



PSBUSINESSPARKSSM

**Analysis of Operating Results
and Financial Condition**

September 30, 2017

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

INDEX

	<u>Page</u>
Fact Sheet	3
Funds from Operations (FFO)	4
Capital Structure	6
Consolidated Balance Sheets	7
Consolidated Statements of Income	9
Capital Expenditure Analysis	13
Portfolio Operating Analysis and Statistics	14
Lease Expirations	22
Leasing Production Data	27
Multi-Family Operating Metrics and Results	28

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

NET OPERATING INCOME

	For The Three Months Ended			For The Nine Months Ended		
	09/30/17	09/30/16	% Change	09/30/17	09/30/16	% Change
Rental income:						
Same Park ⁽²⁾	\$ 100,110	\$ 95,867	4.4%	\$ 299,207	\$ 285,927	4.6%
Non-Same Park ⁽³⁾	371	9	4,022.2%	976	9	10,744.4%
Total rental income	100,481	95,876	4.8%	300,183	285,936	5.0%
Cost of operations:						
Same Park ⁽²⁾	30,821	29,875	3.2%	90,204	89,375	0.9%
Non-Same Park ⁽³⁾	294	3	9,700.0%	918	3	30,500.0%
Total cost of operations	31,115	29,878	4.1%	91,122	89,378	2.0%
Net operating income:						
Same Park ⁽²⁾	69,289	65,992	5.0%	209,003	196,552	6.3%
Non-Same Park ⁽³⁾	77	6	1,183.3%	58	6	866.7%
Total net operating income	\$ 69,366	\$ 65,998	5.1%	\$ 209,061	\$ 196,558	6.4%

FUNDS FROM OPERATIONS

	For The Three Months Ended			For The Nine Months Ended		
	09/30/17	09/30/16	% Change	09/30/17	09/30/16	% Change
FFO allocable to common and dilutive shares - as reported	\$ 47,383	\$ 49,792	(4.8%)	\$ 154,445	\$ 138,785	11.3%
Charge related to the redemption of preferred securities	6,900	-	100.0%	6,900	-	100.0%
Net impact due to departure of senior executives ⁽⁴⁾	(414)	-	(100.0%)	(414)	2,018	(120.5%)
Acquisition transaction costs	-	328	(100.0%)	-	328	(100.0%)
Lease buyout payment	-	(528)	(100.0%)	-	(528)	(100.0%)
Core FFO allocable to common and dilutive shares	\$ 53,869	\$ 49,592	8.6%	\$ 160,931	\$ 140,603	14.5%
FFO per common and dilutive share - as reported	\$ 1.36	\$ 1.43	(4.9%)	\$ 4.43	\$ 4.00	10.8%
Core FFO per common and dilutive share	\$ 1.54	\$ 1.43	7.7%	\$ 4.61	\$ 4.05	13.8%
Weighted average common shares outstanding - diluted	27,427	27,201	0.8%	27,399	27,166	0.9%
Weighted average common operating partnership units outstanding	7,305	7,305	-	7,305	7,305	-
Weighted average restricted stock units outstanding	179	268	(33.2%)	188	256	(26.6%)
Total common and dilutive shares	34,911	34,774	0.4%	34,892	34,727	0.5%

PROPERTY INFORMATION

	For The Three Months Ended			For The Nine Months Ended		
	09/30/17	09/30/16	% Change	09/30/17	09/30/16	% Change
Total Portfolio ⁽⁵⁾						
Total rentable square footage at period end	28,028	28,028	-	28,028	28,028	-
Weighted average occupancy	93.5%	94.1%	(0.6%)	93.5%	93.9%	(0.4%)
Period end occupancy	93.9%	93.9%	-	93.9%	93.9%	-
Annualized realized rent per sq. ft. ⁽⁶⁾	\$ 15.34	\$ 14.66	4.6%	\$ 15.27	\$ 14.60	4.6%
REVPAF ⁽⁷⁾	\$ 14.34	\$ 13.68	4.8%	\$ 14.28	\$ 13.60	5.0%
Same Park Portfolio ⁽²⁾⁽⁵⁾						
Total rentable square footage at period end	27,802	27,802	-	27,802	27,802	-
Weighted average occupancy	94.0%	94.1%	(0.1%)	94.1%	93.9%	0.2%
Period end occupancy	94.4%	94.5%	(0.1%)	94.4%	94.5%	(0.1%)
Annualized realized rent per sq. ft. ⁽⁶⁾	\$ 15.32	\$ 14.65	4.6%	\$ 15.25	\$ 14.60	4.5%
REVPAF ⁽⁷⁾	\$ 14.40	\$ 13.79	4.4%	\$ 14.35	\$ 13.71	4.7%
Non-Same Park Portfolio ⁽³⁾						
Total rentable square footage at period end	226	226	-	226	226	-
Weighted average occupancy	25.8%	18.5%	39.5%	21.7%	18.5%	17.3%
Period end occupancy	31.6%	18.5%	70.8%	31.6%	18.5%	70.8%

MARKET VALUE INFORMATION

	09/30/17		12/31/16	
		% of Total		% of Total
Market value of common stock and common OP units	\$ 4,613,278	80.6%	\$ 4,013,356	78.3%
Total preferred equity	1,109,750	19.4%	1,109,750	21.7%
Total market capitalization	\$ 5,723,028	100.0%	\$ 5,123,106	100.0%
Stock price at the end of the period	\$ 133.50		\$ 116.52	

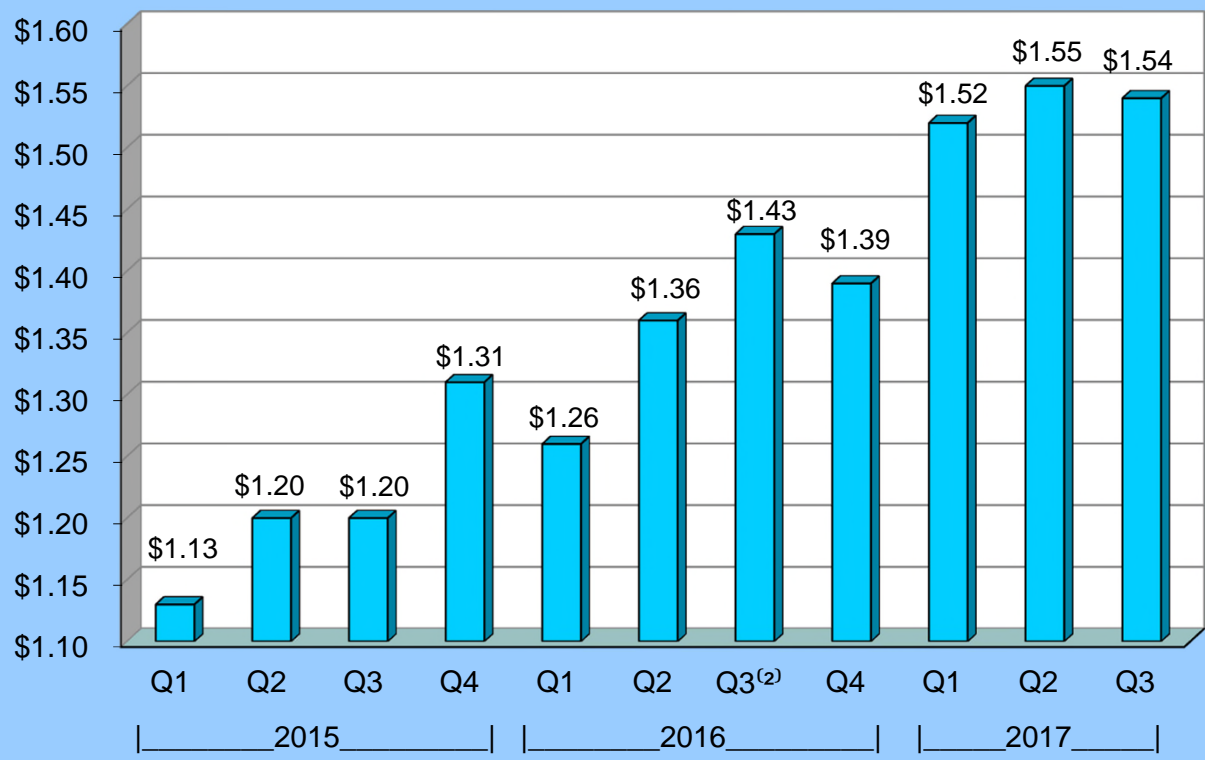
NOTES

- (1) Operating data relating to the multi-family development is excluded from the fact sheet. Refer to page 28 for such information.
- (2) All owned assets acquired prior to January 1, 2015.
- (3) All owned assets acquired on or subsequent to January 1, 2015.
- (4) In order to provide comparable data points, the net impact of compensation related to the departure of senior executives has been excluded. As such, the 2017 amount represents a reversal of non-cash stock compensation of \$1.9 million partially offset by a separation settlement of \$1.5 million while the 2016 amount represents a LTEIP modification of \$2.0 million.
- (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 Nine Months Ended			
	09/30/17	09/30/16	Change	% Change	09/30/17	09/30/16	Change	% Change
Funds from operations (FFO) - As Reported								
Net income allocable to common shareholders	\$ 18,138	\$ 19,718	\$ (1,580)	(8.0%)	\$ 69,275	\$ 50,017	\$ 19,258	38.5%
Adjustments:								
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%)
Depreciation and amortization	23,759	24,631	(872)	(3.5%)	70,465	74,886	(4,421)	(5.9%)
Depreciation from unconsolidated joint venture	483	-	483	100.0%	587	-	587	100.0%
Net income allocable to noncontrolling interests	4,866	5,315	(449)	(8.4%)	18,610	13,495	5,115	37.9%
Net income allocable to restricted stock unit holders	137	128	9	7.0%	582	387	195	50.4%
FFO allocable to common and dilutive shares	<u>\$ 47,383</u>	<u>\$ 49,792</u>	<u>\$ (2,409)</u>	<u>(4.8%)</u>	<u>\$ 154,445</u>	<u>\$ 138,785</u>	<u>\$ 15,660</u>	<u>11.3%</u>
Weighted average common shares outstanding	27,226	27,103	123	0.5%	27,192	27,076	116	0.4%
Weighted average common operating partnership units outstanding	7,305	7,305	-	-	7,305	7,305	-	-
Weighted average restricted stock units outstanding	179	268	(89)	(33.2%)	188	256	(68)	(26.6%)
Weighted average common share equivalents outstanding	201	98	103	105.1%	207	90	117	130.0%
Total common and dilutive shares	<u>34,911</u>	<u>34,774</u>	<u>137</u>	<u>0.4%</u>	<u>34,892</u>	<u>34,727</u>	<u>165</u>	<u>0.5%</u>
FFO per common and dilutive share	<u>\$ 1.36</u>	<u>\$ 1.43</u>	<u>\$ (0.07)</u>	<u>(4.9%)</u>	<u>\$ 4.43</u>	<u>\$ 4.00</u>	<u>\$ 0.43</u>	<u>10.8%</u>
Funds available for distribution (FAD):								
Funds from operations	\$ 47,383	\$ 49,792	\$ (2,409)	(4.8%)	\$ 154,445	\$ 138,785	\$ 15,660	11.3%
Adjustments:								
Recurring capital improvements	(3,249)	(2,621)	(628)	24.0%	(6,674)	(5,300)	(1,374)	25.9%
Tenant improvements	(7,816)	(5,259)	(2,557)	48.6%	(23,457)	(13,109)	(10,348)	78.9%
Lease commissions	(2,017)	(1,466)	(551)	37.6%	(5,162)	(5,054)	(108)	2.1%
Straight-line rent	(285)	(447)	162	(36.2%)	(1,919)	(1,664)	(255)	15.3%
Stock compensation expense	(397)	1,850	(2,247)	(121.5%)	3,255	8,933	(5,678)	(63.6%)
Cash paid for taxes in lieu of shares upon vesting of restricted stock units	(462)	(182)	(280)	153.8%	(3,865)	(1,940)	(1,925)	99.2%
In-place lease adjustment	8	(106)	114	(107.5%)	(26)	(437)	411	(94.1%)
Tenant improvement reimbursements, net of lease incentives	(798)	(407)	(391)	96.1%	(1,654)	(1,253)	(401)	32.0%
Charge related to the redemption of preferred securities	6,900	-	6,900	100.0%	6,900	-	6,900	100.0%
Capitalized interest expense	-	(115)	115	(100.0%)	(506)	(854)	348	(40.7%)
FAD	<u>\$ 39,267</u>	<u>\$ 41,039</u>	<u>\$ (1,772)</u>	<u>(4.3%)</u>	<u>\$ 121,337</u>	<u>\$ 118,107</u>	<u>\$ 3,230</u>	<u>2.7%</u>
FAD per common and dilutive share	<u>\$ 1.12</u>	<u>\$ 1.18</u>	<u>\$ (0.06)</u>	<u>(5.1%)</u>	<u>\$ 3.48</u>	<u>\$ 3.40</u>	<u>\$ 0.08</u>	<u>2.4%</u>
Free cash available for debt repayment and investments:								
FAD	\$ 39,267	\$ 41,039	(1,772)	(4.3%)	\$ 121,337	\$ 118,107	3,230	2.7%
Distributions to common shareholders	(23,157)	(20,334)	(2,823)	13.9%	(69,364)	(60,932)	(8,432)	13.8%
Distributions to common OP unit holders	(6,210)	(5,479)	(731)	13.3%	(18,629)	(16,437)	(2,192)	13.3%
Distributions to restricted stock unit holders	(177)	(128)	(49)	38.3%	(582)	(387)	(195)	50.4%
Non-recurring property renovations	(2,264)	(421)	(1,843)	437.8%	(3,416)	(767)	(2,649)	345.4%
Free cash available for debt repayment and investments	<u>\$ 7,459</u>	<u>\$ 14,677</u>	<u>\$ (7,218)</u>	<u>(49.2%)</u>	<u>\$ 29,346</u>	<u>\$ 39,584</u>	<u>\$ (10,238)</u>	<u>(25.9%)</u>
Investment in and advances to unconsolidated joint venture	(5,710)	(15,445)	9,735	(63.0%)	(29,655)	(27,946)	(1,709)	6.1%
Retained cash	<u>\$ 1,749</u>	<u>\$ (768)</u>	<u>\$ 2,517</u>	<u>(327.7%)</u>	<u>\$ (309)</u>	<u>\$ 11,638</u>	<u>\$ (11,947)</u>	<u>(102.7%)</u>
FAD distributions payout ratio	<u>75.2%</u>	<u>63.2%</u>			<u>73.0%</u>	<u>65.8%</u>		

Core FFO Per Common and Dilutive Share⁽¹⁾



⁽¹⁾ Where applicable, amounts exclude net impact of departure of senior executives, charges related to the redemption of preferred securities and acquisition transaction costs.

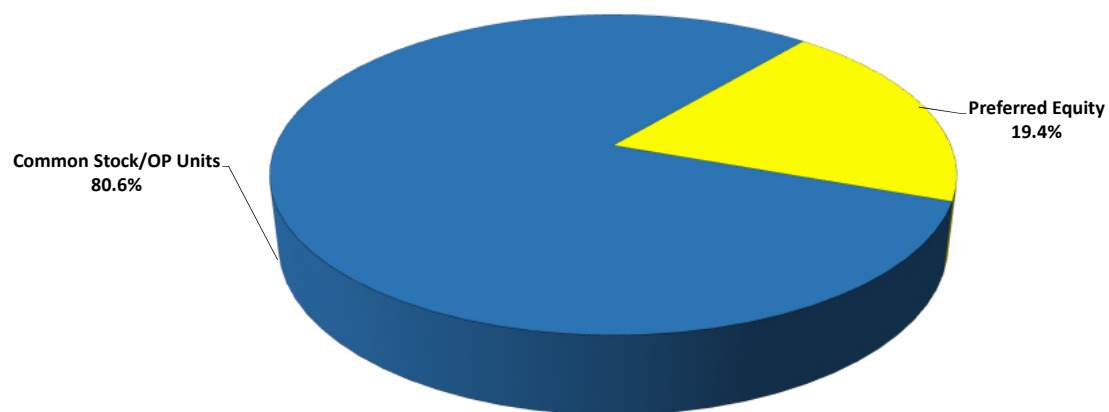
⁽²⁾ Excludes lease buyout payment of \$528,000.

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

	As of September 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%)	\$ -			\$ -		
Total unsecured debt	-	-	-	-	-	-
Total debt	-	-	-	-	-	-
Preferred Equity:						
6.000% Series T preferred stock (5,200,000 depositary shares outstanding) callable 5/14/17	130,000			130,000		
5.750% Series U preferred stock (9,200,000 depositary shares outstanding) callable 9/14/17	230,000			230,000		
5.700% Series V preferred stock (4,400,000 depositary shares outstanding) callable 3/14/18	110,000			110,000		
5.200% Series W preferred stock (7,590,000 depositary shares outstanding) callable 10/20/21	189,750			189,750		
5.250% Series X preferred stock (9,200,000 depositary shares outstanding) callable 9/21/22	230,000			-		
6.450% Series S preferred stock (9,200,000 depositary shares outstanding) redeemed 1/18/17	-			230,000		
6.000% Series T preferred stock (8,800,000 depositary shares outstanding) called 9/28/17	220,000			220,000		
Total preferred equity	<u>1,109,750</u>	<u>19.4%</u>	<u>5.63%</u>	<u>1,109,750</u>	<u>21.7%</u>	<u>5.87%</u>
Total debt and preferred equity	<u>1,109,750</u>	<u>19.4%</u>	<u>5.63%</u>	<u>1,109,750</u>	<u>21.7%</u>	<u>5.87%</u>
Common stock (27,251,037 and 27,138,138 shares outstanding as of September 30, 2017 and December 31, 2016, respectively)	3,638,013			3,162,136		
Common operating partnership units (7,305,355 units outstanding as of September 30, 2017 and December 31, 2016)	<u>975,265</u>			<u>851,220</u>		
Total common equity ⁽¹⁾	4,613,278	80.6%		4,013,356	78.3%	
Total market capitalization	<u>\$ 5,723,028</u>	<u>100.0%</u>		<u>\$ 5,123,106</u>	<u>100.0%</u>	

⁽¹⁾ Closing stock price was \$133.50 and \$116.52 as of September 30, 2017 and December 31, 2016, respectively.

Total Market Capitalization as of September 30, 2017: \$5.7 billion



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

	<u>09/30/17</u>	<u>12/31/16</u>	<u>Change</u>		<u>% Change</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 132,658	\$ 128,629	\$ 4,029	(a)	3.1%
Real estate facilities, at cost:					
Land	789,227	789,227	-		-
Buildings and equipment	2,254,663	2,224,522	30,141		1.4%
	<u>3,043,890</u>	<u>3,013,749</u>	<u>30,141</u>		1.0%
Accumulated depreciation	(1,219,314)	(1,158,054)	(61,260)		5.3%
	<u>1,824,576</u>	<u>1,855,695</u>	<u>(31,119)</u>	(b)	(1.7%)
Properties held for disposition, net	-	909	(909)		(100.0%)
Land and building held for development	29,252	27,028	2,224		8.2%
	<u>1,853,828</u>	<u>1,883,632</u>	<u>(29,804)</u>		(1.6%)
Investment in and advances to unconsolidated joint venture	96,593	67,190	29,403		43.8%
Rent receivable, net	2,203	1,945	258	(c)	13.3%
Deferred rent receivable, net	31,670	29,770	1,900		6.4%
Other assets	8,779	8,205	574	(d)	7.0%
Total assets	<u>\$ 2,125,731</u>	<u>\$ 2,119,371</u>	<u>\$ 6,360</u>		0.3%
<u>LIABILITIES AND EQUITY</u>					
Accrued and other liabilities	\$ 82,618	\$ 78,657	\$ 3,961	(e)	5.0%
Preferred stock called for redemption	220,000	230,000	(10,000)		(4.3%)
Total liabilities	<u>302,618</u>	<u>308,657</u>	<u>(6,039)</u>		(2.0%)
Equity:					
PS Business Parks, Inc.'s shareholders' equity:					
Preferred stock	889,750	879,750	10,000		1.1%
Common stock	272	271	1		0.4%
Paid-in capital	735,714	733,671	2,043	(f)	0.3%
Accumulated earnings (deficit)	60	(433)	493	(g)	(113.9%)
Total PS Business Parks, Inc.'s shareholders' equity	<u>1,625,796</u>	<u>1,613,259</u>	<u>12,537</u>		0.8%
Noncontrolling interests	197,317	197,455	(138)		(0.1%)
Total equity	<u>1,823,113</u>	<u>1,810,714</u>	<u>12,399</u>		0.7%
Total liabilities and equity	<u>\$ 2,125,731</u>	<u>\$ 2,119,371</u>	<u>\$ 6,360</u>		0.3%

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			206,052
Net cash used in investing activities			(66,550)
Net cash used in financing activities			(135,473)
Ending cash balance			<u>\$ 132,658</u>
(b) Change in real estate facilities, at cost:			
Beginning balance			\$ 1,855,695
Recurring capital improvements			6,674
Tenant improvements, gross			24,069
Lease commissions			5,162
Nonrecurring capital improvements			3,416
Depreciation and amortization			(70,465)
Transfer to properties held for disposition			25
Ending balance			<u>\$ 1,824,576</u>
(c) Rent receivable consists of:			
	<u>09/30/17</u>	<u>12/31/16</u>	<u>Change</u>
Non-government tenants	\$ 1,729	\$ 1,192	\$ 537
U.S. Government tenants	874	1,153	(279)
Allowance for doubtful accounts	(400)	(400)	-
	<u>\$ 2,203</u>	<u>\$ 1,945</u>	<u>\$ 258</u>
(d) Other assets consist of:			
	<u>09/30/17</u>	<u>12/31/16</u>	<u>Change</u>
In-place lease adjustment and incentives, net	\$ 1,100	\$ 1,494	\$ (394)
Prepaid property taxes and insurance	5,141	3,646	1,495
Other	2,538	3,065	(527)
	<u>\$ 8,779</u>	<u>\$ 8,205</u>	<u>\$ 574</u>
(e) Accrued and other liabilities consist of:			
	<u>09/30/17</u>	<u>12/31/16</u>	<u>Change</u>
Security deposits	\$ 33,894	\$ 32,675	\$ 1,219
Accrued property taxes	18,671	10,421	8,250
Prepaid rent	14,470	17,192	(2,722)
In-place lease adjustment and tenant improvement reimbursements, net	8,441	5,254	3,187
Other	7,142	13,115	(5,973)
	<u>\$ 82,618</u>	<u>\$ 78,657</u>	<u>\$ 3,961</u>
(f) Change in paid-in capital:			
Beginning paid-in capital			\$ 733,671
Issuance cost of preferred stock			(7,775)
Exercise of stock options			3,991
Charge related to the redemption of preferred securities			6,900
Stock compensation, net			2,673
Cash paid for taxes in lieu of shares upon vesting of restricted stock units			(3,865)
Adjustment to reflect noncontrolling interests to underlying ownership			119
Ending paid in capital			<u>\$ 735,714</u>
(g) Change in accumulated earnings (deficit):			
Beginning accumulated (deficit)			\$ (433)
Charge related to the redemption of preferred securities			(6,900)
Distributions to preferred shareholders			(38,472)
Distributions to common shareholders			(69,364)
Net income			115,229
Ending accumulated earnings			<u>\$ 60</u>

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

	For The Three Months Ended		Change	% Change
	09/30/17	09/30/16		
Rental income	\$ 100,481	\$ 97,340	\$ 3,141	(a) 3.2%
Expenses:				
Cost of operations	31,679	30,796	883	(b) 2.9%
Depreciation and amortization	23,759	24,631	(872)	(3.5%)
General and administrative	1,745	2,970	(1,225)	(c) (41.2%)
Total operating expenses	<u>57,183</u>	<u>58,397</u>	<u>(1,214)</u>	(2.1%)
Operating income	43,298	38,943	4,355	11.2%
Interest and other income	212	206	6	2.9%
Interest and other expense	(503)	(155)	(348)	(d) 224.5%
Equity in loss of unconsolidated joint venture	(376)	-	(376)	(100.0%)
Net income	<u>42,631</u>	<u>38,994</u>	<u>3,637</u>	9.3%
Allocation to noncontrolling interests	<u>(4,866)</u>	<u>(5,315)</u>	<u>449</u>	(8.4%)
Net income allocable to PS Business Parks, Inc.	37,765	33,679	4,086	12.1%
Allocation to preferred shareholders				
Preferred Distributions	(12,590)	(13,833)	1,243	(9.0%)
Charge related to the redemption of preferred securities	(6,900)	-	(6,900)	(100.0%)
Allocation to restricted stock unit holders	(137)	(128)	(9)	7.0%
Net income allocable to common shareholders	<u>\$ 18,138</u>	<u>\$ 19,718</u>	<u>\$ (1,580)</u>	(8.0%)
Net income per common share				
Basic	\$ 0.67	\$ 0.73	\$ (0.06)	(8.2%)
Diluted	\$ 0.66	\$ 0.72	\$ (0.06)	(8.3%)
Weighted average common shares outstanding:				
Basic	<u>27,226</u>	<u>27,103</u>	<u>123</u>	0.5%
Diluted	<u>27,427</u>	<u>27,201</u>	<u>226</u>	0.8%

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

	For The Three Months Ended		Change
	09/30/17	09/30/16	
(a) Rental income:			
Same Park	\$ 99,888	\$ 95,421	\$ 4,467
Non-Same Park	308	9	299
Lease buyout payment	-	528	(528)
Same Park straight-line rent	222	446	(224)
Non-Same Park straight-line rent	63	-	63
Assets sold or held for development	-	936	(936)
	<u>\$ 100,481</u>	<u>\$ 97,340</u>	<u>\$ 3,141</u>
(b) Cost of Operations:			
Same Park	\$ 30,821	\$ 29,875	\$ 946
Non-Same Park	294	3	291
Assets sold or held for development	-	261	(261)
LTEIP amortization	564	657	(93)
	<u>\$ 31,679</u>	<u>\$ 30,796</u>	<u>\$ 883</u>
(c) General and administrative expenses:			
Compensation expense	\$ 832	\$ 965	\$ (133)
Separation settlement	1,500	-	1,500
LTEIP amortization	571	907	(336)
Impact on LTEIP amortization due to departure of senior executives	(1,914)	-	(1,914)
Acquisition transaction costs	-	328	(328)
Professional fees and other	756	770	(14)
	<u>\$ 1,745</u>	<u>\$ 2,970</u>	<u>\$ (1,225)</u>
(d) Interest and other expense:			
Credit facility	\$ (364)	\$ (115)	\$ (249)
Capitalized interest	-	115	(115)
Facilities fees & other charges	(139)	(155)	16
	<u>\$ (503)</u>	<u>\$ (155)</u>	<u>\$ (348)</u>

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

	For The Nine Months Ended		Change	% Change
	9/30/2017	9/30/2016		
Rental income	\$ 300,342	\$ 289,272	\$ 11,070	(a) 3.8%
Expenses:				
Cost of operations	92,962	92,440	522	(b) 0.6%
Depreciation and amortization	70,465	74,886	(4,421)	(5.9%)
General and administrative	7,019	11,982	(4,963)	(c) (41.4%)
Total operating expenses	<u>170,446</u>	<u>179,308</u>	<u>(8,862)</u>	(4.9%)
Operating income	129,896	109,964	19,932	18.1%
Interest and other income	599	940	(341)	(36.3%)
Interest and other expense	(972)	(5,507)	4,535	(d) (82.3%)
Equity in loss of unconsolidated joint venture	(758)	-	(758)	(100.0%)
Gain on sale of real estate facilities	1,209	-	1,209	100.0%
Gain on sale of development rights	3,865	-	3,865	100.0%
Net income	<u>133,839</u>	<u>105,397</u>	<u>28,442</u>	27.0%
Allocation to noncontrolling interests	<u>(18,610)</u>	<u>(13,495)</u>	<u>(5,115)</u>	37.9%
Net income allocable to PS Business Parks, Inc.	115,229	91,902	23,327	25.4%
Allocation to preferred shareholders				
Preferred Distributions	(38,472)	(41,498)	3,026	(7.3%)
Charge related to the redemption of preferred securities	(6,900)	-	(6,900)	(100.0%)
Allocation to restricted stock unit holders	(582)	(387)	(195)	50.4%
Net income allocable to common shareholders	<u>\$ 69,275</u>	<u>\$ 50,017</u>	<u>\$ 19,258</u>	38.5%
Net income per common share				
Basic	\$ 2.55	\$ 1.85	\$ 0.70	37.8%
Diluted	\$ 2.53	\$ 1.84	\$ 0.69	37.5%
Weighted average common shares outstanding:				
Basic	<u>27,192</u>	<u>27,076</u>	<u>116</u>	0.4%
Diluted	<u>27,399</u>	<u>27,166</u>	<u>233</u>	0.9%

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

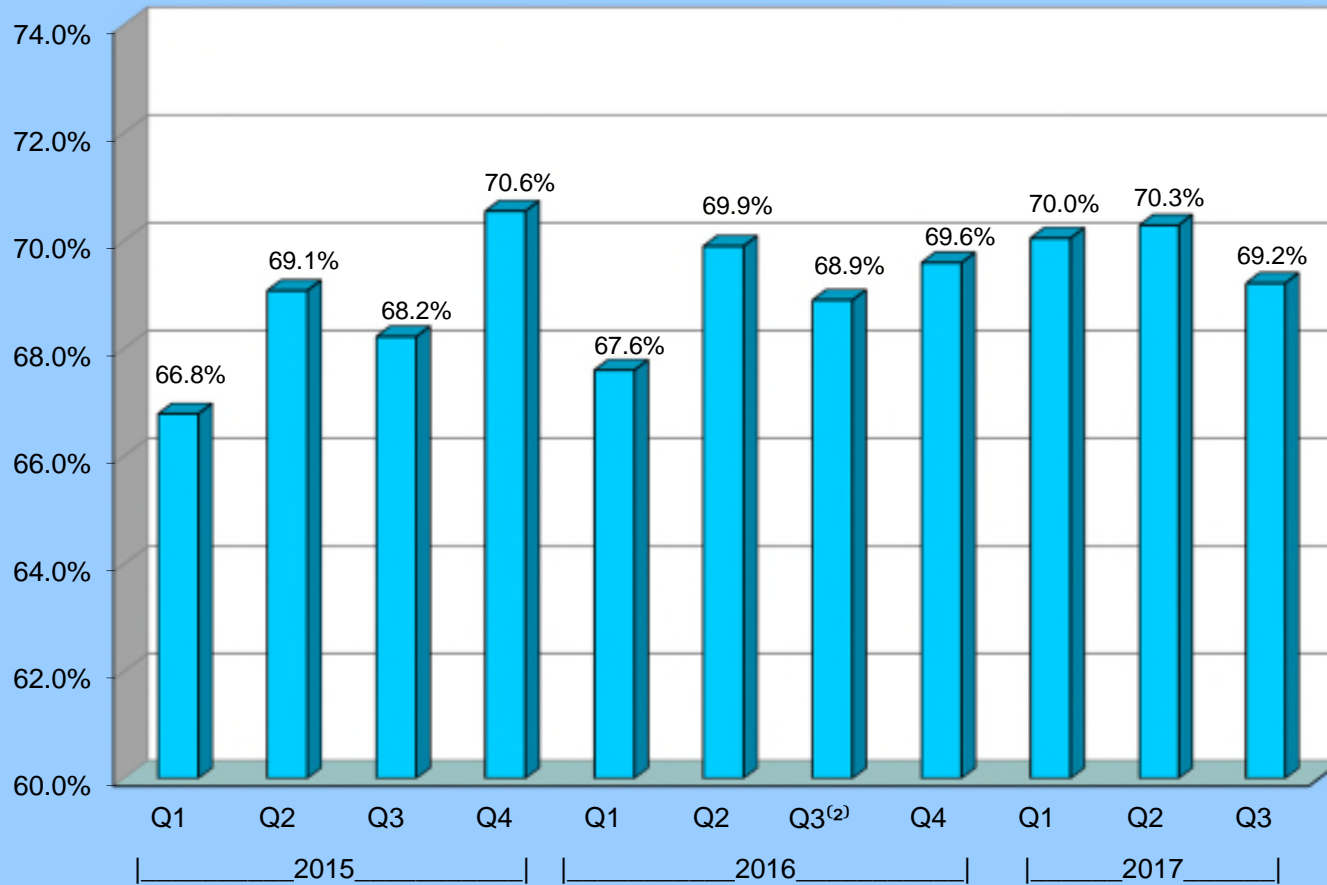
	For The Nine Months Ended		Change
	09/30/17	09/30/16	
(a) Rental income:			
Same Park	\$ 297,431	\$ 284,265	\$ 13,166
Non-Same Park	833	9	824
Lease buyout payment	-	528	(528)
Same Park straight-line rent	1,776	1,662	114
Non-Same Park straight-line rent	143	-	143
Assets sold or held for development	159	2,808	(2,649)
	<u>\$ 300,342</u>	<u>\$ 289,272</u>	<u>\$ 11,070</u>
(b) Cost of Operations:			
Same Park	\$ 90,204	\$ 89,375	\$ 829
Non-Same Park	918	3	915
Assets sold or held for development	73	750	(677)
LTEIP amortization	1,767	2,312	(545)
	<u>\$ 92,962</u>	<u>\$ 92,440</u>	<u>\$ 522</u>
(c) General and administrative expenses:			
Compensation expense	\$ 2,998	\$ 3,324	\$ (326)
Separation settlement	1,500	-	1,500
LTEIP amortization	2,255	3,786	(1,531)
Impact on LTEIP amortization due to departure of senior executives	(1,914)	2,018	(3,932)
Acquisition transaction costs	-	328	(328)
Professional fees and other	2,180	2,526	(346)
	<u>\$ 7,019</u>	<u>\$ 11,982</u>	<u>\$ (4,963)</u>
(d) Interest and other expense:			
Mortgage note payable	\$ -	\$ (5,755)	\$ 5,755
Credit facility	(1,060)	(144)	(916)
Capitalized interest	506	854	(348)
Facilities fees & other charges	(418)	(462)	44
	<u>\$ (972)</u>	<u>\$ (5,507)</u>	<u>\$ 4,535</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 Nine Months Ended September 30, 2017</u>	<u>Cost per Weighted Average Square Foot</u>
Capital improvements	\$6,674	\$0.24
Tenant improvements	23,457	\$0.84
Lease commissions	5,162	\$0.18
Total recurring capital expenditures	<u><u>\$35,293</u></u>	\$1.26
 <u>Non-recurring property renovations</u>		
Non-recurring property renovations	\$3,416	

(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 \$20.3 million or approximately \$0.72 per weighted average square foot for the nine months ended September 30, 2017 compared to \$20.8 million or approximately \$0.74 per weighted average square foot for the nine months ended September 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.

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

Industry Concentration as of September 30, 2017

	% of Total Rental Income
Business services	18.5%
Warehouse, distribution, transportation and logistics	10.4%
Health services	10.0%
Computer hardware, software and related services	9.8%
Government	7.9%
Retail, food, and automotive	7.2%
Engineering and construction	6.9%
Insurance and financial services	4.4%
Electronics	3.1%
Aerospace/defense products and services	2.7%
Home furnishings	2.6%
Communications	2.1%
Educational services	1.7%
Other	12.7%
Total	100.0%

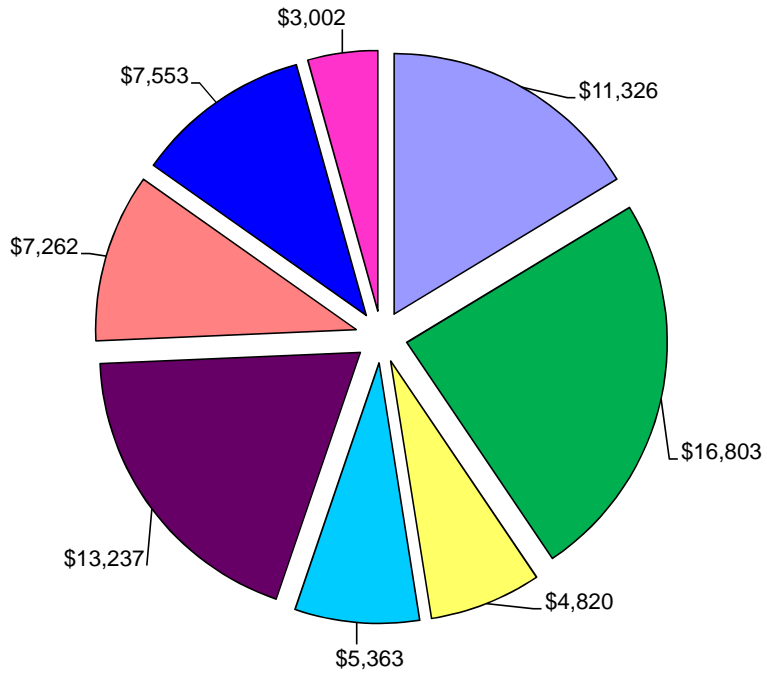
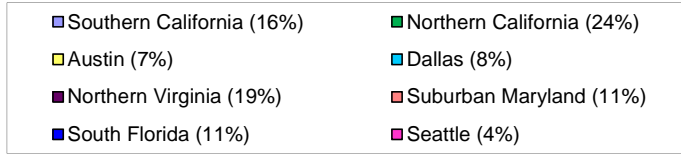
Top 10 Customers by Total Annual Rental Income as of September 30, 2017

Tenant	Square Footage	Annualized Rental Income ⁽¹⁾	% of Total Annualized Rental Income
US Government	689	\$ 17,553	4.3%
Kaiser Permanente	158	4,200	1.0%
Lockheed Martin Corporation	168	3,831	0.9%
Keeco, L.L.C.	460	3,586	0.9%
Luminex Corporation	162	3,153	0.8%
KZ Kitchen Cabinet & Stone	181	2,090	0.5%
Applied Materials, Inc.	162	1,892	0.5%
Inova Health Care Services	66	1,878	0.5%
Investorplace Media, LLC	46	1,838	0.5%
Quanta Computer Inc.	179	1,672	0.4%
Total	2,271	\$ 41,693	10.3%

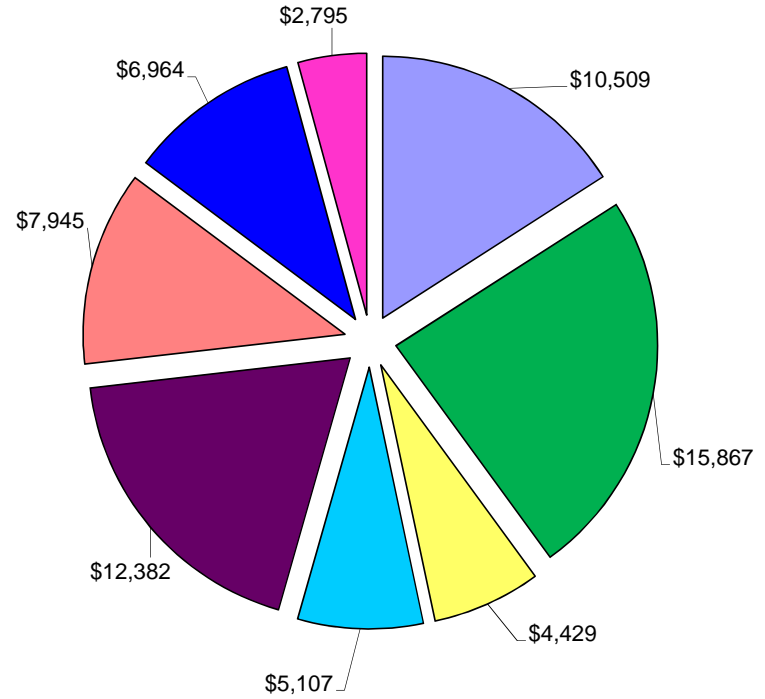
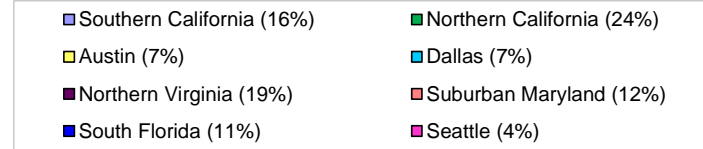
(1) - For leases expiring within one year, annualized rental income represents income to be received under existing leases from October 1, 2017 through the date of expiration.

Total Portfolio Net Operating Income by Region

Three Months Ended September 30, 2017
\$69,366 (in thousands) ⁽¹⁾



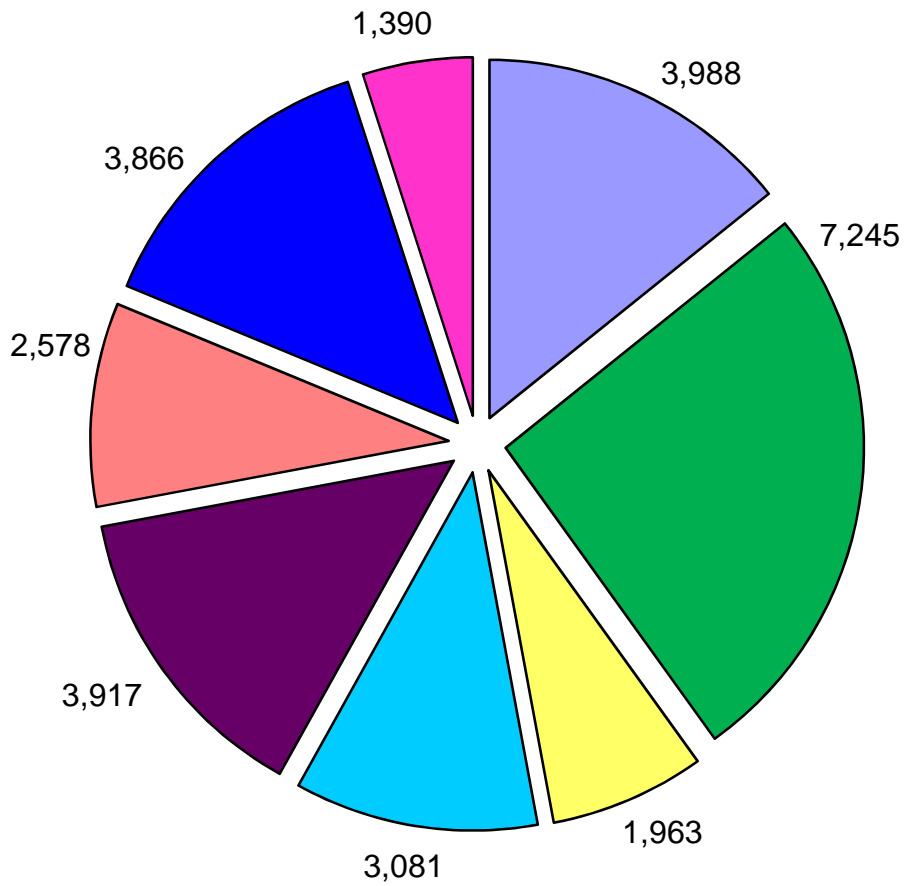
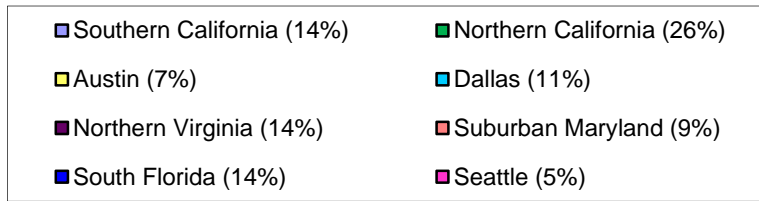
Three Months Ended September 30, 2016
\$65,998 (in thousands) ⁽¹⁾



(1) Excludes assets sold or held for development.

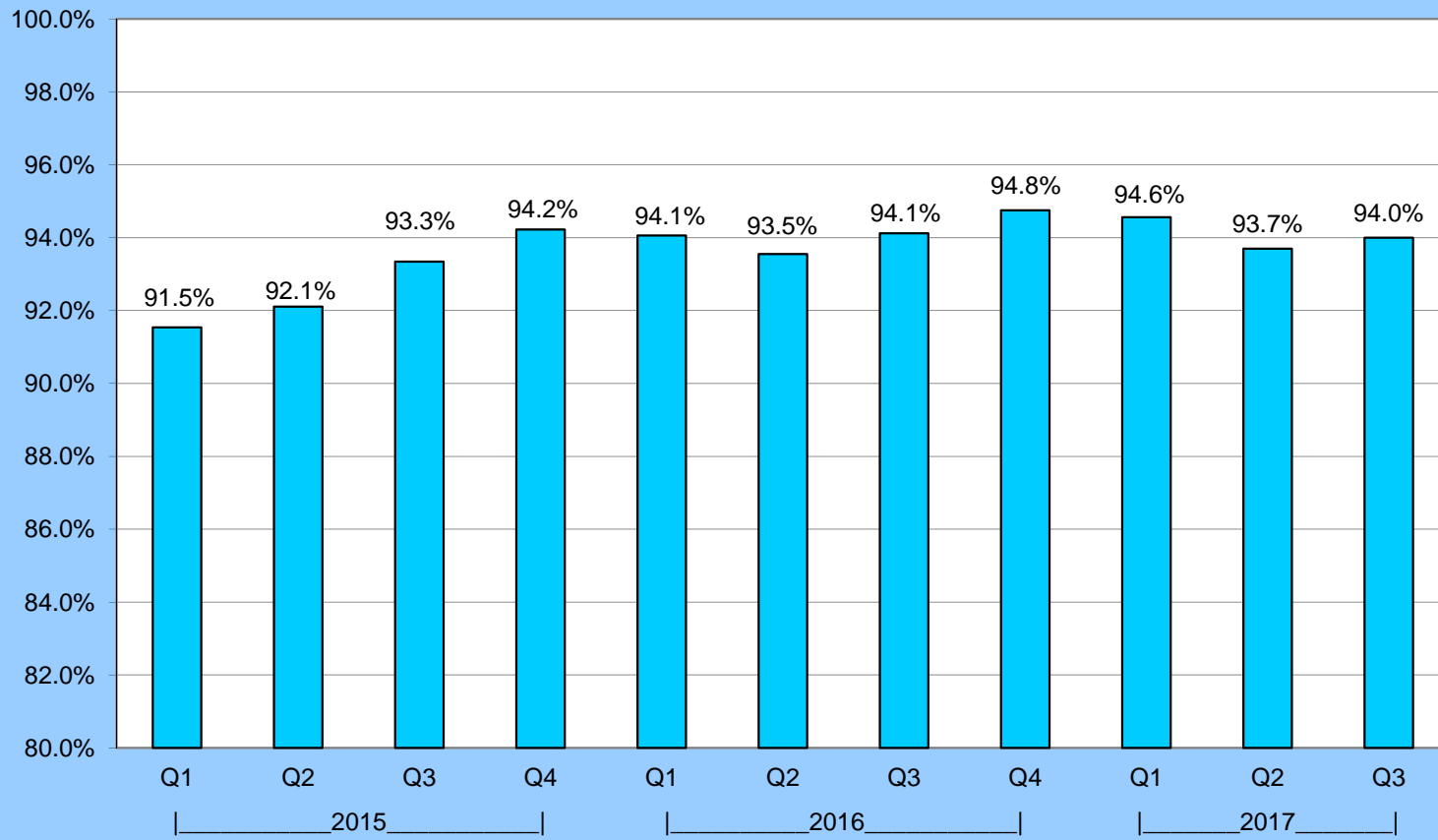
Total Rentable Square Footage by Region

September 30, 2017 and 2016
28,028 square feet ⁽¹⁾ (in thousands)



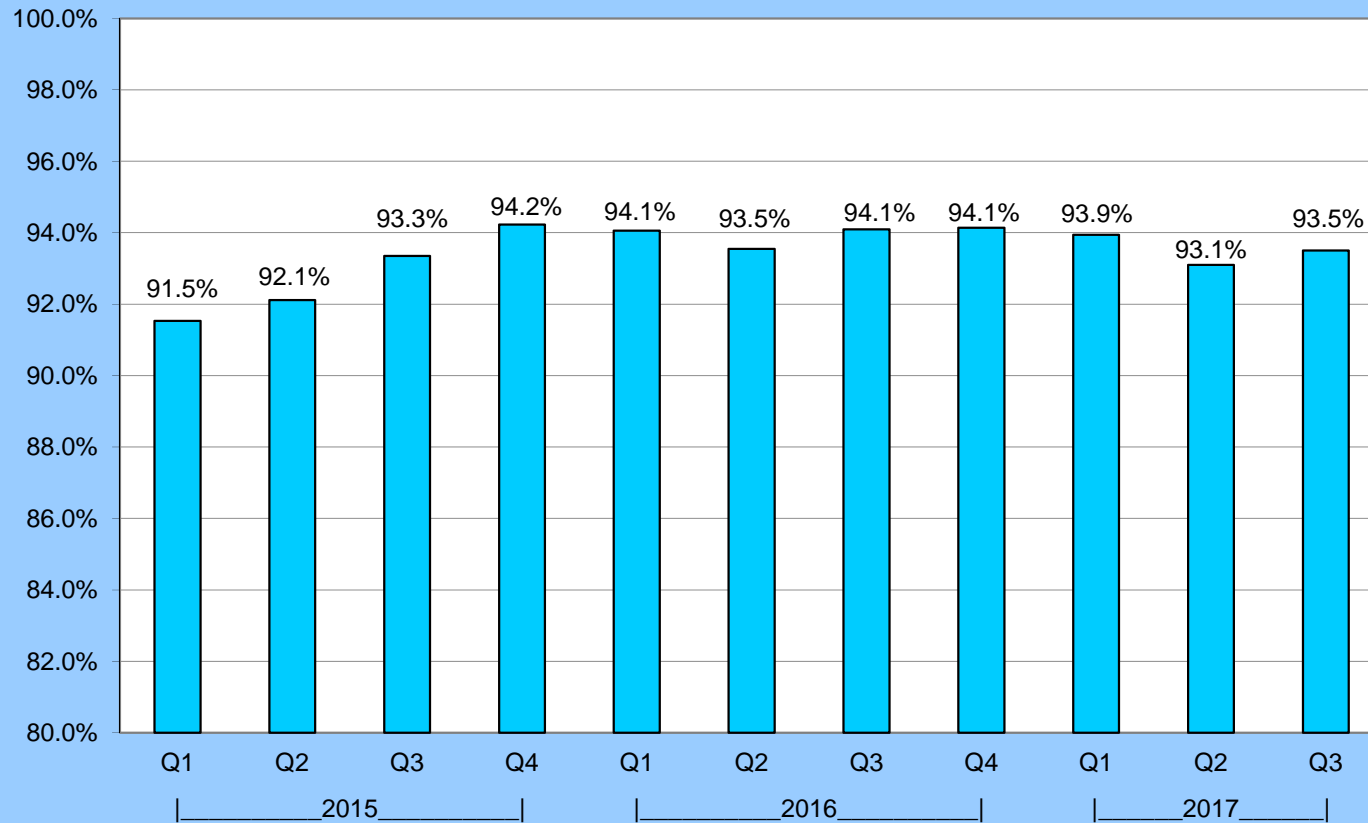
(1) Excludes assets sold or held for development.

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 September 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%
Suburban 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 September 30, 2017				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	88.4%	96.3%	92.3%
South Florida	97.5%	100.0%	95.5%	97.0%
East Bay	100.0%	-	96.9%	98.8%
Silicon Valley	82.8%	-	98.1%	89.7%
Dallas	100.0%	-	90.5%	91.2%
Suburban Maryland	-	88.8%	90.0%	89.3%
Austin	100.0%	-	95.3%	95.9%
Orange County	-	92.2%	93.0%	92.6%
Los Angeles County	98.8%	98.7%	95.4%	97.0%
Seattle	97.9%	86.7%	96.5%	97.3%
San Diego County	-	-	97.6%	97.6%
Mid-Peninsula	-	94.1%	97.5%	94.9%
Total	95.2%	89.6%	94.6%	94.0%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended September 30, 2017			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	93.8%	89.8%	92.3%
South Florida	97.2%	96.0%	97.0%
East Bay	98.7%	99.8%	98.8%
Silicon Valley	88.4%	95.8%	89.7%
Dallas	91.8%	90.2%	91.2%
Suburban Maryland	90.9%	84.1%	89.3%
Austin	96.8%	89.3%	95.9%
Orange County	90.2%	94.8%	92.6%
Los Angeles County	98.8%	95.5%	97.0%
Seattle	97.9%	95.9%	97.3%
San Diego County	-	97.6%	97.6%
Mid-Peninsula	-	94.9%	94.9%
Total	94.4%	93.2%	94.0%

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 September 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%
Suburban 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 September 30, 2017

Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	-	88.4%	96.3%	92.3%
South Florida	97.5%	100.0%	95.5%	97.0%
East Bay	100.0%	-	96.9%	98.8%
Silicon Valley	82.8%	-	98.1%	89.7%
Dallas	100.0%	-	90.5%	91.2%
Suburban Maryland	-	79.9%	90.0%	83.7%
Austin	100.0%	-	95.3%	95.9%
Orange County	-	92.2%	93.0%	92.6%
Los Angeles County	98.8%	98.7%	95.4%	97.0%
Seattle	97.9%	86.7%	96.5%	97.3%
San Diego County	-	-	97.6%	97.6%
Mid-Peninsula	-	94.1%	97.5%	94.9%
Total	95.2%	86.6%	94.6%	93.5%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended September 30, 2017

Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	93.8%	89.8%	92.3%
South Florida	97.2%	96.0%	97.0%
East Bay	98.7%	99.8%	98.8%
Silicon Valley	88.4%	95.8%	89.7%
Dallas	91.8%	90.2%	91.2%
Suburban Maryland	90.9%	67.1%	83.7%
Austin	96.8%	89.3%	95.9%
Orange County	90.2%	94.8%	92.6%
Los Angeles County	98.8%	95.5%	97.0%
Seattle	97.9%	95.9%	97.3%
San Diego County	-	97.6%	97.6%
Mid-Peninsula	-	94.9%	94.9%
Total	94.4%	91.5%	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.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF SEPTEMBER 30, 2017
(IN THOUSANDS)

Lease Expirations - Flex				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	1,006	\$ 14,125	6.2%	3.3%
2018	3,509	56,571	25.0%	13.4%
2019	3,226	51,161	22.6%	12.2%
2020	2,399	37,229	16.5%	8.8%
2021	1,360	21,705	9.6%	5.1%
Thereafter	2,306	45,540	20.1%	10.8%
Total	<u>13,806</u>	<u>\$ 226,331</u>	<u>100.0%</u>	<u>53.6%</u>

Lease Expirations - Office				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	369	\$ 9,284	8.6%	2.2%
2018	1,156	28,171	26.1%	6.7%
2019	874	22,787	21.1%	5.4%
2020	601	15,913	14.7%	3.8%
2021	305	7,454	6.9%	1.8%
Thereafter	871	24,344	22.6%	5.8%
Total	<u>4,176</u>	<u>\$ 107,953</u>	<u>100.0%</u>	<u>25.7%</u>

Lease Expirations - Industrial				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	349	\$ 3,362	3.9%	0.8%
2018	1,198	11,020	12.6%	2.6%
2019	2,403	22,785	26.2%	5.4%
2020	1,762	17,163	19.7%	4.1%
2021	700	7,393	8.5%	1.8%
Thereafter	2,060	25,300	29.1%	6.0%
Total	<u>8,472</u>	<u>\$ 87,023</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	1,724	\$ 26,771	6.3%	6.3%
2018	5,863	95,762	22.7%	22.7%
2019	6,503	96,733	23.0%	23.0%
2020	4,762	70,305	16.7%	16.7%
2021	2,365	36,552	8.7%	8.7%
Thereafter	5,237	95,184	22.6%	22.6%
Total	<u>26,454</u>	<u>\$ 421,307</u>	<u>100.0%</u>	<u>100.0%</u>

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

Southern California				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	266	\$ 4,890	7.0%	1.2%
2018	1,220	21,206	30.5%	5.0%
2019	1,183	19,296	27.8%	4.6%
2020	611	10,627	15.3%	2.5%
2021	183	3,958	5.7%	0.9%
Thereafter	383	9,491	13.7%	2.3%
Total	<u>3,846</u>	<u>\$ 69,468</u>	<u>100.0%</u>	<u>16.5%</u>

Northern California				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	174	\$ 3,897	3.9%	0.9%
2018	923	15,006	15.2%	3.6%
2019	2,095	26,221	26.5%	6.2%
2020	1,243	18,256	18.4%	4.3%
2021	811	10,951	11.1%	2.6%
Thereafter	1,589	24,594	24.9%	5.8%
Total	<u>6,835</u>	<u>\$ 98,925</u>	<u>100.0%</u>	<u>23.4%</u>

Austin				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	78	\$ 1,432	4.7%	0.3%
2018	440	6,549	21.7%	1.5%
2019	244	3,660	12.1%	0.9%
2020	479	7,467	24.8%	1.8%
2021	218	3,764	12.5%	0.9%
Thereafter	431	7,291	24.2%	1.7%
Total	<u>1,890</u>	<u>\$ 30,163</u>	<u>100.0%</u>	<u>7.1%</u>

Dallas				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	291	\$ 3,731	10.8%	0.9%
2018	682	8,703	25.3%	2.1%
2019	602	6,775	19.7%	1.6%
2020	646	6,758	19.6%	1.6%
2021	235	2,964	8.6%	0.7%
Thereafter	371	5,499	16.0%	1.3%
Total	<u>2,827</u>	<u>\$ 34,430</u>	<u>100.0%</u>	<u>8.2%</u>

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

South Florida				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	481	\$ 4,210	10.2%	1.0%
2018	965	10,430	25.3%	2.5%
2019	785	9,020	21.8%	2.2%
2020	530	6,036	14.6%	1.4%
2021	333	3,745	9.1%	0.9%
Thereafter	700	7,862	19.0%	1.9%
Total	<u>3,794</u>	<u>\$ 41,303</u>	<u>100.0%</u>	<u>9.9%</u>

Northern Virginia				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	308	\$ 5,872	7.6%	1.4%
2018	794	16,085	20.7%	3.8%
2019	912	19,410	25.0%	4.6%
2020	582	11,267	14.5%	2.7%
2021	263	5,251	6.7%	1.2%
Thereafter	820	19,820	25.5%	4.7%
Total	<u>3,679</u>	<u>\$ 77,705</u>	<u>100.0%</u>	<u>18.4%</u>

Suburban Maryland				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	95	\$ 2,361	4.5%	0.5%
2018	625	14,458	27.8%	3.4%
2019	350	7,649	14.7%	1.8%
2020	273	6,120	11.8%	1.5%
2021	186	3,982	7.7%	1.0%
Thereafter	677	17,402	33.5%	4.1%
Total	<u>2,206</u>	<u>\$ 51,972</u>	<u>100.0%</u>	<u>12.3%</u>

Seattle				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2017	31	\$ 378	2.2%	0.1%
2018	214	3,325	19.2%	0.8%
2019	332	4,702	27.1%	1.1%
2020	398	3,774	21.7%	0.9%
2021	136	1,937	11.2%	0.5%
Thereafter	266	3,225	18.6%	0.8%
Total	<u>1,377</u>	<u>\$ 17,341</u>	<u>100.0%</u>	<u>4.2%</u>

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

Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	%	% of Total Annualized Rental Income
2017	1,724	\$ 26,771	6.3%		6.3%
2018	5,863	95,762	22.7%		22.7%
2019	6,503	96,733	23.0%		23.0%
2020	4,762	70,305	16.7%		16.7%
2021	2,365	36,552	8.7%		8.7%
Thereafter	5,237	95,184	22.6%		22.6%
Total	<u>26,454</u>	<u>\$ 421,307</u>	<u>100.0%</u>		<u>100.0%</u>

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF SEPTEMBER 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	828	\$ 12,020	4.5%	2.8%	
2018	3,543	53,081	19.7%	12.6%	
2019	4,325	56,560	21.1%	13.4%	
2020	3,537	46,542	17.3%	11.1%	
2021	1,843	26,387	9.8%	6.3%	
Thereafter	4,363	74,268	27.6%	17.6%	
Total	18,439	\$ 268,858	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	896	\$ 14,751	9.7%	3.5%	
2018	2,320	42,681	28.0%	10.1%	
2019	2,178	40,173	26.3%	9.6%	
2020	1,225	23,763	15.6%	5.6%	
2021	522	10,165	6.7%	2.4%	
Thereafter	874	20,916	13.7%	5.0%	
Total	8,015	\$ 152,449	100.0%	36.2%	

Lease Expirations - Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2017	1,724	\$ 26,771	6.3%	6.3%	
2018	5,863	95,762	22.7%	22.7%	
2019	6,503	96,733	23.0%	23.0%	
2020	4,762	70,305	16.7%	16.7%	
2021	2,365	36,552	8.7%	8.7%	
Thereafter	5,237	95,184	22.6%	22.6%	
Total	26,454	\$ 421,307	100.0%	100.0%	

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

	Total Portfolio Activity							
	Square Footage Leased		Tenant Retention		Transaction Costs per Executed Foot		Rental Rate Change ⁽¹⁾	
	3rd Quarter	YTD	3rd Quarter	YTD	3rd Quarter	YTD	3rd Quarter	YTD
Suburban Maryland	131,000	430,000	83.1%	79.8%	\$ 9.73	\$ 12.19	-14.5%	-10.8%
Northern Virginia	260,000	785,000	74.4%	67.3%	\$ 7.94	\$ 6.08	-10.3%	-8.8%
San Diego	87,000	294,000	65.0%	67.0%	\$ 0.64	\$ 0.88	5.1%	3.4%
Orange County	173,000	423,000	86.2%	64.2%	\$ 4.96	\$ 4.27	0.4%	4.4%
Los Angeles	182,000	433,000	82.7%	67.9%	\$ 1.34	\$ 1.50	6.2%	6.5%
Austin	66,000	320,000	70.5%	47.7%	\$ 1.78	\$ 2.62	13.5%	14.2%
Dallas	175,000	574,000	62.1%	57.4%	\$ 3.11	\$ 3.40	4.2%	4.2%
South Florida	192,000	858,000	51.7%	64.0%	\$ 1.20	\$ 1.50	5.4%	4.0%
Seattle	62,000	381,000	55.7%	79.0%	\$ 2.61	\$ 1.07	12.1%	12.3%
East Bay	151,000	480,000	82.6%	69.6%	\$ 1.35	\$ 1.62	21.5%	23.0%
Silicon Valley	302,000	479,000	94.3%	71.6%	\$ 1.97	\$ 1.71	32.8%	27.3%
Mid-Peninsula	68,000	139,000	76.9%	70.5%	\$ 2.13	\$ 1.52	5.6%	2.8%
Company Totals	1,849,000	5,596,000	75.9%	66.8%	\$ 3.51	\$ 3.40	5.7%	4.3%

⁽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")
September 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	107,489				
		Remaining costs	<u>\$ 9,752</u>				
As of September 30, 2017							
				% Completed	% Leased ⁽²⁾	% Occupied	Average Rent per Unit ⁽³⁾
				100.0%	46.3%	41.8%	\$ 2,183

As of September 30, 2017		PSB's Pro-Rata Share of JV Operations			
Ownership %	PSB Book Value ⁽⁴⁾ (in thousands)			For the Three Months Ended	For the Nine Months Ended
95.0%	\$ 96,593			September 30, 2017	
Operating Data ⁽⁵⁾					
		Property revenue	\$	600,000	\$ 642,000
		Property expenses		(493,000)	(813,000)
		Net operating income (loss)		107,000	(171,000)
		Depreciation		(483,000)	(587,000)
		Equity loss in JV	\$	<u>(376,000)</u>	<u>(758,000)</u>
		Weighted Average Occupancy		25.8%	10.4%

- (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 October 23, 2017, Highgate's multi-family residential units were 55.2% leased.
(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) divided by the number of apartment homes.
(4) Net equity in JV plus construction loan receivable balance of \$65.2 million.
(5) Operating data represents PSB's pro-rata share of revenue and expenses.