------------------------|----------|----------|
| | 06/30/17 | 06/30/16 | % Change | 06/30/17 | 06/30/16 | % Change |
| Total Portfolio ⁽⁵⁾ | | | | | | |
| Total rentable square footage at period end | 28,028 | 27,802 | 0.8% | 28,028 | 27,802 | 0.8% |
| Weighted average occupancy | 93.1% | 93.5% | (0.4%) | 93.5% | 93.8% | (0.3%) |
| Period end occupancy | 93.2% | 93.3% | (0.1%) | 93.2% | 93.3% | (0.1%) |
| Annualized realized rental income per sq. ft. ⁽⁶⁾ | \$ 15.29 | \$ 14.63 | 4.5% | \$ 15.24 | \$ 14.58 | 4.5% |
| REVPAF ⁽⁷⁾ | \$ 14.24 | \$ 13.69 | 4.0% | \$ 14.25 | \$ 13.67 | 4.2% |
| Same Park Portfolio ^{(2) (5)} | | | | | | |
| Total rentable square footage at period end | 27,802 | 27,802 | - | 27,802 | 27,802 | - |
| Weighted average occupancy | 93.7% | 93.5% | 0.2% | 94.1% | 93.8% | 0.3% |
| Period end occupancy | 93.8% | 93.3% | 0.5% | 93.8% | 93.3% | 0.5% |
| Annualized realized rental income per sq. ft. ⁽⁶⁾ | \$ 15.27 | \$ 14.63 | 4.4% | \$ 15.22 | \$ 14.58 | 4.4% |
| REVPAF ⁽⁷⁾ | \$ 14.31 | \$ 13.69 | 4.5% | \$ 14.32 | \$ 13.67 | 4.8% |
| Non-Same Park Portfolio ⁽³⁾ | | | | | | |
| Total rentable square footage at period end | 226 | - | 100.0% | 226 | - | 100.0% |
| Weighted average occupancy | 20.6% | 0.0% | 100.0% | 19.6% | 0.0% | 100.0% |
| Period end occupancy | 22.5% | 0.0% | 100.0% | 22.5% | 0.0% | 100.0% |

MARKET VALUE INFORMATION

| | 06/30/17 | | 12/31/16 | |
|--|--------------|------------|--------------|------------|
| | | % of Total | | % of Total |
| Market value of common stock and common OP units | \$ 4,570,020 | 82.3% | \$ 4,013,356 | 78.3% |
| Total debt | 101,000 | 1.8% | - | - |
| Total preferred equity | 879,750 | 15.9% | 1,109,750 | 21.7% |
| Total market capitalization | \$ 5,550,770 | 100.0% | \$ 5,123,106 | 100.0% |
| Stock price at the end of the period | \$ 132.39 | | \$ 116.52 | |

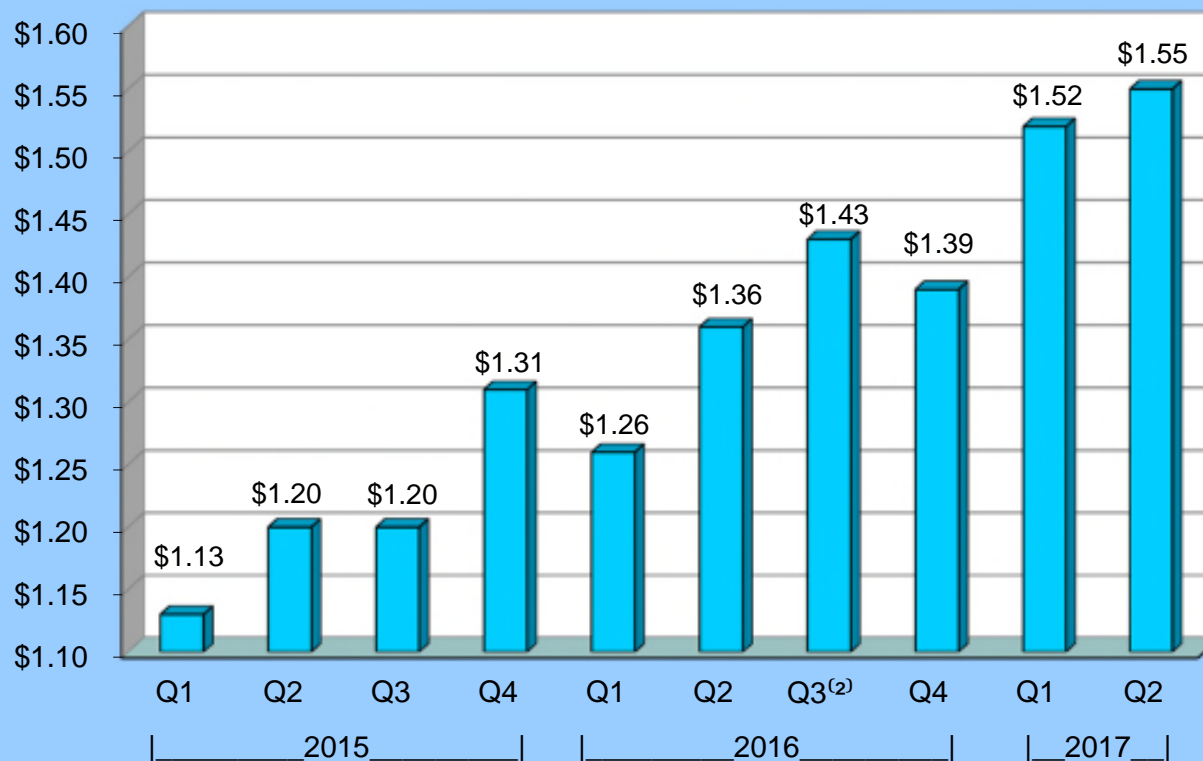
NOTES

- (1) Operating data relating to the multi-family development is excluded from the fact sheet. Refer to page 30 for such information.
- (2) All owned assets acquired prior to January 1, 2015.
- (3) All owned assets acquired subsequent to January 1, 2015.
- (4) In order to provide comparable data points, the impact of the LTEIP non-cash stock compensation related to the change in senior management has been excluded.
- (5) Amounts exclude 123,000 square feet transferred to land and building held for development.
- (6) Represents the annualized rental income earned per occupied square foot.
- (7) Represents the annualized rental income 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 Six Months Ended | | | |
|--|----------------------------|------------------|-------------------|----------|--------------------------|------------------|--------------------|----------|
| | 06/30/17 | 06/30/16 | Change | % Change | 06/30/17 | 06/30/16 | Change | % Change |
| Funds from operations (FFO) - As Reported | | | | | | | | |
| Net income allocable to common shareholders | \$ 24,742 | \$ 15,731 | \$ 9,011 | 57.3% | \$ 51,135 | \$ 30,300 | \$ 20,835 | 68.8% |
| Adjustments: | | | | | | | | |
| Gain on sale of real estate facility | (1,209) | - | (1,209) | (100.0%) | (1,209) | - | (1,209) | (100.0%) |
| Gain on sale of development rights | - | - | - | - | (3,865) | - | (3,865) | (100.0%) |
| Depreciation and amortization | 23,628 | 25,214 | (1,586) | (6.3%) | 46,706 | 50,255 | (3,549) | (7.1%) |
| Depreciation from unconsolidated joint venture | 104 | - | 104 | 100.0% | 104 | - | 104 | 100.0% |
| Net income allocable to noncontrolling interests - common units | 6,645 | 4,243 | 2,402 | 56.6% | 13,746 | 8,179 | 5,567 | 68.1% |
| Net income allocable to restricted stock unit holders | 197 | 117 | 80 | 68.4% | 445 | 259 | 186 | 71.8% |
| FFO allocable to common and dilutive shares | <u>\$ 54,107</u> | <u>\$ 45,305</u> | <u>\$ 8,802</u> | 19.4% | <u>\$ 107,062</u> | <u>\$ 88,993</u> | <u>\$ 18,069</u> | 20.3% |
| Weighted average common shares outstanding | 27,200 | 27,082 | 118 | 0.4% | 27,174 | 27,063 | 111 | 0.4% |
| Weighted average common OP units outstanding | 7,305 | 7,305 | - | - | 7,305 | 7,305 | - | - |
| Weighted average restricted stock units outstanding | 179 | 245 | (66) | (26.9%) | 196 | 253 | (57) | (22.5%) |
| Weighted average common share equivalents outstanding | 212 | 90 | 122 | 135.6% | 210 | 86 | 124 | 144.2% |
| Total common and dilutive shares | <u>34,896</u> | <u>34,722</u> | <u>174</u> | 0.5% | <u>34,885</u> | <u>34,707</u> | <u>178</u> | 0.5% |
| FFO per common and dilutive share | <u>\$ 1.55</u> | <u>\$ 1.30</u> | <u>\$ 0.25</u> | 19.2% | <u>\$ 3.07</u> | <u>\$ 2.56</u> | <u>\$ 0.51</u> | 19.9% |
| Funds available for distribution (FAD): | | | | | | | | |
| Funds from operations | \$ 54,107 | \$ 45,305 | \$ 8,802 | 19.4% | \$ 107,062 | \$ 88,993 | \$ 18,069 | 20.3% |
| Adjustments: | | | | | | | | |
| Recurring capital improvements | (2,780) | (1,525) | (1,255) | 82.3% | (3,425) | (2,679) | (746) | 27.8% |
| Tenant improvements | (9,165) | (4,531) | (4,634) | 102.3% | (15,641) | (7,850) | (7,791) | 99.2% |
| Lease commissions | (1,607) | (1,767) | 160 | (9.1%) | (3,145) | (3,588) | 443 | (12.3%) |
| Straight-line rent | (753) | (170) | (583) | 342.9% | (1,634) | (1,217) | (417) | 34.3% |
| Stock compensation expense | 1,563 | 4,278 | (2,715) | (63.5%) | 3,646 | 7,083 | (3,437) | (48.5%) |
| Cash paid for taxes in lieu of shares upon vesting of restricted stock units | (47) | - | (47) | (100.0%) | (3,403) | (1,758) | (1,645) | 93.6% |
| In-place lease adjustment | (9) | (138) | 129 | (93.5%) | (34) | (331) | 297 | (89.7%) |
| Tenant improvement reimbursements, net of lease incentives | (495) | (423) | (72) | 17.0% | (856) | (846) | (10) | 1.2% |
| Capitalized interest expense | (227) | (345) | 118 | (34.2%) | (506) | (739) | 233 | (31.5%) |
| FAD | <u>\$ 40,587</u> | <u>\$ 40,684</u> | <u>\$ (97)</u> | (0.2%) | <u>\$ 82,064</u> | <u>\$ 77,068</u> | <u>\$ 4,996</u> | 6.5% |
| FAD per common and dilutive share | <u>\$ 1.16</u> | <u>\$ 1.17</u> | <u>\$ (0.01)</u> | (0.9%) | <u>\$ 2.35</u> | <u>\$ 2.22</u> | <u>\$ 0.13</u> | 5.9% |
| Free cash available for debt repayment and investments: | | | | | | | | |
| FAD | \$ 40,587 | \$ 40,684 | (97) | (0.2%) | \$ 82,064 | \$ 77,068 | 4,996 | 6.5% |
| Distributions to common shareholders | (23,130) | (20,318) | (2,812) | 13.8% | (46,207) | (40,598) | (5,609) | 13.8% |
| Distributions to common OP unit holders | (6,209) | (5,479) | (730) | 13.3% | (12,419) | (10,958) | (1,461) | 13.3% |
| Distributions to restricted stock unit holders | (183) | (117) | (66) | 56.4% | (399) | (259) | (140) | 54.1% |
| Non-recurring property renovations | (1,139) | (141) | (998) | 707.8% | (1,152) | (346) | (806) | 232.9% |
| Free cash available for debt repayment and investments | <u>\$ 9,926</u> | <u>\$ 14,629</u> | <u>\$ (4,703)</u> | (32.1%) | <u>\$ 21,887</u> | <u>\$ 24,907</u> | <u>\$ (3,020)</u> | (12.1%) |
| Investment in and advances to unconsolidated joint venture | (9,310) | (8,955) | (355) | 4.0% | (23,945) | (12,501) | (11,444) | 91.5% |
| Retained cash | <u>\$ 616</u> | <u>\$ 5,674</u> | <u>\$ (5,058)</u> | (89.1%) | <u>\$ (2,058)</u> | <u>\$ 12,406</u> | <u>\$ (14,464)</u> | (116.6%) |
| FAD distributions payout ratio | <u>72.7%</u> | <u>63.7%</u> | | | <u>71.9%</u> | <u>67.2%</u> | | |

FFO, as adjusted, Per Common and Dilutive Share⁽¹⁾



⁽¹⁾ Where applicable, amounts exclude non-cash charge related to July 1st 2016 senior management change, net gain on repurchase of preferred equity, non-cash distributions related to the redemption of preferred equity and acquisition transaction costs.

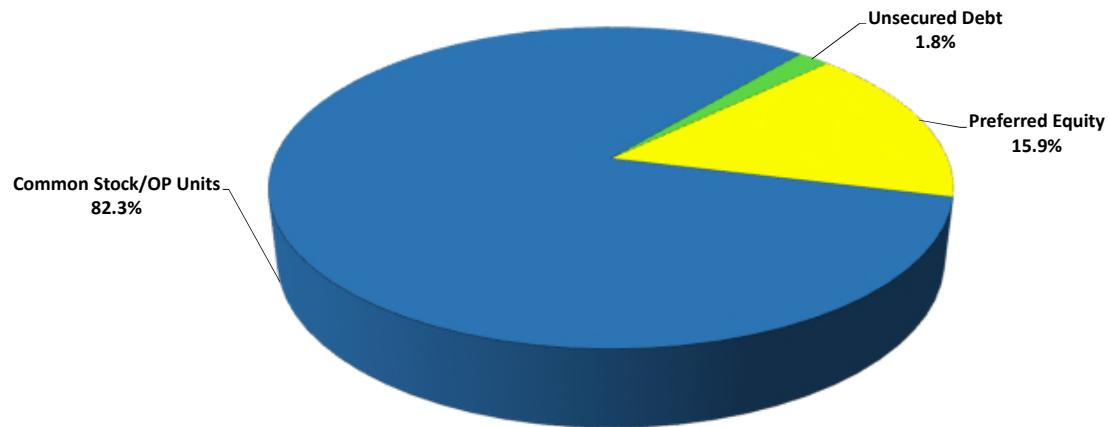
⁽²⁾ Excludes lease buyout payment of \$528,000.

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

| | As of June 30, 2017 | | | As of December 31, 2016 | | |
|---|---------------------|--|---------------------|-------------------------|--|---------------------|
| | Total | % of Total Market Capitalization | WTD Average Rate | Total | % of Total Market Capitalization | WTD Average Rate |
| Unsecured Debt: | | | | | | |
| \$250.0 million unsecured credit facility (LIBOR + 0.825%) | \$ 101,000 | | | \$ - | | |
| Total unsecured debt | 101,000 | 1.8% | 1.81% | - | - | - |
| Total debt | 101,000 | 1.8% | 1.81% | - | - | - |
| Preferred Equity: | | | | | | |
| 6.000% Series T preferred stock (14,000,000 depository shares outstanding) callable 5/14/17 | 350,000 | | | 350,000 | | |
| 5.750% Series U preferred stock (9,200,000 depository shares outstanding) callable 9/14/17 | 230,000 | | | 230,000 | | |
| 5.700% Series V preferred stock (4,400,000 depository shares outstanding) callable 3/14/18 | 110,000 | | | 110,000 | | |
| 5.200% Series W preferred stock (7,590,000 depository shares outstanding) callable 10/20/21 | 189,750 | | | 189,750 | | |
| 6.450% Series S preferred stock (9,200,000 depository shares outstanding) redeemed 1/18/17 | - | | | 230,000 | | |
| Total preferred equity | 879,750 | 15.9% | 5.72% | 1,109,750 | 21.7% | 5.87% |
| Total debt and preferred equity | 980,750 | 17.7% | 5.32% | 1,109,750 | 21.7% | 5.87% |
| Common stock (27,214,021 and 27,138,138 shares outstanding as of June 30, 2017 and December 31, 2016, respectively) | 3,602,864 | | | 3,162,136 | | |
| Common operating partnership units (7,305,355 units outstanding as of June 30, 2017 and December 31, 2016) | 967,156 | | | 851,220 | | |
| Total common equity ⁽¹⁾ | 4,570,020 | 82.3% | | 4,013,356 | 78.3% | |
| Total market capitalization | \$ 5,550,770 | 100.0% | | \$ 5,123,106 | 100.0% | |

⁽¹⁾ Closing stock price was \$132.39 and \$116.52 as of June 30, 2017 and December 31, 2016, respectively.

Total Market Capitalization as of June 30, 2017: \$5.6 billion



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

| | <u>06/30/17</u> | <u>12/31/16</u> | <u>Change</u> | | <u>% Change</u> |
|--|---------------------|---------------------|---------------------|-----|-----------------|
| <u>ASSETS</u> | | | | | |
| Cash and cash equivalents | \$ 5,408 | \$ 128,629 | \$ (123,221) | (a) | (95.8%) |
| Real estate facilities, at cost: | | | | | |
| Land | 789,227 | 789,227 | - | | - |
| Buildings and equipment | <u>2,241,558</u> | <u>2,224,522</u> | 17,036 | | 0.8% |
| | 3,030,785 | 3,013,749 | 17,036 | | 0.6% |
| Accumulated depreciation | <u>(1,198,020)</u> | <u>(1,158,054)</u> | (39,966) | | 3.5% |
| | 1,832,765 | 1,855,695 | (22,930) | (b) | (1.2%) |
| Properties held for disposition, net | - | 909 | (909) | | (100.0%) |
| Land and building held for development | <u>28,616</u> | <u>27,028</u> | 1,588 | | 5.9% |
| | 1,861,381 | 1,883,632 | (22,251) | | (1.2%) |
| Investment in and advances to unconsolidated joint venture | 91,259 | 67,190 | 24,069 | | 35.8% |
| Rent receivable, net | 2,014 | 1,945 | 69 | (c) | 3.5% |
| Deferred rent receivable, net | 31,385 | 29,770 | 1,615 | | 5.4% |
| Other assets | 6,611 | 8,205 | (1,594) | (d) | (19.4%) |
| | | | | | |
| Total assets | <u>\$ 1,998,058</u> | <u>\$ 2,119,371</u> | <u>\$ (121,313)</u> | | (5.7%) |
| <u>LIABILITIES AND EQUITY</u> | | | | | |
| Accrued and other liabilities | \$ 77,643 | \$ 78,657 | \$ (1,014) | (e) | (1.3%) |
| Preferred stock called for redemption | - | 230,000 | (230,000) | | (100.0%) |
| | | | | | |
| Credit facility | <u>101,000</u> | - | 101,000 | | 100.0% |
| Total liabilities | <u>178,643</u> | <u>308,657</u> | <u>(130,014)</u> | | (42.1%) |
| Equity: | | | | | |
| PS Business Parks, Inc.'s shareholders' equity: | | | | | |
| Preferred stock | 879,750 | 879,750 | - | | - |
| Common stock | 272 | 271 | 1 | | 0.4% |
| Paid-in capital | 735,591 | 733,671 | 1,920 | (f) | 0.3% |
| Cumulative net income | 1,580,105 | 1,502,643 | 77,462 | | 5.2% |
| Cumulative distributions | <u>(1,575,165)</u> | <u>(1,503,076)</u> | (72,089) | (g) | 4.8% |
| Total PS Business Parks, Inc.'s shareholders' equity | 1,620,553 | 1,613,259 | 7,294 | | 0.5% |
| Noncontrolling interests: | | | | | |
| Common units | <u>198,862</u> | <u>197,455</u> | 1,407 | | 0.7% |
| Total noncontrolling interests: | 198,862 | 197,455 | 1,407 | | 0.7% |
| | | | | | |
| Total equity | <u>1,819,415</u> | <u>1,810,714</u> | <u>8,701</u> | | 0.5% |
| | | | | | |
| Total liabilities and equity | <u>\$ 1,998,058</u> | <u>\$ 2,119,371</u> | <u>\$ (121,313)</u> | | (5.7%) |

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

| | | | |
|--|------------------|------------------|-----------------------|
| (a) Change in cash and cash equivalents: | | | |
| Beginning cash balance | | | \$ 128,629 |
| Net cash provided by operating activities | | | 137,514 |
| Net cash used in investing activities | | | (44,858) |
| Net cash used in financing activities | | | (215,877) |
| Ending cash balance | | | <u>\$ 5,408</u> |
| (b) Change in real estate facilities, at cost: | | | |
| Beginning balance | | | \$ 1,855,695 |
| Recurring capital improvements | | | 3,425 |
| Tenant improvements, gross | | | 16,029 |
| Lease commissions | | | 3,145 |
| Nonrecurring capital improvements | | | 1,152 |
| Depreciation and amortization | | | (46,706) |
| Transfer to properties held for disposition | | | 25 |
| Ending balance | | | <u>\$ 1,832,765</u> |
| (c) Rent receivable consists of: | | | |
| | <u>06/30/17</u> | <u>12/31/16</u> | <u>Change</u> |
| Non-government tenants | \$ 1,473 | \$ 1,192 | \$ 281 |
| U.S. Government tenants | 941 | 1,153 | (212) |
| Allowance for doubtful accounts | (400) | (400) | - |
| | <u>\$ 2,014</u> | <u>\$ 1,945</u> | <u>\$ 69</u> |
| (d) Other assets consist of: | | | |
| | <u>06/30/17</u> | <u>12/31/16</u> | <u>Change</u> |
| In-place lease adjustment and incentives, net | \$ 1,205 | \$ 1,494 | \$ (289) |
| Prepaid property taxes and insurance | 3,152 | 3,646 | (494) |
| Other | 2,254 | 3,065 | (811) |
| | <u>\$ 6,611</u> | <u>\$ 8,205</u> | <u>\$ (1,594)</u> |
| (e) Accrued and other liabilities consist of: | | | |
| | <u>06/30/17</u> | <u>12/31/16</u> | <u>Change</u> |
| Security deposits | \$ 33,118 | \$ 32,675 | \$ 443 |
| Accrued property taxes | 12,767 | 10,421 | 2,346 |
| Prepaid rent | 15,171 | 17,192 | (2,021) |
| In-place lease adjustment and tenant improvement reimbursements, net | 5,010 | 5,254 | (244) |
| Other | 11,577 | 13,115 | (1,538) |
| | <u>\$ 77,643</u> | <u>\$ 78,657</u> | <u>\$ (1,014)</u> |
| (f) Change in paid-in capital: | | | |
| Beginning paid-in capital | | | \$ 733,671 |
| Exercise of stock options | | | 2,156 |
| Stock compensation, net | | | 3,247 |
| Cash paid for taxes in lieu of shares upon vesting of restricted stock units | | | (3,403) |
| Adjustment to reflect noncontrolling interests to underlying ownership | | | (80) |
| Ending paid in capital | | | <u>\$ 735,591</u> |
| (g) Change in cumulative distributions: | | | |
| Beginning cumulative distributions | | | \$ (1,503,076) |
| Distributions to preferred shareholders | | | (25,882) |
| Distributions to common shareholders | | | (46,207) |
| Ending cumulative distributions | | | <u>\$ (1,575,165)</u> |

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

| | For The Three Months Ended | | Change | % Change |
|--|----------------------------|------------------|------------------|-------------|
| | 06/30/17 | 06/30/16 | | |
| Revenues: | | | | |
| Rental income | \$ 99,800 | \$ 96,087 | \$ 3,713 | (a) 3.9% |
| Facility management fees | 124 | 131 | (7) | (5.3%) |
| Total operating revenues | <u>99,924</u> | <u>96,218</u> | <u>3,706</u> | 3.9% |
| Expenses: | | | | |
| Cost of operations | 30,250 | 29,750 | 500 | (b) 1.7% |
| Depreciation and amortization | 23,628 | 25,214 | (1,586) | (6.3%) |
| General and administrative | 2,443 | 5,377 | (2,934) | (c) (54.6%) |
| Total operating expenses | <u>56,321</u> | <u>60,341</u> | <u>(4,020)</u> | (6.7%) |
| Other income and (expense): | | | | |
| Interest and other income | 30 | 208 | (178) | (85.6%) |
| Interest and other expense | (285) | (2,162) | 1,877 | (d) (86.8%) |
| Total other income and (expense) | <u>(255)</u> | <u>(1,954)</u> | <u>1,699</u> | (86.9%) |
| Equity in loss of unconsolidated joint venture | (382) | - | (382) | (100.0%) |
| Gain on sale of real estate facility | 1,209 | - | 1,209 | 100.0% |
| Net income | <u>\$ 44,175</u> | <u>\$ 33,923</u> | <u>\$ 10,252</u> | 30.2% |
| Net income allocation: | | | | |
| Net income allocable to noncontrolling interests: | | | | |
| Noncontrolling interests - common units | \$ 6,645 | \$ 4,243 | \$ 2,402 | 56.6% |
| Total net income allocable to noncontrolling interests | <u>6,645</u> | <u>4,243</u> | <u>2,402</u> | 56.6% |
| Net income allocable to PS Business Parks, Inc.: | | | | |
| Preferred shareholders | 12,591 | 13,832 | (1,241) | (9.0%) |
| Restricted stock unit holders | 197 | 117 | 80 | 68.4% |
| Common shareholders | 24,742 | 15,731 | 9,011 | 57.3% |
| Total net income allocable to PS Business Parks, Inc. | <u>37,530</u> | <u>29,680</u> | <u>7,850</u> | 26.4% |
| | <u>\$ 44,175</u> | <u>\$ 33,923</u> | <u>\$ 10,252</u> | 30.2% |
| Net income per common share | | | | |
| Basic | \$ 0.91 | \$ 0.58 | \$ 0.33 | 56.9% |
| Diluted | \$ 0.90 | \$ 0.58 | \$ 0.32 | 55.2% |
| Weighted average common shares outstanding: | | | | |
| Basic | <u>27,200</u> | <u>27,082</u> | <u>118</u> | 0.4% |
| Diluted | <u>27,412</u> | <u>27,172</u> | <u>240</u> | 0.9% |

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

| | For The Three Months Ended | | Change |
|---|----------------------------|-------------------|-------------------|
| | 06/30/17 | 06/30/16 | |
| (a) Rental income: | | | |
| Same Park | \$ 98,739 | \$ 94,982 | \$ 3,757 |
| Non-Same Park | 265 | - | 265 |
| Same Park straight-line rent | 704 | 170 | 534 |
| Non-Same Park straight-line rent | 49 | - | 49 |
| Assets sold or held for development | 43 | 935 | (892) |
| | <u>\$ 99,800</u> | <u>\$ 96,087</u> | <u>\$ 3,713</u> |
| | | | |
| (b) Cost of Operations: | | | |
| Same Park | \$ 29,544 | \$ 28,723 | \$ 821 |
| Non-Same Park | 270 | - | 270 |
| Assets sold or held for development | 29 | 236 | (207) |
| LTEIP amortization | 407 | 791 | (384) |
| | <u>\$ 30,250</u> | <u>\$ 29,750</u> | <u>\$ 500</u> |
| | | | |
| (c) General and administrative expenses: | | | |
| Compensation expense | \$ 997 | \$ 1,179 | \$ (182) |
| LTEIP amortization | 711 | 3,293 | (2,582) |
| Professional fees and other | 735 | 905 | (170) |
| | <u>\$ 2,443</u> | <u>\$ 5,377</u> | <u>\$ (2,934)</u> |
| | | | |
| (d) Interest and other expense: | | | |
| Mortgage note payable | \$ - | \$ (2,310) | \$ 2,310 |
| Credit facility | (413) | (28) | (385) |
| Capitalized interest | 227 | 345 | (118) |
| Facilities fees & other charges | (99) | (169) | 70 |
| | <u>\$ (285)</u> | <u>\$ (2,162)</u> | <u>\$ 1,877</u> |

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

| | For The Six Months Ended | | Change | % Change |
|--|--------------------------|------------------|------------------|-------------|
| | 06/30/17 | 06/30/16 | | |
| Revenues: | | | | |
| Rental income | \$ 199,861 | \$ 191,932 | \$ 7,929 | (a) 4.1% |
| Facility management fees | 252 | 259 | (7) | (2.7%) |
| Total operating revenues | <u>200,113</u> | <u>192,191</u> | <u>7,922</u> | 4.1% |
| Expenses: | | | | |
| Cost of operations | 61,283 | 61,644 | (361) | (b) (0.6%) |
| Depreciation and amortization | 46,706 | 50,255 | (3,549) | (7.1%) |
| General and administrative | 5,274 | 9,012 | (3,738) | (c) (41.5%) |
| Total operating expenses | <u>113,263</u> | <u>120,911</u> | <u>(7,648)</u> | (6.3%) |
| Other income and (expense): | | | | |
| Interest and other income | 135 | 475 | (340) | (71.6%) |
| Interest and other expense | (469) | (5,352) | 4,883 | (d) (91.2%) |
| Total other income and (expense) | <u>(334)</u> | <u>(4,877)</u> | <u>4,543</u> | (93.2%) |
| Equity in loss of unconsolidated joint venture | (382) | - | (382) | (100.0%) |
| Gain on sale of real estate facility | 1,209 | - | 1,209 | 100.0% |
| Gain on sale of development rights | 3,865 | - | 3,865 | 100.0% |
| Net income | <u>\$ 91,208</u> | <u>\$ 66,403</u> | <u>\$ 24,805</u> | 37.4% |
| Net income allocation: | | | | |
| Net income allocable to noncontrolling interests: | | | | |
| Noncontrolling interests - common units | \$ 13,746 | \$ 8,179 | \$ 5,567 | 68.1% |
| Total net income allocable to noncontrolling interests | <u>13,746</u> | <u>8,179</u> | <u>5,567</u> | 68.1% |
| Net income allocable to PS Business Parks, Inc.: | | | | |
| Preferred shareholders | 25,882 | 27,665 | (1,783) | (6.4%) |
| Restricted stock unit holders | 445 | 259 | 186 | 71.8% |
| Common shareholders | 51,135 | 30,300 | 20,835 | 68.8% |
| Total net income allocable to PS Business Parks, Inc. | <u>77,462</u> | <u>58,224</u> | <u>19,238</u> | 33.0% |
| | <u>\$ 91,208</u> | <u>\$ 66,403</u> | <u>\$ 24,805</u> | 37.4% |
| Net income per common share | | | | |
| Basic | \$ 1.88 | \$ 1.12 | \$ 0.76 | 67.9% |
| Diluted | \$ 1.87 | \$ 1.12 | \$ 0.75 | 67.0% |
| Weighted average common shares outstanding: | | | | |
| Basic | <u>27,174</u> | <u>27,063</u> | <u>111</u> | 0.4% |
| Diluted | <u>27,384</u> | <u>27,149</u> | <u>235</u> | 0.9% |

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

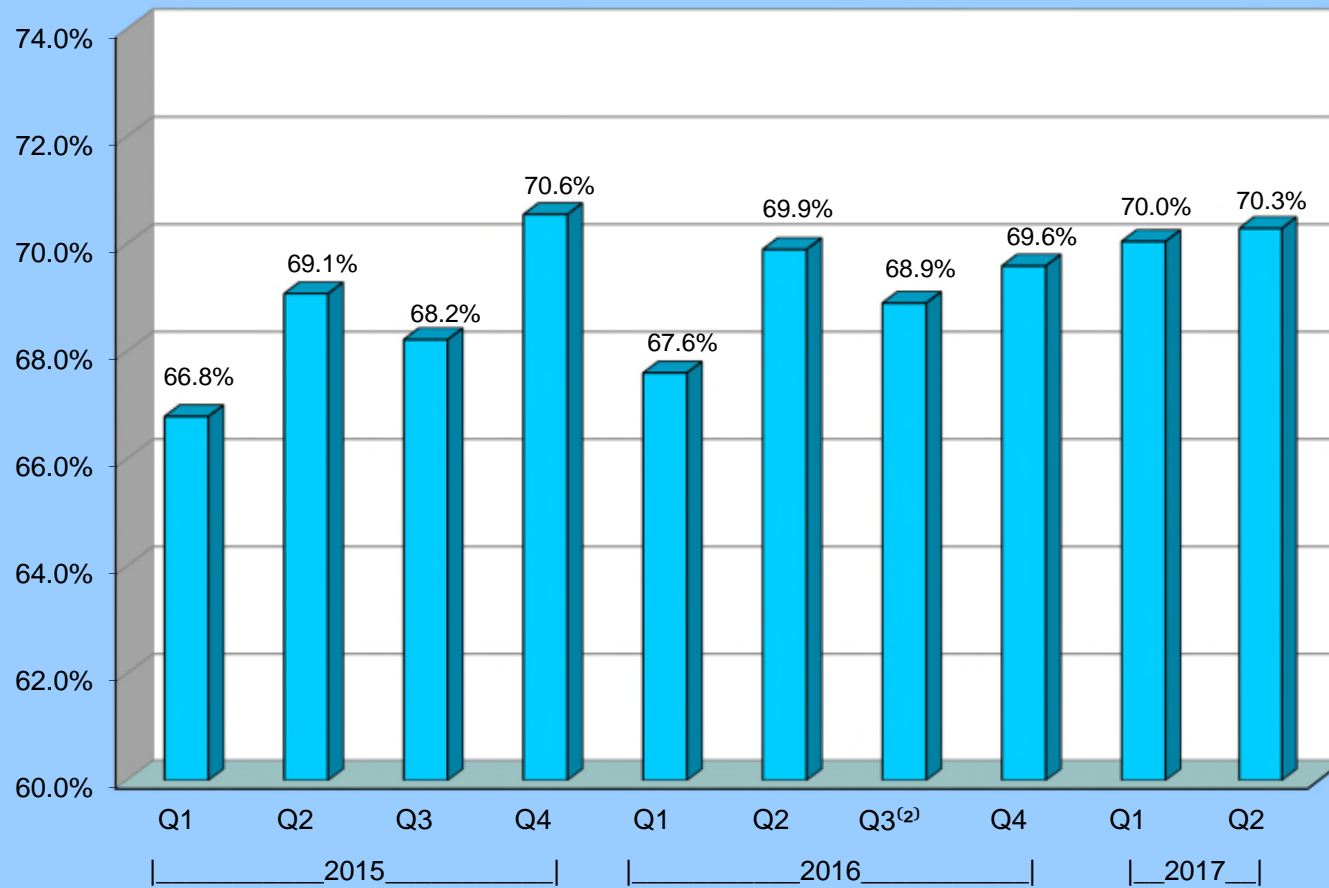
| | For The Six Months Ended | | Change |
|---|--------------------------|-------------------|-------------------|
| | 06/30/17 | 06/30/16 | |
| (a) Rental income: | | | |
| Same Park | \$ 197,543 | \$ 188,843 | \$ 8,700 |
| Non-Same Park | 525 | - | 525 |
| Same Park straight-line rent | 1,554 | 1,217 | 337 |
| Non-Same Park straight-line rent | 80 | - | 80 |
| Assets sold or held for development | 159 | 1,872 | (1,713) |
| | <u>\$ 199,861</u> | <u>\$ 191,932</u> | <u>\$ 7,929</u> |
| (b) Cost of Operations: | | | |
| Same Park | \$ 59,383 | \$ 59,500 | \$ (117) |
| Non-Same Park | 624 | - | 624 |
| Assets sold or held for development | 73 | 489 | (416) |
| LTEIP amortization | 1,203 | 1,655 | (452) |
| | <u>\$ 61,283</u> | <u>\$ 61,644</u> | <u>\$ (361)</u> |
| (c) General and administrative expenses: | | | |
| Compensation expense | \$ 2,166 | \$ 2,359 | \$ (193) |
| LTEIP amortization | 1,684 | 4,897 | (3,213) |
| Professional fees and other | 1,424 | 1,756 | (332) |
| | <u>\$ 5,274</u> | <u>\$ 9,012</u> | <u>\$ (3,738)</u> |
| (d) Interest and other expense: | | | |
| Mortgage note payable | \$ - | \$ (5,755) | \$ 5,755 |
| Credit facility | (696) | (28) | (668) |
| Capitalized interest | 506 | 739 | (233) |
| Facilities fees & other charges | (279) | (308) | 29 |
| | <u>\$ (469)</u> | <u>\$ (5,352)</u> | <u>\$ 4,883</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 Six Months Ended</u> <u>June 30, 2017</u> | <u>Cost per Weighted</u> <u>Average Square Foot</u> |
|--|---|--|
| Capital improvements | \$3,425 | \$0.12 |
| Tenant improvements | 15,641 | \$0.56 |
| Lease commissions | 3,145 | \$0.11 |
| Total recurring capital expenditures | <u><u>\$22,211</u></u> | \$0.79 |
| <u>Non-recurring property renovations</u> | | |
| Non-recurring property renovations | \$1,152 | |

(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 of \$1,000 or more 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 \$13.3 million or approximately \$0.47 per weighted average square foot for the six months ended June 30, 2017 compared to \$14.6 million or approximately \$0.52 per weighted average square foot for the six months ended June 30, 2016.

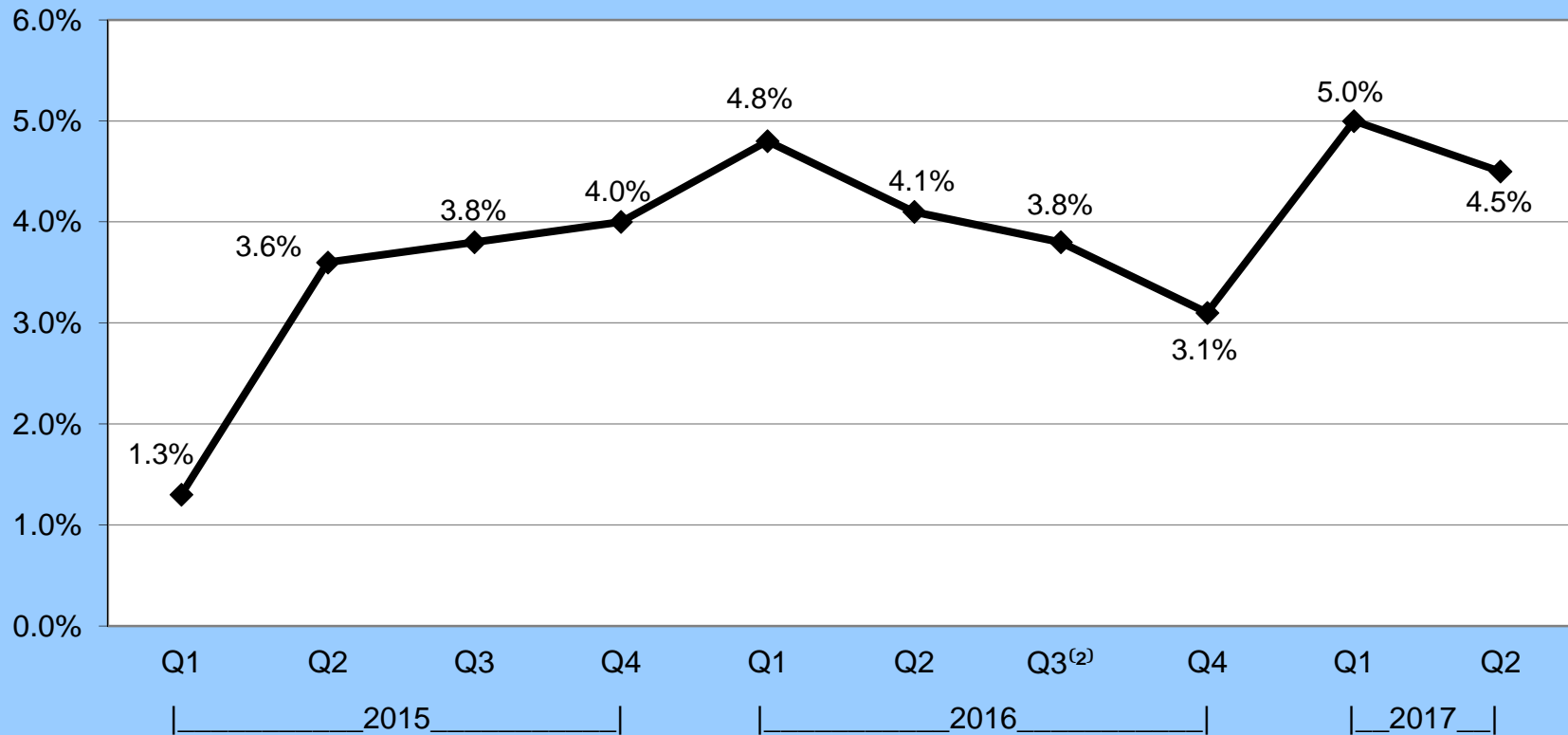
Same Park Gross Operating Margin Percentage ⁽¹⁾



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

⁽²⁾ Excludes lease buyout payment of \$528,000.

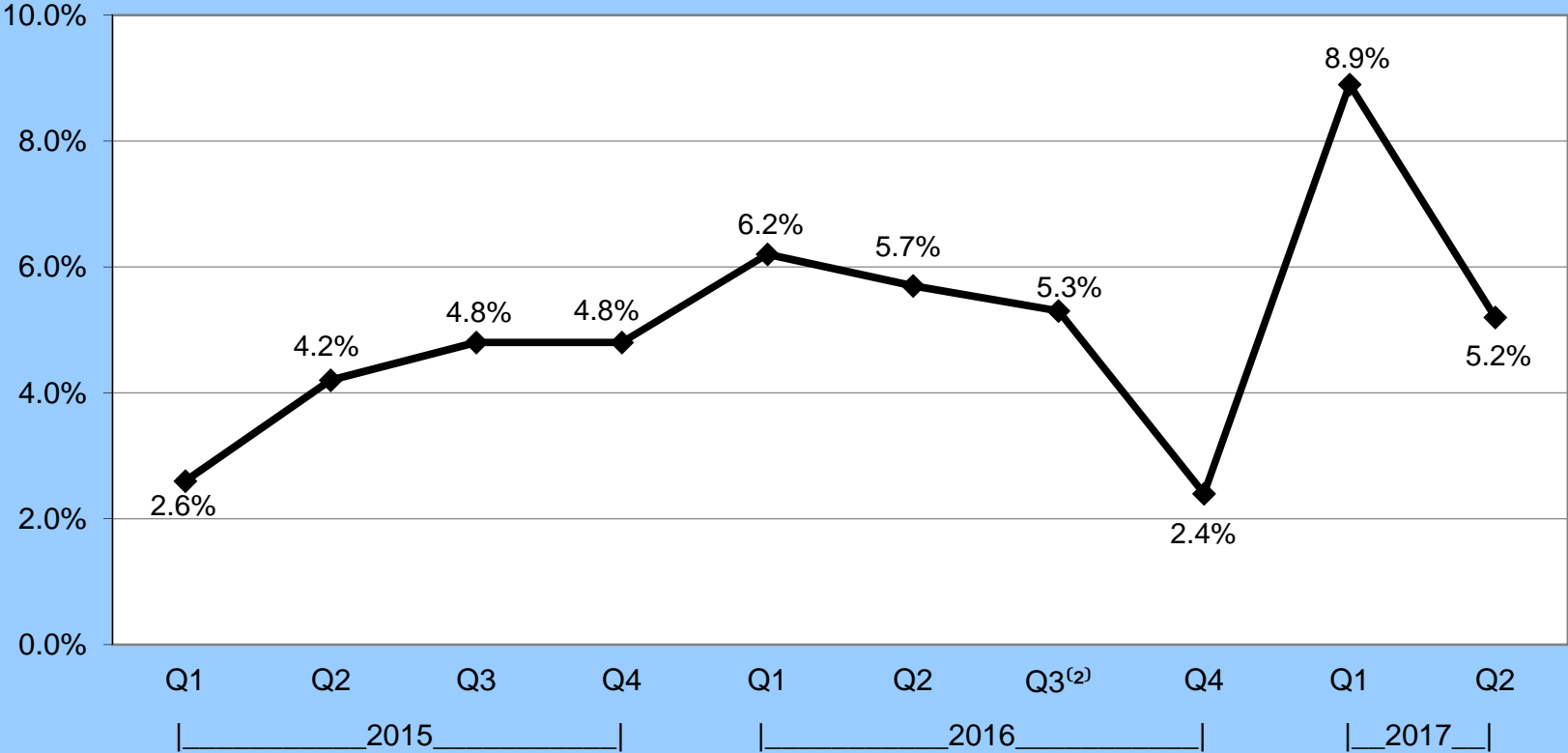
Change in Same Park Revenue⁽¹⁾



⁽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⁾ Excludes lease buyout payment of \$528,000.

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. Amounts exclude LTEIP amortization.

⁽²⁾ Excludes lease buyout payment of \$528,000.

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

Industry Concentration as of June 30, 2017

| | % of Total Rental Income |
|---|-----------------------------|
| Business services | 18.4% |
| Warehouse, distribution, transportation and logistics | 10.5% |
| Health services | 10.1% |
| Computer hardware, software and related services | 9.9% |
| Government | 7.9% |
| Retail, food, and automotive | 7.2% |
| Engineering and construction | 7.0% |
| Insurance and financial services | 4.3% |
| Electronics | 3.1% |
| Aerospace/defense products and services | 2.8% |
| Home furnishings | 2.8% |
| Communications | 2.2% |
| Educational services | 1.8% |
| Other | 12.0% |
| Total | 100.0% |

Top 10 Customers by Total Annual Rental Income as of June 30, 2017

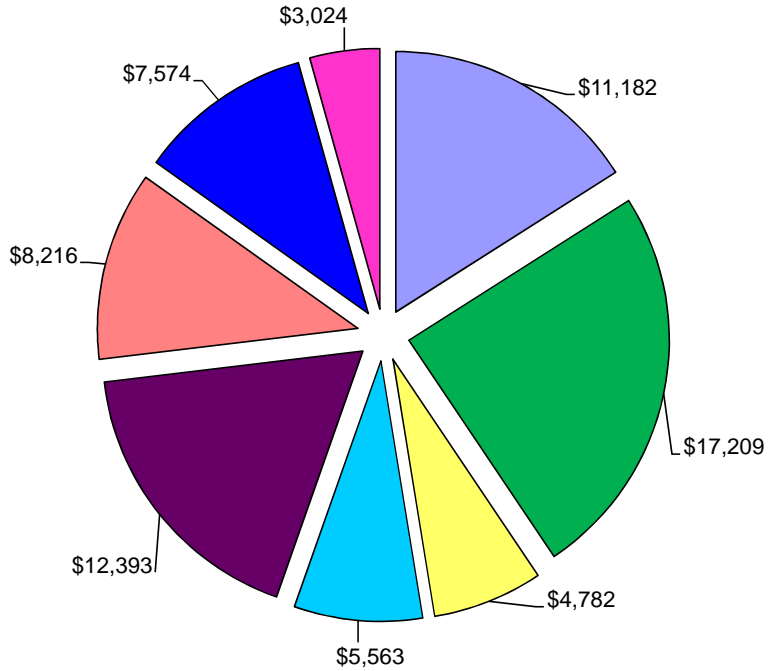
| Tenant | Square Footage | Annualized Rental Income ⁽¹⁾ | % of Total Annualized Rental Income |
|-----------------------------|----------------|--|--|
| US Government | 662 | \$ 17,344 | 4.3% |
| Kaiser Permanente | 158 | 4,181 | 1.0% |
| Lockheed Martin Corporation | 168 | 4,136 | 1.0% |
| Keeco, L.L.C. | 460 | 3,566 | 0.9% |
| Luminex Corporation | 185 | 3,135 | 0.8% |
| MAXIMUS, Inc. | 102 | 2,088 | 0.5% |
| KZ Kitchen Cabinet & Stone | 181 | 2,067 | 0.5% |
| Investorplace Media, LLC | 46 | 1,826 | 0.5% |
| Inova Health Care Services | 63 | 1,805 | 0.5% |
| Quanta Computer Inc. | 179 | 1,663 | 0.4% |
| Total | 2,204 | \$ 41,811 | 10.4% |

(1) - For leases expiring within one year, annualized rental income represents income to be received under existing leases from July 1, 2017 through the date of expiration.

Total Portfolio Net Operating Income by Region

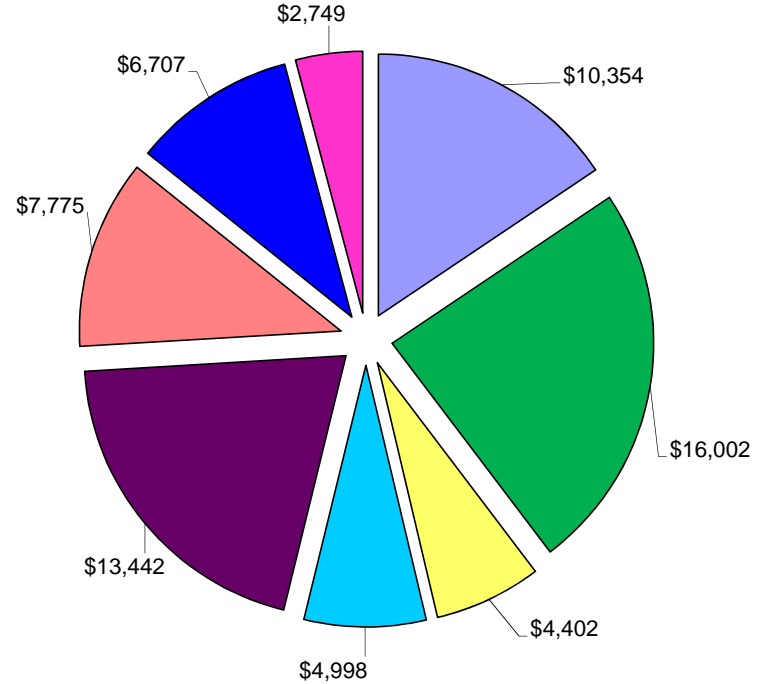
Three Months Ended June 30, 2017
\$69,943 (in thousands) ⁽¹⁾

| | | |
|---------------------|---------------------|----------------|
| S. California (16%) | N. California (24%) | S. Texas (7%) |
| N. Texas (8%) | Virginia (18%) | Maryland (12%) |
| South Florida (11%) | Washington (4%) | |



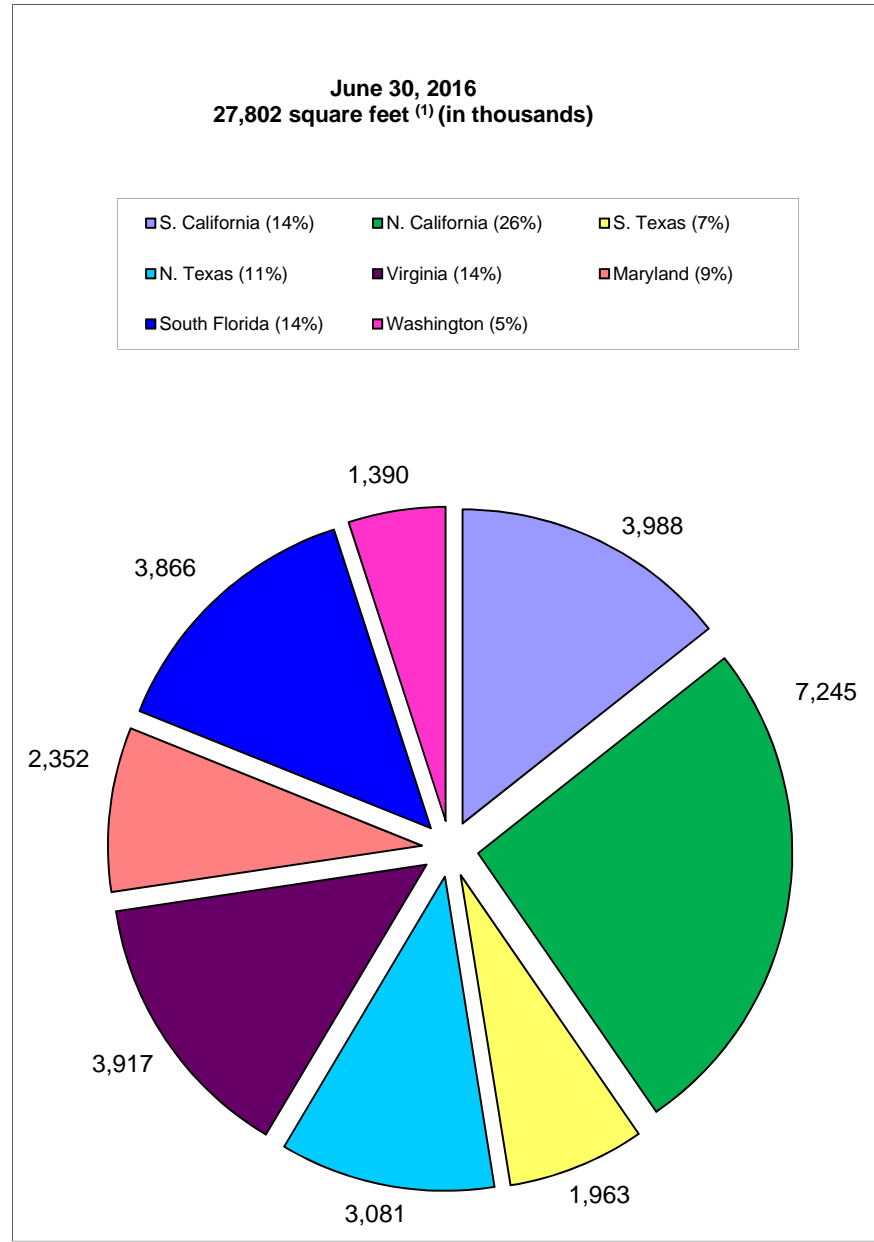
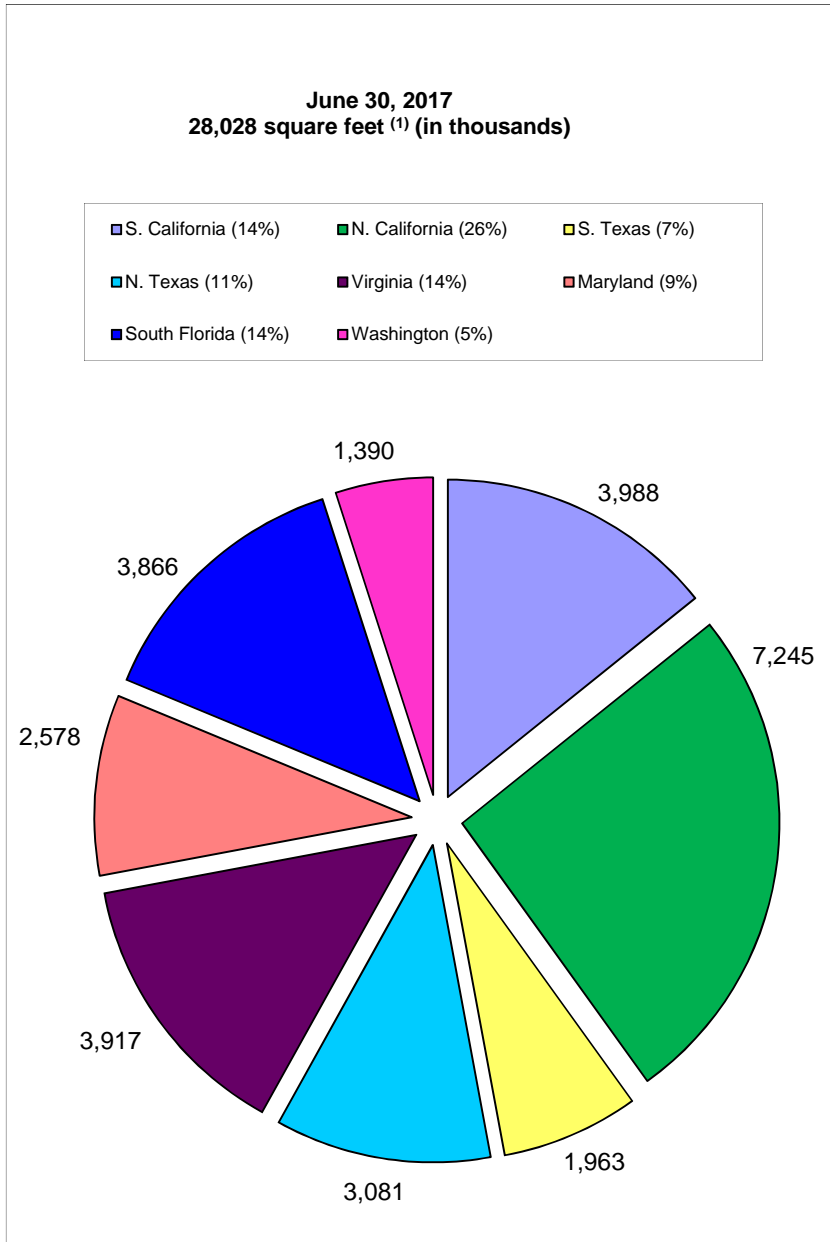
Three Months Ended June 30, 2016
\$66,429 (in thousands) ⁽¹⁾

| | | |
|---------------------|---------------------|----------------|
| S. California (16%) | N. California (24%) | S. Texas (7%) |
| N. Texas (7%) | Virginia (20%) | Maryland (12%) |
| South Florida (10%) | Washington (4%) | |



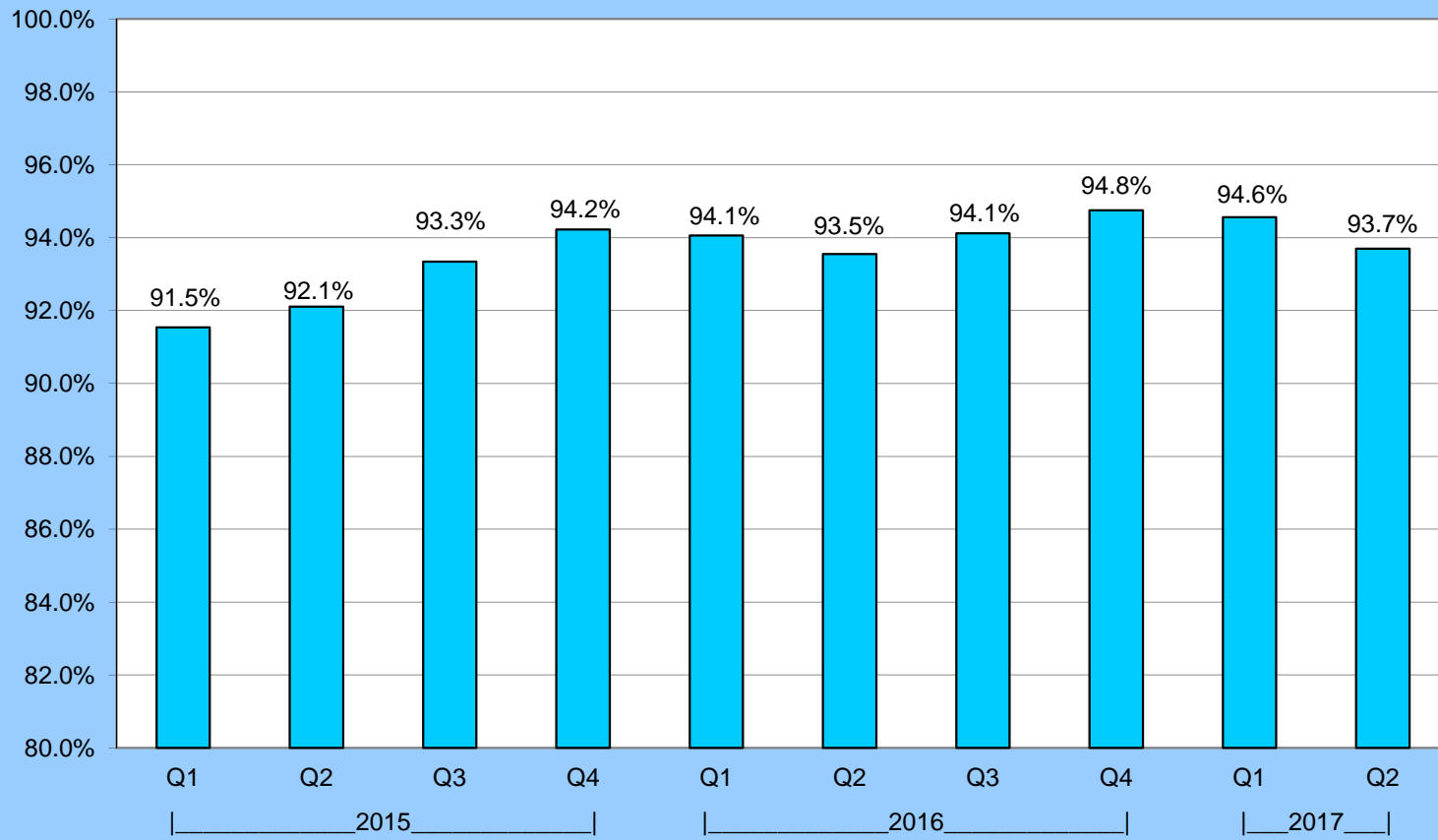
(1) Excludes assets sold or held for development.

Total Rentable Square Footage by Region



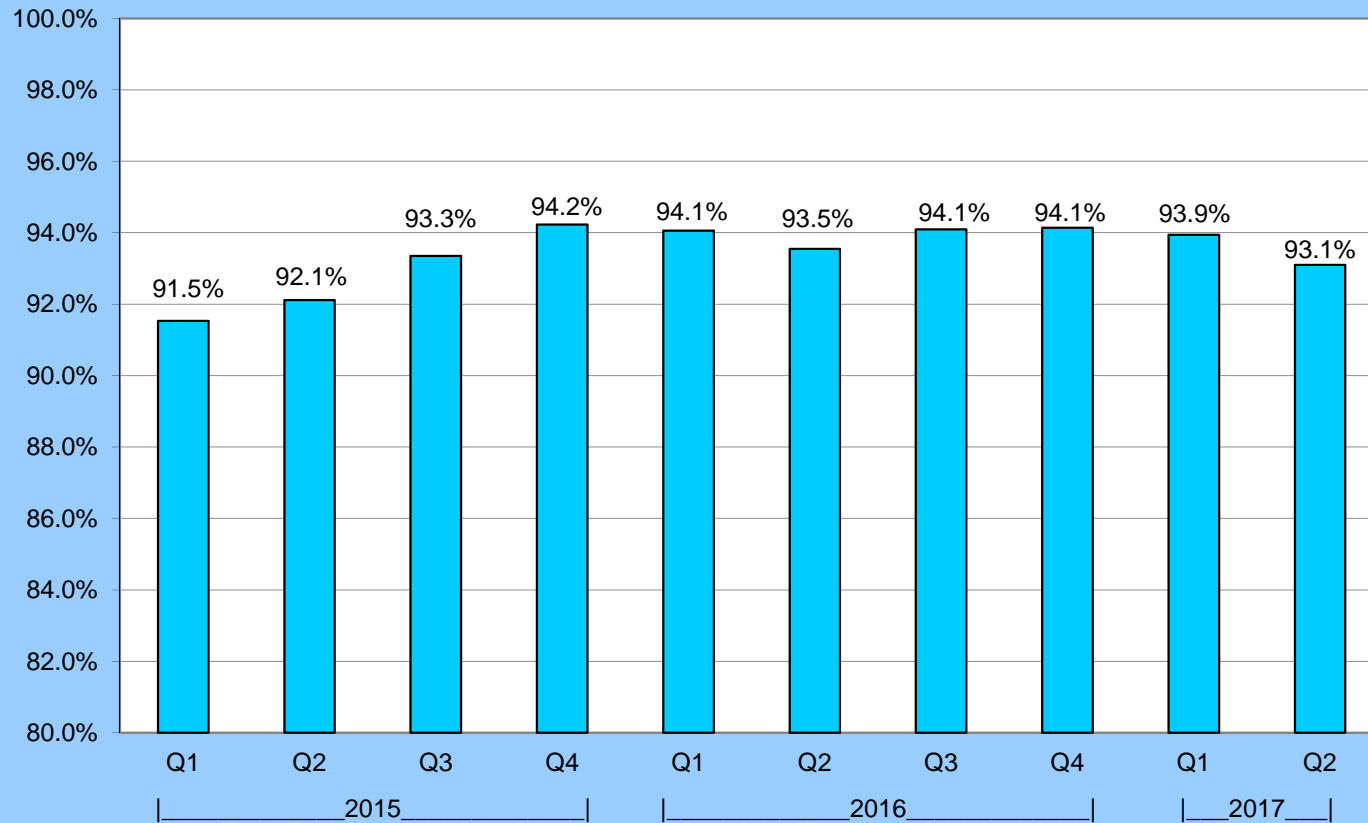
(1) Excludes assets sold or held for development.

Same Park Weighted Average Occupancy (1)



(1) Represents the weighted average occupancy for the current Same Park portfolio.

Total Portfolio Weighted Average Occupancy ⁽¹⁾



⁽¹⁾ Represents the weighted average occupancy for the total owned portfolio, excluding assets sold or held for development.

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

| Rentable Square Footage of Properties as of June 30, 2017 | | | | | |
|---|--------------|--------------|---------------|---------------|---------------|
| Primary Markets | Industrial | Office | Flex | Total | % of Total |
| Northern Virginia | - | 1,970 | 1,947 | 3,917 | 14.1% |
| South Florida | 2,780 | 12 | 1,074 | 3,866 | 13.9% |
| East Bay | 2,014 | - | 1,336 | 3,350 | 12.0% |
| Silicon Valley | 1,892 | - | 1,569 | 3,461 | 12.4% |
| Dallas | 231 | - | 2,850 | 3,081 | 11.1% |
| Maryland | - | 1,382 | 970 | 2,352 | 8.5% |
| Austin | 246 | - | 1,717 | 1,963 | 7.0% |
| Orange County | - | 705 | 911 | 1,616 | 5.8% |
| Los Angeles County | 712 | 31 | 861 | 1,604 | 5.8% |
| Seattle | 951 | 28 | 411 | 1,390 | 5.0% |
| San Diego County | - | - | 768 | 768 | 2.8% |
| Mid-Peninsula | - | 340 | 94 | 434 | 1.6% |
| Total | 8,826 | 4,468 | 14,508 | 27,802 | 100.0% |
| Percentage by Product Type | 31.7% | 16.1% | 52.2% | 100.0% | |

| Weighted Average Occupancy Rates by Product Type for the Three Months Ended June 30, 2017 | | | | |
|---|--------------|--------------|--------------|--------------|
| Primary Markets | Industrial | Office | Flex | Total |
| Northern Virginia | - | 86.8% | 93.2% | 90.0% |
| South Florida | 98.6% | 100.0% | 96.3% | 98.0% |
| East Bay | 99.7% | - | 98.3% | 99.1% |
| Silicon Valley | 84.8% | - | 98.6% | 91.0% |
| Dallas | 100.0% | - | 89.5% | 90.3% |
| Maryland | - | 87.6% | 89.7% | 88.5% |
| Austin | 100.0% | - | 93.3% | 94.2% |
| Orange County | - | 93.3% | 92.3% | 92.7% |
| Los Angeles County | 96.1% | 93.0% | 95.4% | 95.7% |
| Seattle | 99.4% | 83.5% | 96.3% | 98.2% |
| San Diego County | - | - | 97.8% | 97.8% |
| Mid-Peninsula | - | 92.1% | 99.0% | 93.6% |
| Total | 95.8% | 88.6% | 94.0% | 93.7% |

| Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended June 30, 2017 | | | |
|---|--------------|--------------|--------------|
| Primary Markets | Large Tenant | Small Tenant | Total |
| Northern Virginia | 90.6% | 88.9% | 90.0% |
| South Florida | 98.6% | 95.3% | 98.0% |
| East Bay | 99.2% | 98.5% | 99.1% |
| Silicon Valley | 89.8% | 96.4% | 91.0% |
| Dallas | 90.4% | 90.0% | 90.3% |
| Maryland | 90.5% | 81.8% | 88.5% |
| Austin | 94.4% | 92.2% | 94.2% |
| Orange County | 90.1% | 95.1% | 92.7% |
| Los Angeles County | 96.1% | 95.3% | 95.7% |
| Seattle | 99.4% | 95.5% | 98.2% |
| San Diego County | - | 97.8% | 97.8% |
| Mid-Peninsula | - | 93.6% | 93.6% |
| Total | 94.1% | 92.9% | 93.7% |

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)

| Rentable Square Footage of Properties as of June 30, 2017 | | | | | |
|---|--------------|--------------|---------------|---------------|---------------|
| Primary Markets | Industrial | Office | Flex | Total | % of Total |
| Northern Virginia | - | 1,970 | 1,947 | 3,917 | 14.0% |
| South Florida | 2,780 | 12 | 1,074 | 3,866 | 13.8% |
| East Bay | 2,014 | - | 1,336 | 3,350 | 12.0% |
| Silicon Valley | 1,892 | - | 1,569 | 3,461 | 12.3% |
| Dallas | 231 | - | 2,850 | 3,081 | 11.0% |
| Maryland | - | 1,608 | 970 | 2,578 | 9.2% |
| Austin | 246 | - | 1,717 | 1,963 | 7.0% |
| Orange County | - | 705 | 911 | 1,616 | 5.8% |
| Los Angeles County | 712 | 31 | 861 | 1,604 | 5.7% |
| Seattle | 951 | 28 | 411 | 1,390 | 5.0% |
| San Diego County | - | - | 768 | 768 | 2.7% |
| Mid-Peninsula | - | 340 | 94 | 434 | 1.5% |
| Total | 8,826 | 4,694 | 14,508 | 28,028 | 100.0% |
| Percentage by Product Type | 31.5% | 16.7% | 51.8% | 100.0% | |

| Weighted Average Occupancy Rates by Product Type for the Three Months Ended June 30, 2017 | | | | |
|---|--------------|--------------|--------------|--------------|
| Primary Markets | Industrial | Office | Flex | Total |
| Northern Virginia | - | 86.8% | 93.2% | 90.0% |
| South Florida | 98.6% | 100.0% | 96.3% | 98.0% |
| East Bay | 99.7% | - | 98.3% | 99.1% |
| Silicon Valley | 84.8% | - | 98.6% | 91.0% |
| Dallas | 100.0% | - | 89.5% | 90.3% |
| Maryland | - | 78.2% | 89.7% | 82.5% |
| Austin | 100.0% | - | 93.3% | 94.2% |
| Orange County | - | 93.3% | 92.3% | 92.7% |
| Los Angeles County | 96.1% | 93.0% | 95.4% | 95.7% |
| Seattle | 99.4% | 83.5% | 96.3% | 98.2% |
| San Diego County | - | - | 97.8% | 97.8% |
| Mid-Peninsula | - | 92.1% | 99.0% | 93.6% |
| Total | 95.8% | 85.3% | 94.0% | 93.1% |

| Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended June 30, 2017 | | | |
|---|--------------|--------------|--------------|
| Primary Markets | Large Tenant | Small Tenant | Total |
| Northern Virginia | 90.6% | 88.9% | 90.0% |
| South Florida | 98.6% | 95.3% | 98.0% |
| East Bay | 99.2% | 98.5% | 99.1% |
| Silicon Valley | 89.8% | 96.4% | 91.0% |
| Dallas | 90.4% | 90.0% | 90.3% |
| Maryland | 90.5% | 64.0% | 82.5% |
| Austin | 94.4% | 92.2% | 94.2% |
| Orange County | 90.1% | 95.1% | 92.7% |
| Los Angeles County | 96.1% | 95.3% | 95.7% |
| Seattle | 99.4% | 95.5% | 98.2% |
| San Diego County | - | 97.8% | 97.8% |
| Mid-Peninsula | - | 93.6% | 93.6% |
| Total | 94.1% | 91.0% | 93.1% |

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 JUNE 30, 2017
(IN THOUSANDS)

| Lease Expirations - Flex | | | | |
|--------------------------|-----------------------|-----------------------------|---------------|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income |
| 2017 | 1,678 | \$ 23,050 | 10.4% | 5.6% |
| 2018 | 3,580 | 56,957 | 25.7% | 13.8% |
| 2019 | 3,030 | 48,700 | 21.9% | 11.8% |
| 2020 | 2,183 | 34,144 | 15.4% | 8.3% |
| 2021 | 1,279 | 20,330 | 9.1% | 4.9% |
| Thereafter | 1,948 | 38,869 | 17.5% | 9.4% |
| Total | <u>13,698</u> | <u>\$ 222,050</u> | <u>100.0%</u> | <u>53.8%</u> |

| Lease Expirations - Office | | | | |
|----------------------------|-----------------------|-----------------------------|---------------|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income |
| 2017 | 555 | \$ 14,278 | 13.6% | 3.5% |
| 2018 | 1,186 | 28,967 | 27.6% | 7.0% |
| 2019 | 785 | 20,712 | 19.7% | 5.0% |
| 2020 | 468 | 12,454 | 11.8% | 3.0% |
| 2021 | 291 | 7,177 | 6.8% | 1.8% |
| Thereafter | 754 | 21,550 | 20.5% | 5.2% |
| Total | <u>4,039</u> | <u>\$ 105,138</u> | <u>100.0%</u> | <u>25.5%</u> |

| Lease Expirations - Industrial | | | | |
|--------------------------------|-----------------------|-----------------------------|---------------|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income |
| 2017 | 502 | \$ 4,983 | 5.9% | 1.2% |
| 2018 | 1,398 | 12,946 | 15.3% | 3.2% |
| 2019 | 2,304 | 21,789 | 25.7% | 5.3% |
| 2020 | 1,756 | 17,168 | 20.3% | 4.2% |
| 2021 | 694 | 7,337 | 8.7% | 1.8% |
| Thereafter | 1,738 | 20,386 | 24.1% | 5.0% |
| Total | <u>8,392</u> | <u>\$ 84,609</u> | <u>100.0%</u> | <u>20.7%</u> |

| Lease Expirations - Total Portfolio | | | | |
|-------------------------------------|-----------------------|-----------------------------|---------------|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income |
| 2017 | 2,735 | \$ 42,311 | 10.3% | 10.3% |
| 2018 | 6,164 | 98,870 | 24.0% | 24.0% |
| 2019 | 6,119 | 91,201 | 22.1% | 22.1% |
| 2020 | 4,407 | 63,766 | 15.5% | 15.5% |
| 2021 | 2,264 | 34,844 | 8.5% | 8.5% |
| Thereafter | 4,440 | 80,805 | 19.6% | 19.6% |
| Total | <u>26,129</u> | <u>\$ 411,797</u> | <u>100.0%</u> | <u>100.0%</u> |

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2017
(in thousands)

| Southern California | | | | |
|--------------------------|-----------------------|-----------------------------|--------|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income |
| 2017 | 556 | \$ 9,446 | 14.0% | 2.3% |
| 2018 | 1,247 | 21,695 | 32.1% | 5.3% |
| 2019 | 965 | 16,040 | 23.8% | 3.9% |
| 2020 | 505 | 8,775 | 13.0% | 2.1% |
| 2021 | 173 | 3,797 | 5.6% | 0.9% |
| Thereafter | 313 | 7,777 | 11.5% | 1.9% |
| Total | 3,759 | \$ 67,530 | 100.0% | 16.4% |

| Northern California | | | | |
|--------------------------|-----------------------|-----------------------------|--------|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income |
| 2017 | 324 | \$ 6,382 | 6.6% | 1.5% |
| 2018 | 1,212 | 18,334 | 19.1% | 4.5% |
| 2019 | 2,065 | 25,371 | 26.4% | 6.2% |
| 2020 | 1,229 | 16,949 | 17.6% | 4.1% |
| 2021 | 799 | 10,761 | 11.2% | 2.6% |
| Thereafter | 1,209 | 18,337 | 19.1% | 4.4% |
| Total | 6,838 | \$ 96,134 | 100.0% | 23.3% |

| Southern Texas | | | | |
|--------------------------|-----------------------|-----------------------------|--------|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income |
| 2017 | 118 | \$ 1,894 | 6.4% | 0.5% |
| 2018 | 451 | 6,675 | 22.5% | 1.6% |
| 2019 | 230 | 3,426 | 11.6% | 0.8% |
| 2020 | 470 | 7,277 | 24.5% | 1.8% |
| 2021 | 188 | 3,181 | 10.7% | 0.8% |
| Thereafter | 425 | 7,207 | 24.3% | 1.7% |
| Total | 1,882 | \$ 29,660 | 100.0% | 7.2% |

| Northern Texas | | | | |
|--------------------------|-----------------------|-----------------------------|--------|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income |
| 2017 | 435 | \$ 5,128 | 15.0% | 1.2% |
| 2018 | 580 | 6,595 | 19.3% | 1.6% |
| 2019 | 642 | 8,242 | 24.1% | 2.0% |
| 2020 | 582 | 6,070 | 17.8% | 1.5% |
| 2021 | 229 | 2,912 | 8.5% | 0.7% |
| Thereafter | 354 | 5,246 | 15.3% | 1.3% |
| Total | 2,822 | \$ 34,193 | 100.0% | 8.3% |

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2017
(in thousands)

| South Florida | | | | | |
|--------------------------|-----------------------|-----------------------------|--------|--|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income | |
| 2017 | 631 | \$ 6,062 | 14.8% | 1.5% | |
| 2018 | 1,005 | 10,753 | 26.3% | 2.6% | |
| 2019 | 742 | 8,455 | 20.7% | 2.0% | |
| 2020 | 453 | 5,015 | 12.3% | 1.2% | |
| 2021 | 327 | 3,689 | 9.0% | 0.9% | |
| Thereafter | 621 | 6,930 | 16.9% | 1.7% | |
| Total | 3,779 | \$ 40,904 | 100.0% | 9.9% | |

| Northern Virginia | | | | | |
|--------------------------|-----------------------|-----------------------------|--------|--|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income | |
| 2017 | 469 | \$ 8,941 | 11.9% | 2.2% | |
| 2018 | 789 | 16,033 | 21.3% | 3.9% | |
| 2019 | 827 | 18,033 | 24.0% | 4.4% | |
| 2020 | 548 | 10,697 | 14.2% | 2.6% | |
| 2021 | 258 | 5,141 | 6.8% | 1.2% | |
| Thereafter | 656 | 16,422 | 21.8% | 4.0% | |
| Total | 3,547 | \$ 75,267 | 100.0% | 18.3% | |

| Maryland | | | | | |
|--------------------------|-----------------------|-----------------------------|--------|--|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income | |
| 2017 | 140 | \$ 3,484 | 6.8% | 0.9% | |
| 2018 | 662 | 15,350 | 30.0% | 3.7% | |
| 2019 | 326 | 7,165 | 14.0% | 1.7% | |
| 2020 | 227 | 5,318 | 10.4% | 1.3% | |
| 2021 | 157 | 3,516 | 6.8% | 0.9% | |
| Thereafter | 635 | 16,389 | 32.0% | 4.0% | |
| Total | 2,147 | \$ 51,222 | 100.0% | 12.5% | |

| Washington | | | | | |
|--------------------------|-----------------------|-----------------------------|--------|--|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income | |
| 2017 | 62 | \$ 974 | 5.8% | 0.2% | |
| 2018 | 218 | 3,435 | 20.3% | 0.8% | |
| 2019 | 322 | 4,469 | 26.5% | 1.1% | |
| 2020 | 393 | 3,665 | 21.7% | 0.9% | |
| 2021 | 133 | 1,847 | 10.9% | 0.5% | |
| Thereafter | 227 | 2,497 | 14.8% | 0.6% | |
| Total | 1,355 | \$ 16,887 | 100.0% | 4.1% | |

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2017
(in thousands)

| Total Portfolio | | | | | |
|--------------------------|-----------------------|-----------------------------|--------|---|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % | % of Total Annualized Rental Income |
| 2017 | 2,735 | \$ 42,311 | 10.3% | | 10.3% |
| 2018 | 6,164 | 98,870 | 24.0% | | 24.0% |
| 2019 | 6,119 | 91,201 | 22.1% | | 22.1% |
| 2020 | 4,407 | 63,766 | 15.5% | | 15.5% |
| 2021 | 2,264 | 34,844 | 8.5% | | 8.5% |
| Thereafter | 4,440 | 80,805 | 19.6% | | 19.6% |
| Total | 26,129 | \$ 411,797 | 100.0% | | 100.0% |

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2017
(in thousands)

| Lease Expirations - Large Tenant Portfolio | | | | | |
|--|-----------------------|-----------------------------|--------|--|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income | |
| 2017 | 1,315 | \$ 18,503 | 7.0% | 4.5% | |
| 2018 | 3,801 | 55,320 | 21.0% | 13.4% | |
| 2019 | 4,217 | 55,941 | 21.3% | 13.6% | |
| 2020 | 3,431 | 44,996 | 17.1% | 10.9% | |
| 2021 | 1,768 | 25,164 | 9.6% | 6.1% | |
| Thereafter | 3,706 | 63,026 | 24.0% | 15.3% | |
| Total | 18,238 | \$ 262,950 | 100.0% | 63.8% | |

| Lease Expirations - Small Tenant Portfolio | | | | | |
|--|-----------------------|-----------------------------|--------|--|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income | |
| 2017 | 1,420 | \$ 23,808 | 16.0% | 5.8% | |
| 2018 | 2,363 | 43,550 | 29.3% | 10.6% | |
| 2019 | 1,902 | 35,260 | 23.7% | 8.5% | |
| 2020 | 976 | 18,770 | 12.6% | 4.6% | |
| 2021 | 496 | 9,680 | 6.5% | 2.4% | |
| Thereafter | 734 | 17,779 | 11.9% | 4.3% | |
| Total | 7,891 | \$ 148,847 | 100.0% | 36.2% | |

| Lease Expirations - Total Portfolio | | | | | |
|-------------------------------------|-----------------------|-----------------------------|--------|--|--|
| Year of Lease Expiration | Leased Square Footage | Annualized Rental Income | % | % of Total Annualized Rental Income | |
| 2017 | 2,735 | \$ 42,311 | 10.3% | 10.3% | |
| 2018 | 6,164 | 98,870 | 24.0% | 24.0% | |
| 2019 | 6,119 | 91,201 | 22.1% | 22.1% | |
| 2020 | 4,407 | 63,766 | 15.5% | 15.5% | |
| 2021 | 2,264 | 34,844 | 8.5% | 8.5% | |
| Thereafter | 4,440 | 80,805 | 19.6% | 19.6% | |
| Total | 26,129 | \$ 411,797 | 100.0% | 100.0% | |

PS BUSINESS PARKS, INC.
QUARTERLY AND YEAR TO DATE PRODUCTION STATISTICS - TOTAL PORTFOLIO
June 30, 2017

| | Total Portfolio Activity | | | | | | | |
|-----------------------|---------------------------------|------------------|-------------------------|--------------|--|----------------|--|-------------|
| | Square Footage Leased | | Tenant Retention | | Transaction Costs per Executed Foot | | Rental Rate Change ⁽¹⁾ | |
| | 2nd Quarter | YTD | 2nd Quarter | YTD | 2nd Quarter | YTD | 2nd Quarter | YTD |
| Maryland | 169,000 | 297,000 | 88.5% | 78.4% | \$ 16.54 | \$ 12.01 | -7.5% | -10.0% |
| Virginia | 297,000 | 525,000 | 71.6% | 64.8% | \$ 3.16 | \$ 5.50 | -10.7% | -8.1% |
| San Diego | 112,000 | 207,000 | 71.1% | 68.3% | \$ 0.81 | \$ 0.96 | 2.2% | 2.9% |
| Orange County | 153,000 | 250,000 | 68.0% | 56.0% | \$ 3.75 | \$ 3.79 | 6.8% | 6.9% |
| Los Angeles | 138,000 | 251,000 | 61.6% | 62.7% | \$ 1.25 | \$ 1.71 | 5.3% | 6.7% |
| Austin | 173,000 | 253,000 | 59.4% | 41.4% | \$ 1.68 | \$ 2.69 | 14.2% | 14.4% |
| Dallas | 173,000 | 399,000 | 31.5% | 58.4% | \$ 3.88 | \$ 3.22 | 6.3% | 4.2% |
| South Florida | 350,000 | 666,000 | 75.1% | 71.7% | \$ 1.14 | \$ 1.58 | 3.3% | 3.0% |
| Seattle | 94,000 | 319,000 | 63.6% | 82.0% | \$ 1.66 | \$ 0.80 | 15.7% | 12.4% |
| East Bay | 165,000 | 329,000 | 62.7% | 70.3% | \$ 1.10 | \$ 1.73 | 22.6% | 23.9% |
| Silicon Valley | 123,000 | 177,000 | 43.1% | 46.6% | \$ 1.04 | \$ 1.21 | 21.1% | 20.6% |
| Mid-Peninsula | 44,000 | 71,000 | 68.6% | 63.9% | \$ 0.67 | \$ 0.95 | -6.6% | -0.2% |
| Company Totals | 1,991,000 | 3,744,000 | 64.5% | 64.6% | \$ 3.22 | \$ 3.25 | 3.2% | 3.4% |

⁽¹⁾ 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.

Multi-Family Development Summary - Unconsolidated Joint Venture ("JV")

June 30, 2017

| Project Name | Location | Apartment Units | Estimated Total Costs ⁽¹⁾ (in thousands) | Schedule | | | |
|----------------------------|------------------|-----------------|--|--------------------|--------------------------------|-----------------------------------|---|
| | | | | Construction Start | Initial Occupancy | Estimated Construction Completion | Estimated Stabilization Period |
| Highgate at the Mile | McLean, Virginia | 395 | \$ 117,241 | Q3 2015 | Q2 2017 | Q4 2017 | Q4 2018 |
| | | | Development costs to date | | | | 101,216 |
| | | | Remaining costs | | | | <u>\$ 16,025</u> |
| As of June 30, 2017 | | | | | | | |
| | | | | % Completed | % Leased ⁽²⁾ | % Occupied ⁽²⁾ | Average Rent per Unit ⁽³⁾ |
| | | | | 59.0% | 9.9% | 9.1% | \$ 2,197 |

| As of June 30, 2017 | | PSB's Pro-Rata Share of JV Operations | |
|---------------------|---|--|---------------------|
| Ownership % | PSB Book Value ⁽⁴⁾ (in thousands) | For the three and six months ended June 30, 2017 | |
| 95.0% | \$ 91,259 | Operating Data ⁽⁵⁾ | |
| | | Property revenue | \$ 41,778 |
| | | Property expenses | (319,410) |
| | | Net operating loss | <u>(277,632)</u> |
| | | Depreciation | (104,400) |
| | | Equity loss in JV | <u>\$ (382,032)</u> |

(1) The estimated total costs of the project includes original land basis of \$15.3 million plus unrealized land appreciation of \$11.6 million.

(2) As of July 24, 2017, Highgate's multi-family residential units were 19.0% leased and 14.2% occupied.

(3) Average monthly rental rate is defined as the total potential monthly rental revenue (actual rent for occupied apartment homes plus market rent for vacant apartment homes) dividend by the number of apartment homes.

(4) Net equity in JV plus construction loan receivable balance of \$59.0 million.

(5) Operating data represents PSB's pro-rata share of revenue and expenses.