



PSBUSINESSPARKSSM

**Analysis of Operating Results
and Financial Condition**

March 31, 2018

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION FOR
THE THREE MONTHS ENDED MARCH 31, 2018**

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

NET OPERATING INCOME

	For The Three Months Ended		
	03/31/18	03/31/17	% Change
Rental income:			
Same Park ⁽²⁾	\$ 98,022	\$ 95,756	2.4%
Non-Same Park ⁽³⁾	608	291	108.9%
Multi-family ⁽⁴⁾	1,424	-	100.0%
Total rental income	<u>100,054</u>	<u>96,047</u>	4.2%
Cost of operations:			
Same Park ⁽²⁾	30,035	28,214	6.5%
Non-Same Park ⁽³⁾	360	354	1.7%
Multi-family ⁽⁴⁾	997	-	100.0%
Total cost of operations	<u>31,392</u>	<u>28,568</u>	9.9%
Net operating income:			
Same Park ⁽²⁾	67,987	67,542	0.7%
Non-Same Park ⁽³⁾	248	(63)	(493.7%)
Multi-family ⁽⁴⁾	427	-	100.0%
Total net operating income	<u>\$ 68,662</u>	<u>\$ 67,479</u>	1.8%

FUNDS FROM OPERATIONS

	For The Three Months Ended		
	03/31/18	03/31/17	% Change
FFO allocable to common and dilutive shares	\$ 55,582	\$ 52,955	5.0%
FFO per share	\$ 1.59	\$ 1.52	4.6%
Weighted average common shares outstanding - diluted	27,318	27,234	0.3%
Weighted average common operating partnership units outstanding	7,305	7,305	-
Weighted average restricted stock units outstanding	246	321	(23.4%)
Total common and dilutive shares	<u>34,869</u>	<u>34,860</u>	0.0%

PROPERTY INFORMATION

	For The Three Months Ended		
	03/31/18	03/31/17	% Change
Total Portfolio			
Total rentable square footage at period end	27,129	27,129	-
Weighted average occupancy	94.2%	94.0%	0.2%
Period end occupancy	94.4%	94.2%	0.2%
Annualized realized rental income per sq. ft. ⁽⁶⁾	\$ 15.43	\$ 15.07	2.4%
REVPAF ⁽⁷⁾	\$ 14.54	\$ 14.16	2.7%
Same Park Portfolio ⁽²⁾			
Total rentable square footage at period end	26,903	26,903	-
Weighted average occupancy	94.6%	94.6%	-
Period end occupancy	94.7%	94.8%	(0.1%)
Annualized realized rental income per sq. ft. ⁽⁶⁾	\$ 15.40	\$ 15.05	2.3%
REVPAF ⁽⁷⁾	\$ 14.57	\$ 14.24	2.3%
Non-Same Park Portfolio ⁽³⁾			
Total rentable square footage at period end	226	226	-
Weighted average occupancy	47.6%	18.5%	157.3%
Period end occupancy	51.7%	18.5%	179.5%
Multi-family Portfolio ⁽⁴⁾			
Number of units	395	-	100.0%
Period end leased	61.5%	-	100.0%

MARKET VALUE INFORMATION

	03/31/18		12/31/17	
	\$	% of Total	\$	% of Total
Market value of common stock and common operating partnership units	\$ 3,913,677	80.3%	\$ 4,323,106	79.9%
Total preferred equity	959,750	19.7%	1,089,750	20.1%
Total debt	2,500	0.0%	-	-
Total market capitalization	<u>\$ 4,875,927</u>	<u>100.0%</u>	<u>\$ 5,412,856</u>	<u>100.0%</u>
Stock price at the end of the period	\$ 113.04		\$ 125.09	

NOTES

- (1) Excludes 943,000 square feet of assets sold or held for sale.
- (2) All owned assets acquired prior to January 1, 2016.
- (3) All owned assets acquired on or subsequent to January 1, 2016.
- (4) Effective January 1, 2018, operating results from the multi-family asset were consolidated into our consolidated income statement for 2018. Operating results prior to January 1, 2018 were reflected under "equity in loss of unconsolidated joint venture" on our consolidated income statement for 2017.
- (5) The multi-family asset commenced operations during the second quarter of 2017. Refer to page 27 for more information.
- (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)

	<u>For The Three Months Ended</u>		Change	% Change
	03/31/18	03/31/17		
<u>Funds from operations (FFO) - As Reported</u>				
Net income allocable to common shareholders	\$ 46,048	\$ 26,392	\$ 19,656	74.5%
Adjustments:				
Gain on sale of real estate facility and development rights	(26,835)	(3,865)	(22,970)	594.3%
Depreciation and amortization	23,882	23,078	804	3.5%
Net income allocable to noncontrolling interests	11,900	7,102	4,798	67.6%
Net income allocable to restricted stock unit holders	574	248	326	131.5%
FFO loss allocated to joint venture partner	13	-	13	100.0%
FFO allocable to common and dilutive shares	<u>\$ 55,582</u>	<u>\$ 52,955</u>	<u>\$ 2,627</u>	5.0%
Weighted average outstanding:				
Common shares	27,267	27,148	119	0.4%
Operating partnership units	7,305	7,305	-	-
Restricted stock units	246	321	(75)	(23.4%)
Common share equivalents	51	86	(35)	(40.7%)
Total common and dilutive shares	<u>34,869</u>	<u>34,860</u>	<u>9</u>	0.0%
FFO per common and dilutive share	<u>\$ 1.59</u>	<u>\$ 1.52</u>	<u>\$ 0.07</u>	4.6%
<u>Funds available for distribution (FAD):</u>				
Funds from operations	\$ 55,582	\$ 52,955	\$ 2,627	5.0%
Adjustments:				
Recurring capital improvements	(1,102)	(624)	(478)	76.6%
Tenant improvements	(3,886)	(6,280)	2,394	(38.1%)
Lease commissions	(1,919)	(1,397)	(522)	37.4%
Total recurring capital expenditures (assets sold or held for sale)	(96)	(358)	262	(73.2%)
Total recurring capital expenditures (multi-family)	(7)	-	(7)	(100.0%)
Straight-line rent	(735)	(881)	146	(16.6%)
Stock compensation expense	1,110	2,083	(973)	(46.7%)
Cash paid for taxes in lieu of shares upon vesting of restricted stock units	(4,529)	(3,356)	(1,173)	35.0%
In-place lease adjustment	7	(25)	32	(128.0%)
Tenant improvement reimbursements, net of lease incentives	(515)	(361)	(154)	42.7%
Capitalized interest expense	-	(279)	279	(100.0%)
FAD	<u>\$ 43,910</u>	<u>\$ 41,477</u>	<u>\$ 2,433</u>	5.9%
FAD per common and dilutive share	<u>\$ 1.26</u>	<u>\$ 1.19</u>	<u>\$ 0.07</u>	5.9%
<u>Free cash available for debt repayment and investments:</u>				
FAD	\$ 43,910	\$ 41,477	2,433	5.9%
Distributions to common shareholders	(23,171)	(23,077)	(94)	0.4%
Distributions to common operating partnership unit holders	(6,210)	(6,210)	-	-
Distributions to restricted stock unit holders	(295)	(216)	(79)	36.6%
Non-recurring property renovations	(32)	(13)	(19)	146.2%
Free cash available for debt repayment and investments	<u>\$ 14,202</u>	<u>\$ 11,961</u>	<u>\$ 2,241</u>	18.7%
Investment in Highgate	(2,760)	(14,635)	11,875	(81.1%)
Investment in multi-family development (The Mile)	(146)	(1,248)	1,102	(88.3%)
Retained cash	<u>\$ 11,296</u>	<u>\$ (3,922)</u>	<u>\$ 15,218</u>	(388.0%)
FAD distributions payout ratio	<u>67.6%</u>	<u>71.1%</u>		

Core FFO Per Share⁽¹⁾



⁽¹⁾ Where applicable, amounts exclude the net impact of changes in senior management, preferred redemption charge and acquisition transaction costs.

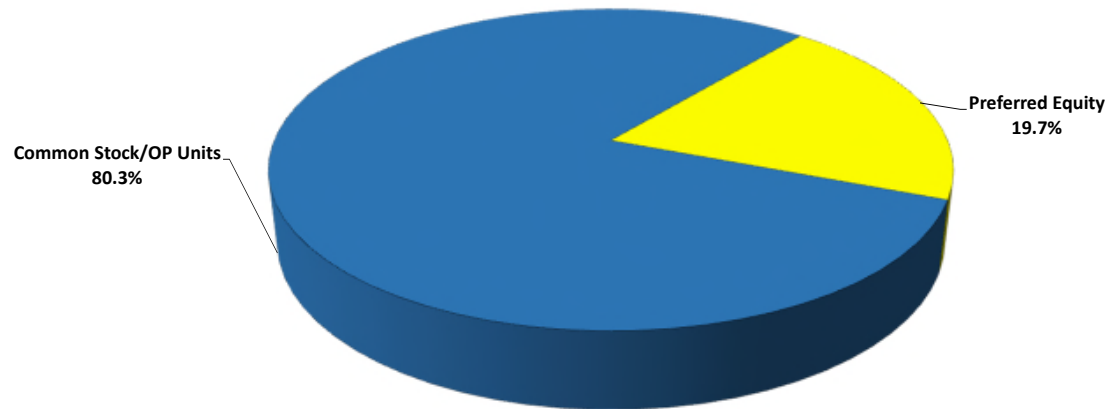
⁽²⁾ Excludes a lease buyout payment of \$528,000.

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

	As of March 31, 2018			As of December 31, 2017		
	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%)	\$ 2,500			\$ -		
Total unsecured debt	2,500	-	2.40%	-	-	-
Preferred Equity:						
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			230,000		
5.200% Series Y preferred stock (8,000,000 depositary shares outstanding) callable 12/7/22	200,000			200,000		
6.000% Series T preferred stock (5,200,000 depositary shares outstanding) redeemed 1/3/18	-			130,000		
Total preferred equity	959,750	19.7%	5.40%	1,089,750	20.1%	5.47%
Total debt and preferred equity	962,250	19.7%	5.39%	1,089,750	20.1%	5.47%
Common stock (27,316,698 and 27,254,607 shares outstanding as of March 31, 2018 and December 31, 2017, respectively)	3,087,880			3,409,279		
Common operating partnership units (7,305,355 units outstanding as of March 31, 2018 and December 31, 2017)	825,797			913,827		
Total common equity ⁽¹⁾	3,913,677	80.3%		4,323,106	79.9%	
Total market capitalization	\$ 4,875,927	100.0%		\$ 5,412,856	100.0%	

⁽¹⁾ Closing stock price was \$113.04 and \$125.09 as of March 31, 2018 and December 31, 2017, respectively.

Total Market Capitalization as of March 31, 2018: \$4.9 billion ⁽²⁾



⁽²⁾ The graph does not include \$2.5 million of borrowings on the credit facility as it is immaterial to the total. The balance of \$2.5 million was subsequently repaid after March 31, 2018.

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

	<u>03/31/18</u>	<u>12/31/17</u>	<u>Change</u>		<u>% Change</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 39,168	\$ 114,882	\$ (75,714)	(a)	(65.9%)
Real estate facilities, at cost:					
Land	790,850	769,036	21,814		2.8%
Buildings and equipment	2,244,573	2,156,862	87,711		4.1%
	<u>3,035,423</u>	<u>2,925,898</u>	<u>109,525</u>		3.7%
Accumulated depreciation	(1,180,567)	(1,161,798)	(18,769)		1.6%
	<u>1,854,856</u>	<u>1,764,100</u>	<u>90,756</u>	(b)	5.1%
Properties held for disposition, net	34,806	49,259	(14,453)		(29.3%)
Land and building held for development	29,811	29,665	146		0.5%
	<u>1,919,473</u>	<u>1,843,024</u>	<u>76,449</u>		4.1%
Investment in and advances to unconsolidated joint venture	-	100,898	(100,898)		(100.0%)
Rent receivable, net	3,199	1,876	1,323	(c)	70.5%
Deferred rent receivable, net	32,485	32,062	423		1.3%
Other assets	6,635	7,417	(782)	(d)	(10.5%)
Total assets	<u>\$ 2,000,960</u>	<u>\$ 2,100,159</u>	<u>\$ (99,199)</u>		(4.7%)
<u>LIABILITIES AND EQUITY</u>					
Accrued and other liabilities	\$ 78,813	\$ 80,223	\$ (1,410)	(e)	(1.8%)
Preferred stock called for redemption	-	130,000	(130,000)		(100.0%)
Credit facility	\$ 2,500	-	2,500		100.0%
Total liabilities	<u>81,313</u>	<u>210,223</u>	<u>(128,910)</u>		(61.3%)
Equity:					
PS Business Parks, Inc.'s shareholders' equity:					
Preferred stock	959,750	959,750	-		-
Common stock	272	272	-		-
Paid-in capital	732,574	735,067	(2,493)	(f)	(0.3%)
Accumulated earnings (deficit)	21,673	(1,778)	23,451	(g)	(1,319.0%)
Total PS Business Parks, Inc.'s shareholders' equity	<u>1,714,269</u>	<u>1,693,311</u>	<u>20,958</u>		1.2%
Noncontrolling interests	205,378	196,625	8,753		4.5%
Total equity	<u>1,919,647</u>	<u>1,889,936</u>	<u>29,711</u>		1.6%
Total liabilities and equity	<u>\$ 2,000,960</u>	<u>\$ 2,100,159</u>	<u>\$ (99,199)</u>		(4.7%)

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

(a) Change in cash and cash equivalents:			
Beginning cash balance			\$ 114,882
Net cash provided by operating activities			63,938
Net cash provided by investing activities			35,565
Net cash used in financing activities			(175,217)
Ending cash balance			<u>\$ 39,168</u>
(b) Change in real estate facilities, at cost:			
Beginning balance			\$ 1,764,100
Consolidation of joint venture			107,250
Recurring capital improvements			1,131
Tenant improvements, gross			4,013
Lease commissions			1,939
Nonrecurring capital improvements			32
Depreciation and amortization			(23,582)
Transfer to properties held for disposition			(27)
Ending balance			<u>\$ 1,854,856</u>
(c) Rent receivable consists of:			
	<u>03/31/18</u>	<u>12/31/17</u>	<u>Change</u>
Non-government customers	\$ 2,754	\$ 1,115	\$ 1,639
U.S. Government customers	845	1,161	(316)
Allowance for doubtful accounts	(400)	(400)	-
	<u>\$ 3,199</u>	<u>\$ 1,876</u>	<u>\$ 1,323</u>
(d) Other assets consist of:			
	<u>03/31/18</u>	<u>12/31/17</u>	<u>Change</u>
In-place lease adjustment and incentives, net	\$ 990	\$ 1,084	\$ (94)
Prepaid property taxes and insurance	1,629	3,394	(1,765)
Other	4,016	2,939	1,077
	<u>\$ 6,635</u>	<u>\$ 7,417</u>	<u>\$ (782)</u>
(e) Accrued and other liabilities consist of:			
	<u>03/31/18</u>	<u>12/31/17</u>	<u>Change</u>
Security deposits	\$ 34,005	\$ 34,198	\$ (193)
Accrued property taxes	12,033	11,157	876
Prepaid rent	14,918	16,638	(1,720)
In-place lease adjustment and tenant improvement reimbursements, net	7,585	7,970	(385)
Other	10,272	10,260	12
	<u>\$ 78,813</u>	<u>\$ 80,223</u>	<u>\$ (1,410)</u>
(f) Change in paid-in capital:			
Beginning paid-in capital			\$ 735,067
Exercise of stock options			253
Stock compensation, net			814
Cash paid for taxes in lieu of shares upon vesting of restricted stock units			(4,529)
Adjustment to reflect noncontrolling interests to underlying ownership			969
Ending paid in capital			<u>\$ 732,574</u>
(g) Change in accumulated earnings (deficit):			
Beginning accumulated deficit			\$ (1,778)
Distributions to preferred shareholders			(13,003)
Distributions to common shareholders			(23,171)
Net income			59,625
Ending accumulated earnings			<u>\$ 21,673</u>

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

	For The Three Months Ended		Change	% Change
	03/31/18	03/31/17		
Rental income	\$ 103,759	\$ 100,061	\$ 3,698	(a) 3.7%
Expenses:				
Cost of operations	33,000	31,033	1,967	(b) 6.3%
Depreciation and amortization	23,882	23,078	804	3.5%
General and administrative	2,306	2,831	(525)	(c) (18.5%)
Total operating expenses	<u>59,188</u>	<u>56,942</u>	<u>2,246</u>	3.9%
Operating income	44,571	43,119	1,452	3.4%
Interest and other income	284	233	51	21.9%
Interest and other expense	(165)	(184)	19	(d) (10.3%)
Gain on sale of real estate facility and development rights	26,835	3,865	22,970	594.3%
Net income	<u>71,525</u>	<u>47,033</u>	<u>24,492</u>	52.1%
Allocation to noncontrolling interests	<u>(11,900)</u>	<u>(7,102)</u>	<u>(4,798)</u>	67.6%
Net income allocable to PS Business Parks, Inc.	59,625	39,931	19,694	49.3%
Allocation to preferred shareholders	(13,003)	(13,291)	288	(2.2%)
Allocation to restricted stock unit holders	(574)	(248)	(326)	131.5%
Net income allocable to common shareholders	<u>\$ 46,048</u>	<u>\$ 26,392</u>	<u>\$ 19,656</u>	74.5%
Net income per common share				
Basic	\$ 1.69	\$ 0.97	\$ 0.72	74.2%
Diluted	\$ 1.69	\$ 0.97	\$ 0.72	74.2%
Weighted average common shares outstanding:				
Basic	<u>27,267</u>	<u>27,148</u>	<u>119</u>	0.4%
Diluted	<u>27,318</u>	<u>27,234</u>	<u>84</u>	0.3%

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

	For The Three Months Ended		Change
	03/31/18	03/31/17	
(a) Rental income:			
Same Park	\$ 97,535	\$ 94,925	\$ 2,610
Non-Same Park	434	260	174
Multi-family	1,424	-	1,424
Same Park straight-line rent	487	831	(344)
Non-Same Park straight-line rent	174	31	143
Assets sold or held for sale	3,705	4,014	(309)
	<u>\$ 103,759</u>	<u>\$ 100,061</u>	<u>\$ 3,698</u>
(b) Cost of Operations:			
Same Park	\$ 30,035	\$ 28,214	\$ 1,821
Non-Same Park	360	354	6
Multi-family	997	-	997
Assets sold or held for sale	1,253	1,669	(416)
LTEIP amortization	355	796	(441)
	<u>\$ 33,000</u>	<u>\$ 31,033</u>	<u>\$ 1,967</u>
(c) General and administrative expenses:			
Compensation expense	\$ 1,077	\$ 1,169	\$ (92)
LTEIP amortization	346	973	(627)
Professional fees and other	883	689	194
	<u>\$ 2,306</u>	<u>\$ 2,831</u>	<u>\$ (525)</u>
(d) Interest and other expense:			
Credit facility	\$ (13)	\$ (283)	\$ 270
Capitalized interest	-	279	(279)
Facilities fees & other charges	(152)	(180)	28
	<u>\$ (165)</u>	<u>\$ (184)</u>	<u>\$ 19</u>

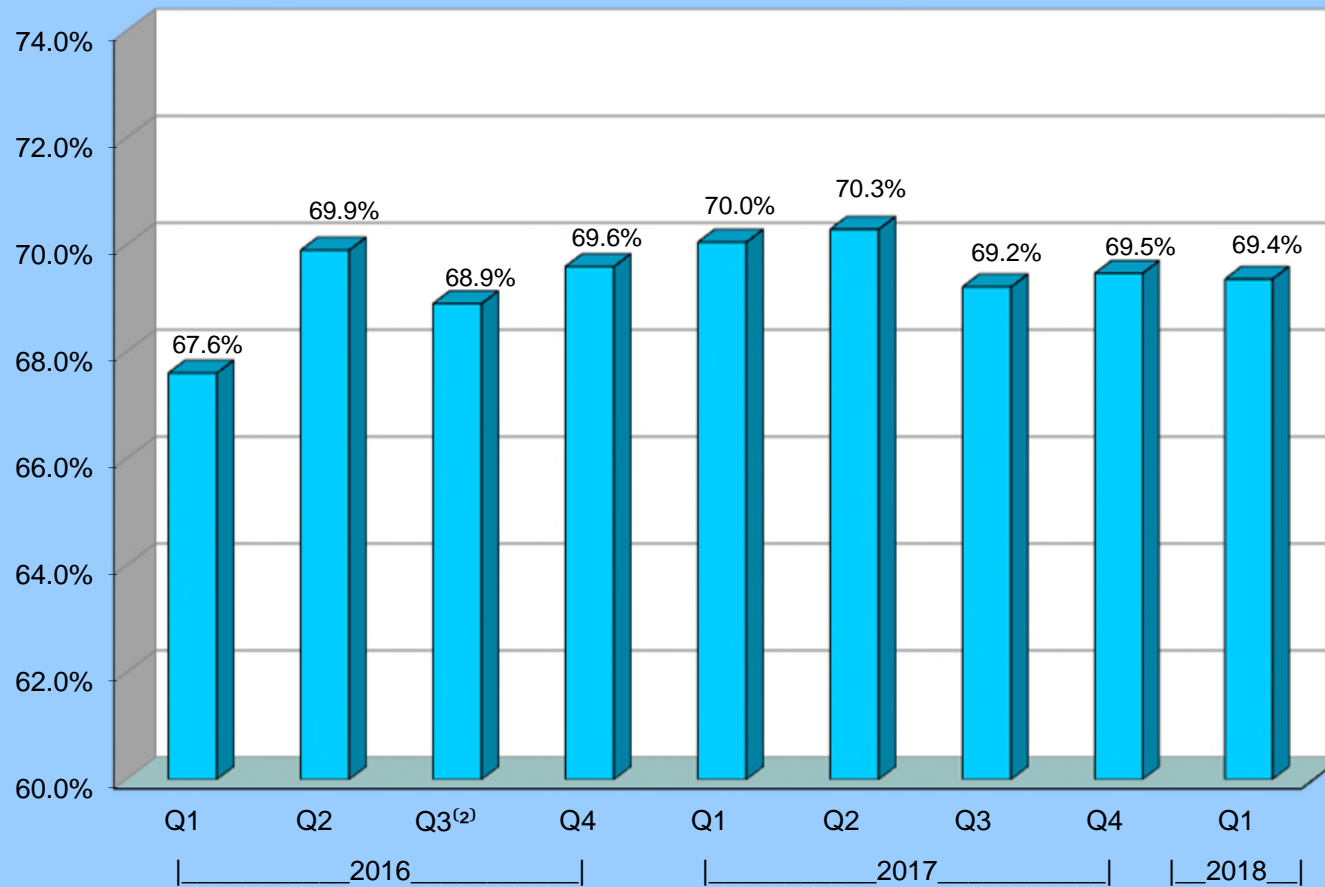
PS BUSINESS PARKS, INC.
Analysis of Capital Expenditures ⁽¹⁾
(in thousands, except per square foot data)

<u>Commercial recurring capital expenditures ⁽²⁾</u>	<u>For The Three Months Ended March 31, 2018</u>	<u>Cost per Weighted Average Square Foot</u>
Capital improvements	\$1,124	\$0.04
Tenant improvements	3,940	\$0.14
Lease commissions	1,939	\$0.07
Total commercial recurring capital expenditures	<u><u>\$7,003</u></u>	\$0.25
 <u>Non-recurring property renovations</u>		
Non-recurring property renovations	\$32	

(1) Excludes multi-family capital expenditures.

(2) 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 \$7.4 million or approximately \$0.27 per weighted average square foot for the three months ended March 31, 2018 compared to \$6.8 million or approximately \$0.24 per weighted average square foot for the three months ended March 31, 2017.

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 a lease buyout payment of \$528,000.

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

Industry Concentration as of March 31, 2018

	% of Total Rental Income
Business services	18.4%
Warehouse, distribution, transportation and logistics	12.0%
Computer hardware, software and related services	10.2%
Health services	9.9%
Retail, food, and automotive	7.1%
Government	7.0%
Engineering and Construction	6.9%
Insurance and financial services	4.0%
Electronics	3.2%
Home furnishings	2.7%
Aerospace/defense products and services	2.4%
Communications	2.0%
Educational services	1.4%
Other	12.8%
Total	100.0%

Top 10 Customers by Total Annual Rental Income as of March 31, 2018

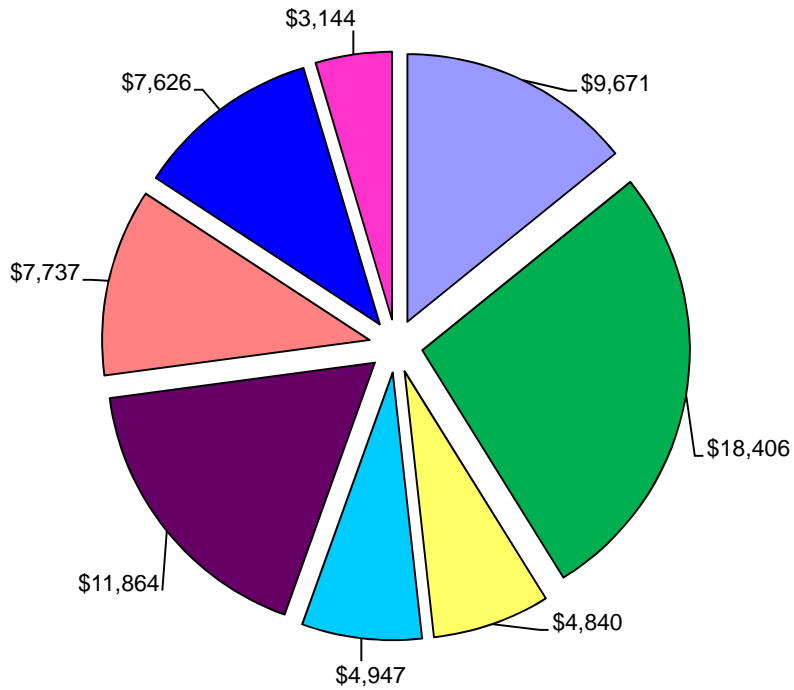
Customer	Square Footage	Annualized Rental Income ⁽¹⁾	% of Total Annualized Rental Income
US Government	642	\$ 17,239	4.4%
Keeco, L.L.C.	460	3,660	0.9%
Luminex Corporation	162	3,262	0.8%
Lockheed Martin Corporation	168	2,566	0.7%
Kaiser Permanente	158	2,492	0.6%
KZ Kitchen Cabinet & Stone	192	2,270	0.6%
Applied Materials, Inc.	162	2,174	0.6%
Investorplace Media, LLC	46	1,871	0.5%
Carbel, LLC	178	1,747	0.4%
Inova Health Care Services	66	1,745	0.4%
Total	2,234	\$ 39,026	9.9%

(1) - For leases expiring within one year, annualized rental income represents income to be received under existing leases from April 1, 2018 through the date of expiration.

Total Portfolio Net Operating Income by Region

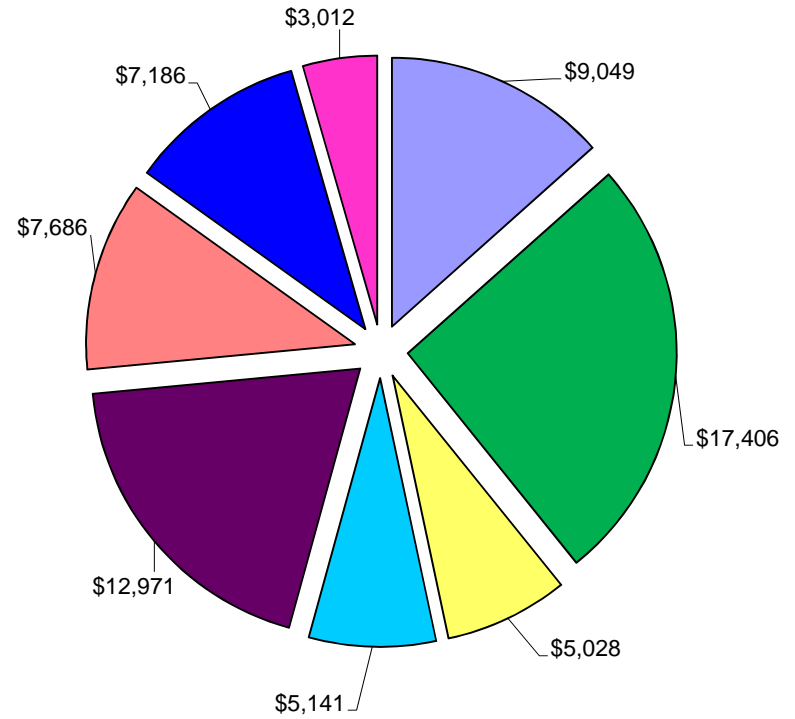
Three Months Ended March 31, 2018
\$68,235 (in thousands) ⁽¹⁾

Southern California (14%)	Northern California (27%)
Austin (7%)	Dallas (7%)
Northern Virginia (18%)	Suburban Maryland (11%)
South Florida (11%)	Seattle (5%)



Three Months Ended March 31, 2017
\$67,479 (in thousands) ⁽¹⁾

Southern California (13%)	Northern California (26%)
Austin (7%)	Dallas (8%)
Northern Virginia (19%)	Suburban Maryland (11%)
South Florida (11%)	Seattle (5%)



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

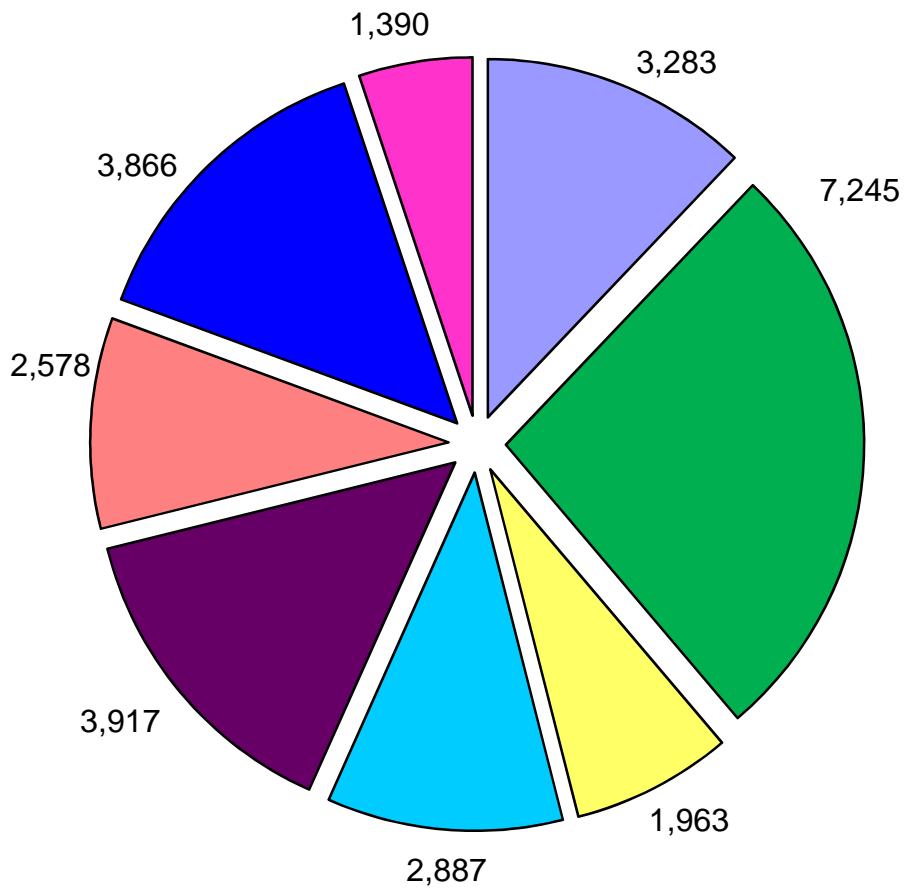
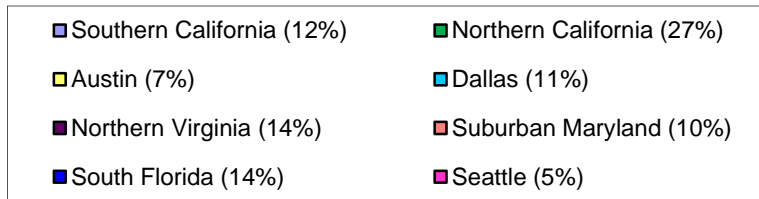
Same Park Portfolio by Region by Type
Rental Income, Adjusted Cost of Operations and Net Operating Income ("NOI")

	For the Three Months Ended							
	March 31, 2018				March 31, 2017			
	Flex	Office	Industrial	Total	Flex	Office	Industrial	Total
	In thousands							
Rental Income:								
Northern California	\$ 2,342	\$ 2,805	\$ 19,088	\$ 24,235	\$ 2,376	\$ 2,680	\$ 18,240	\$ 23,296
Southern California	4,401	183	8,396	12,980	4,174	145	8,003	12,322
Dallas	4,894	—	2,856	7,750	4,819	—	2,906	7,725
Austin	5,457	—	1,979	7,436	5,691	—	1,825	7,516
Northern Virginia	6,267	10,753	1,860	18,880	6,703	10,818	1,568	19,089
South Florida	478	45	10,054	10,577	455	24	9,458	9,937
Suburban Maryland	3,290	7,500	1,139	11,929	2,941	7,752	1,167	11,860
Seattle	1,456	180	2,599	4,235	1,394	116	2,501	4,011
Total	<u>28,585</u>	<u>21,466</u>	<u>47,971</u>	<u>98,022</u>	<u>28,553</u>	<u>21,535</u>	<u>45,668</u>	<u>95,756</u>
Adjusted Cost of Operations:								
Northern California	661	742	4,426	5,829	621	728	4,541	5,890
Southern California	1,186	66	2,057	3,309	1,135	66	2,072	3,273
Dallas	1,814	—	989	2,803	1,742	—	842	2,584
Austin	1,926	—	670	2,596	1,840	—	648	2,488
Northern Virginia	2,008	4,433	575	7,016	1,795	3,821	502	6,118
South Florida	129	11	2,811	2,951	156	20	2,575	2,751
Suburban Maryland	1,017	3,048	375	4,440	929	2,820	362	4,111
Seattle	358	53	680	1,091	360	47	592	999
Total	<u>9,099</u>	<u>8,353</u>	<u>12,583</u>	<u>30,035</u>	<u>8,578</u>	<u>7,502</u>	<u>12,134</u>	<u>28,214</u>
NOI:								
Northern California	1,681	2,063	14,662	18,406	1,755	1,952	13,699	17,406
Southern California	3,215	117	6,339	9,671	3,039	79	5,931	9,049
Dallas	3,080	—	1,867	4,947	3,077	—	2,064	5,141
Austin	3,531	—	1,309	4,840	3,851	—	1,177	5,028
Northern Virginia	4,259	6,320	1,285	11,864	4,908	6,997	1,066	12,971
South Florida	349	34	7,243	7,626	299	4	6,883	7,186
Suburban Maryland	2,273	4,452	764	7,489	2,012	4,932	805	7,749
Seattle	1,098	127	1,919	3,144	1,034	69	1,909	3,012
Total	<u>\$ 19,486</u>	<u>\$ 13,113</u>	<u>\$ 35,388</u>	<u>\$ 67,987</u>	<u>\$ 19,975</u>	<u>\$ 14,033</u>	<u>\$ 33,534</u>	<u>\$ 67,542</u>

(1) Excludes assets sold or held for sale.

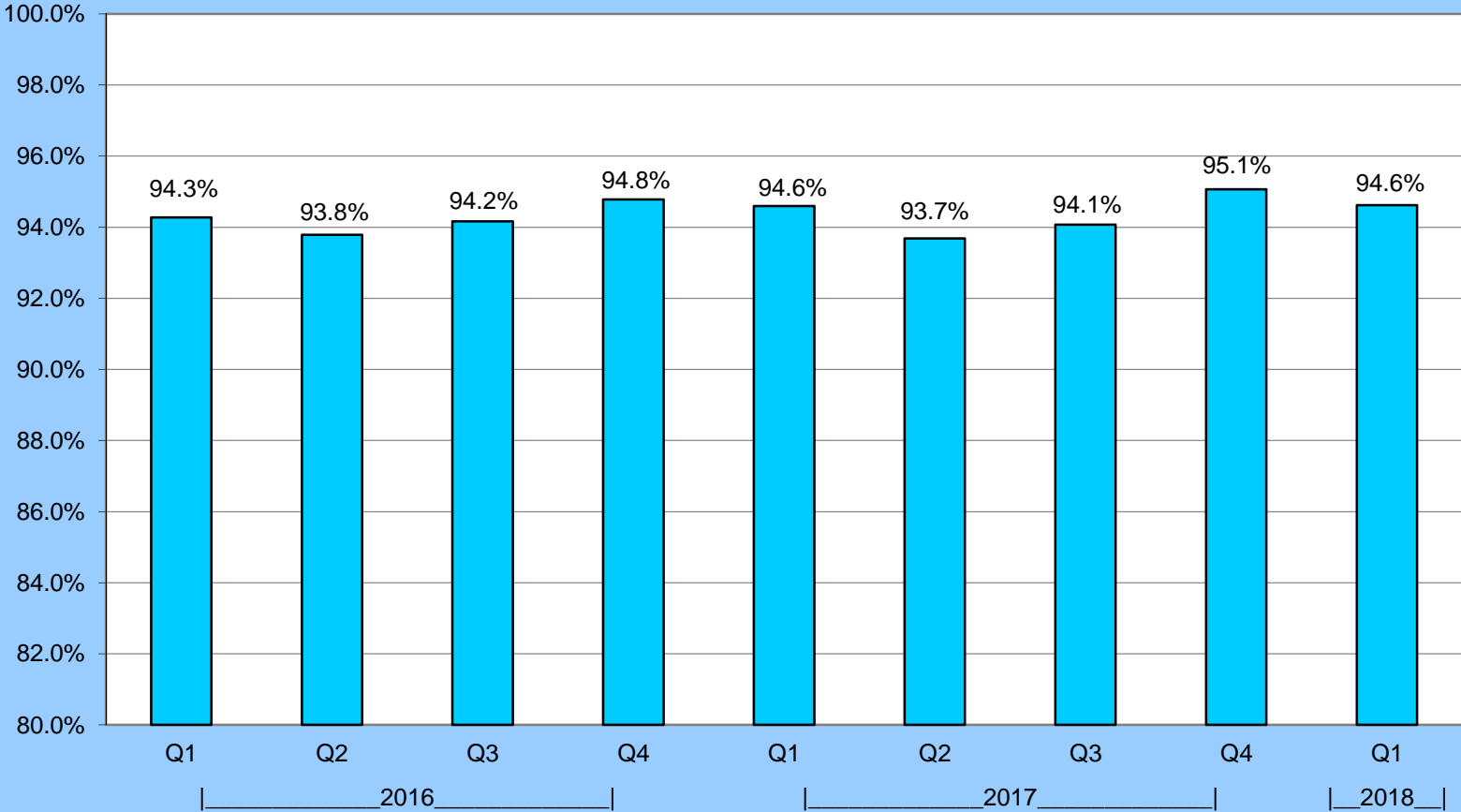
Total Rentable Square Footage by Region

March 31, 2018 and 2017
27,129 square feet ⁽¹⁾ (in thousands)



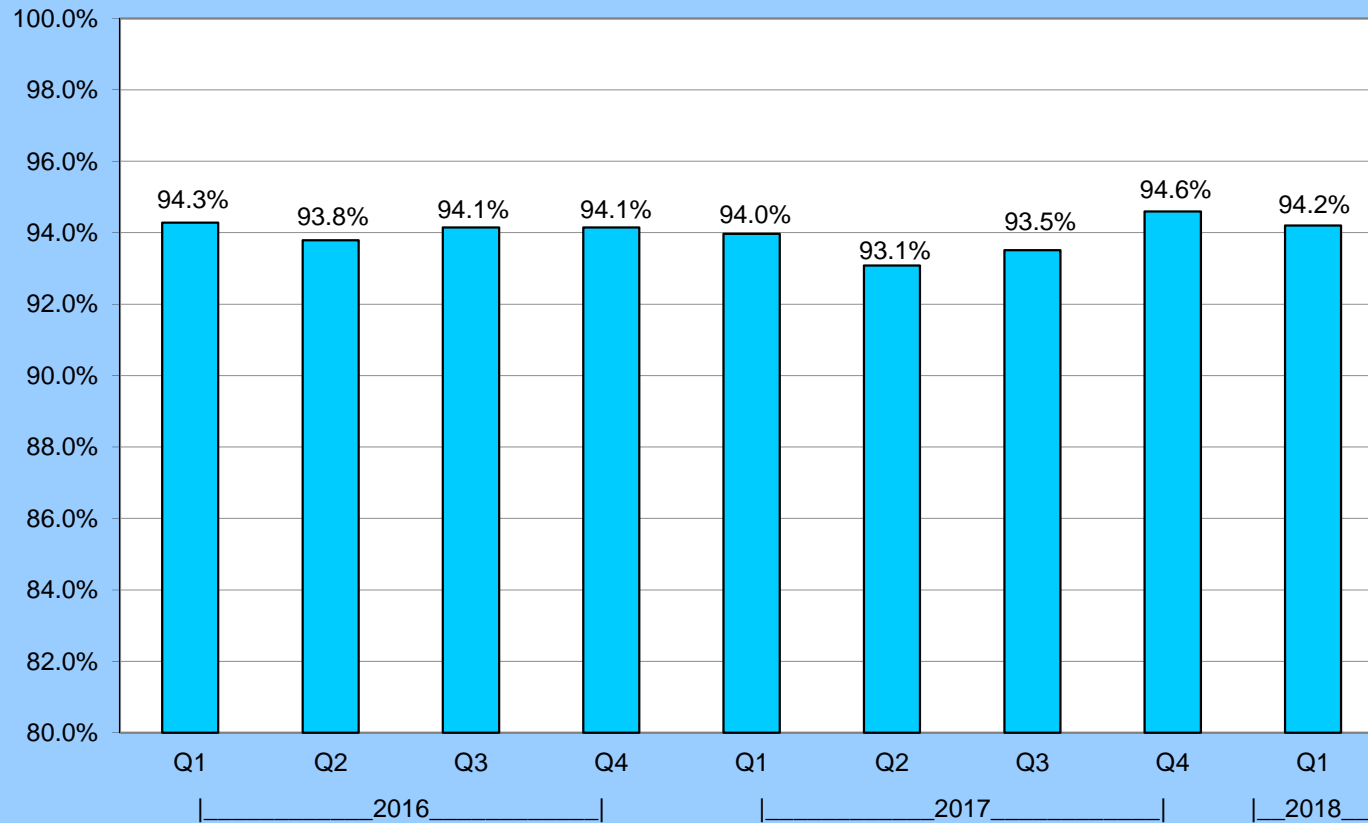
(1) Excludes assets sold or held for sale.

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 sale or development.

PS BUSINESS PARKS, INC.
SAME PARK PORTFOLIO OVERVIEW ⁽¹⁾
(in thousands, excludes assets sold or held for sale)

Rentable Square Footage of Properties as of March 31, 2018					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Northern Virginia	507	1,970	1,440	3,917	14.6%
South Florida	3,728	12	126	3,866	14.4%
East Bay	3,297	-	53	3,350	12.4%
Silicon Valley	3,094	-	367	3,461	12.9%
Dallas	1,300	-	1,587	2,887	10.7%
Suburban Maryland	394	1,382	576	2,352	8.7%
Austin	755	-	1,208	1,963	7.3%
Orange County	810	-	101	911	3.4%
Los Angeles County	1,256	31	317	1,604	6.0%
Seattle	1,092	28	270	1,390	5.2%
San Diego County	233	-	535	768	2.8%
Mid-Peninsula	-	340	94	434	1.6%
Total	16,466	3,763	6,674	26,903	100.0%
Percentage by Product Type	61.2%	14.0%	24.8%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended March 31, 2018				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	92.0%	88.3%	94.2%	91.0%
South Florida	96.1%	100.0%	99.2%	96.2%
East Bay	97.6%	-	98.9%	97.6%
Silicon Valley	97.7%	-	96.8%	97.6%
Dallas	93.0%	-	86.8%	89.6%
Suburban Maryland	87.8%	87.9%	94.5%	89.5%
Austin	99.4%	-	91.3%	94.4%
Orange County	96.7%	-	100.0%	97.1%
Los Angeles County	98.5%	94.3%	96.0%	97.9%
Seattle	98.5%	100.0%	96.8%	98.2%
San Diego County	98.8%	-	95.8%	96.7%
Mid-Peninsula	-	96.0%	99.8%	96.8%
Total	96.7%	89.0%	92.7%	94.6%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended March 31, 2018 ⁽²⁾			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	92.5%	88.4%	91.0%
South Florida	96.6%	94.3%	96.2%
East Bay	97.4%	99.8%	97.6%
Silicon Valley	98.0%	95.8%	97.6%
Dallas	90.7%	87.8%	89.6%
Suburban Maryland	90.3%	86.9%	89.5%
Austin	95.3%	88.3%	94.4%
Orange County	97.2%	96.9%	97.1%
Los Angeles County	99.8%	96.4%	97.9%
Seattle	98.3%	98.0%	98.2%
San Diego County	-	96.7%	96.7%
Mid-Peninsula	-	96.8%	96.8%
Total	95.4%	92.9%	94.6%

⁽¹⁾ 7.6 million square feet was reclassified from flex to industrial effective January 1, 2018.

⁽²⁾ 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 ⁽¹⁾
(in thousands, excludes assets sold or held for sale)

Rentable Square Footage of Properties as of March 31, 2018					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Northern Virginia	507	1,970	1,440	3,917	14.4%
South Florida	3,728	12	126	3,866	14.3%
East Bay	3,297	-	53	3,350	12.3%
Silicon Valley	3,094	-	367	3,461	12.9%
Dallas	1,300	-	1,587	2,887	10.6%
Suburban Maryland	394	1,608	576	2,578	9.5%
Austin	755	-	1,208	1,963	7.2%
Orange County	810	-	101	911	3.4%
Los Angeles County	1,256	31	317	1,604	5.9%
Seattle	1,092	28	270	1,390	5.1%
San Diego County	233	-	535	768	2.8%
Mid-Peninsula	-	340	94	434	1.6%
Total	16,466	3,989	6,674	27,129	100.0%
Percentage by Product Type	60.7%	14.7%	24.6%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended March 31, 2018				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	92.0%	88.3%	94.2%	91.0%
South Florida	96.1%	100.0%	99.2%	96.2%
East Bay	97.6%	-	98.9%	97.6%
Silicon Valley	97.7%	-	96.8%	97.6%
Dallas	93.0%	-	86.8%	89.6%
Suburban Maryland	87.8%	82.2%	94.5%	85.8%
Austin	99.4%	-	91.3%	94.4%
Orange County	96.7%	-	100.0%	97.1%
Los Angeles County	98.5%	94.3%	96.0%	97.9%
Seattle	98.5%	100.0%	96.8%	98.2%
San Diego County	98.8%	-	95.8%	96.7%
Mid-Peninsula	-	96.0%	99.8%	96.8%
Total	96.7%	86.7%	92.7%	94.2%

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended March 31, 2018 ⁽²⁾			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	92.5%	88.4%	91.0%
South Florida	96.6%	94.3%	96.2%
East Bay	97.4%	99.8%	97.6%
Silicon Valley	98.0%	95.8%	97.6%
Dallas	90.7%	87.8%	89.6%
Suburban Maryland	90.3%	75.5%	85.8%
Austin	95.3%	88.3%	94.4%
Orange County	97.2%	96.9%	97.1%
Los Angeles County	99.8%	96.4%	97.9%
Seattle	98.3%	98.0%	98.2%
San Diego County	-	96.7%	96.7%
Mid-Peninsula	-	96.8%	96.8%
Total	95.4%	91.6%	94.2%

⁽¹⁾ 7.6 million square feet was reclassified from flex to industrial effective January 1, 2018.

⁽²⁾ 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 MARCH 31, 2018
(in thousands, excluding assets held for sale)

Lease Expirations - Flex				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	1,455	\$ 27,345	23.0%	6.6%
2019	1,530	27,951	23.5%	6.7%
2020	1,205	21,546	18.1%	5.2%
2021	646	11,914	10.0%	2.9%
2022	688	15,110	12.7%	3.6%
Thereafter	686	15,125	12.7%	3.6%
Total	6,210	\$ 118,991	100.0%	28.6%

Lease Expirations - Office				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	772	\$ 20,111	21.6%	4.8%
2019	842	22,304	24.0%	5.4%
2020	639	16,992	18.3%	4.1%
2021	351	8,322	8.9%	2.0%
2022	296	7,683	8.3%	1.9%
Thereafter	627	17,631	18.9%	4.2%
Total	3,527	\$ 93,043	100.0%	22.4%

Lease Expirations - Industrial				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	2,135	\$ 27,439	13.5%	6.6%
2019	4,398	52,321	25.7%	12.6%
2020	3,593	43,453	21.4%	10.5%
2021	1,794	23,696	11.6%	5.7%
2022	1,748	23,165	11.4%	5.6%
Thereafter	2,313	33,381	16.4%	8.0%
Total	15,981	\$ 203,455	100.0%	49.0%

Lease Expirations - Total Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	4,362	\$ 74,895	18.0%	18.0%
2019	6,770	102,576	24.7%	24.7%
2020	5,437	81,991	19.7%	19.7%
2021	2,791	43,932	10.6%	10.6%
2022	2,732	45,958	11.1%	11.1%
Thereafter	3,626	66,137	15.9%	15.9%
Total	25,718	\$ 415,489	100.0%	100.0%

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF MARCH 31, 2018
(in thousands, excluding assets held for sale)

Southern California					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	694	\$ 11,558	20.9%	2.8%	
2019	1,145	17,898	32.3%	4.3%	
2020	768	12,684	22.9%	3.0%	
2021	226	4,462	8.1%	1.1%	
2022	225	4,300	7.8%	1.0%	
Thereafter	171	4,434	8.0%	1.1%	
Total	3,229	\$ 55,336	100.0%	13.3%	

Northern California					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	763	\$ 12,929	12.2%	3.1%	
2019	2,140	27,951	26.4%	6.7%	
2020	1,370	21,509	20.4%	5.2%	
2021	879	12,474	11.8%	3.0%	
2022	741	10,994	10.4%	2.6%	
Thereafter	1,219	19,819	18.8%	4.7%	
Total	7,112	\$ 105,676	100.0%	25.3%	

Austin					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	298	\$ 5,471	17.7%	1.3%	
2019	270	4,103	13.3%	1.0%	
2020	504	8,216	26.5%	2.0%	
2021	242	4,295	13.9%	1.0%	
2022	265	4,353	14.1%	1.0%	
Thereafter	273	4,472	14.5%	1.1%	
Total	1,852	\$ 30,910	100.0%	7.4%	

Dallas					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	554	\$ 8,547	25.6%	2.1%	
2019	664	8,092	24.2%	1.9%	
2020	688	7,341	22.0%	1.8%	
2021	248	3,258	9.7%	0.8%	
2022	150	1,713	5.1%	0.5%	
Thereafter	296	4,479	13.4%	1.1%	
Total	2,600	\$ 33,430	100.0%	8.2%	

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF MARCH 31, 2018
(in thousands, excluding assets held for sale)

South Florida					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	771	\$ 9,268	21.6%	2.2%	
2019	840	9,841	22.9%	2.4%	
2020	681	7,639	17.7%	1.9%	
2021	474	5,556	12.9%	1.3%	
2022	391	4,373	10.2%	1.1%	
Thereafter	553	6,314	14.7%	1.5%	
Total	3,710	\$ 42,991	100.0%	10.4%	

Northern Virginia					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	611	\$ 11,861	15.5%	2.9%	
2019	1,005	21,775	28.5%	5.3%	
2020	670	12,779	16.7%	3.1%	
2021	329	6,620	8.7%	1.6%	
2022	532	12,407	16.2%	3.0%	
Thereafter	453	11,040	14.4%	2.6%	
Total	3,600	\$ 76,482	100.0%	18.5%	

Suburban Maryland					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	545	\$ 13,072	24.9%	3.1%	
2019	366	7,950	15.1%	1.9%	
2020	311	6,833	13.0%	1.5%	
2021	256	5,290	10.1%	1.3%	
2022	246	5,356	10.2%	1.3%	
Thereafter	524	14,012	26.7%	3.4%	
Total	2,248	\$ 52,513	100.0%	12.5%	

Seattle					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	126	\$ 2,189	12.1%	0.5%	
2019	340	4,966	27.3%	1.2%	
2020	445	4,990	27.5%	1.2%	
2021	137	1,977	10.9%	0.5%	
2022	182	2,462	13.6%	0.6%	
Thereafter	137	1,567	8.6%	0.4%	
Total	1,367	\$ 18,151	100.0%	4.4%	

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF MARCH 31, 2018
(in thousands, excluding assets held for sale)

Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	%	% of Total Annualized Rental Income
2018	4,362	\$ 74,895	18.0%		18.0%
2019	6,770	102,576	24.7%		24.7%
2020	5,437	81,991	19.7%		19.7%
2021	2,791	43,932	10.6%		10.6%
2022	2,732	45,958	11.1%		11.1%
Thereafter	3,626	66,137	15.9%		15.9%
Total	25,718	\$ 415,489	100.0%		100.0%

PS BUSINESS PARKS, INC.
TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF MARCH 31, 2018
(in thousands, excluding assets held for sale)

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	2,550	\$ 42,711	15.8%	10.2%	
2019	4,420	59,353	22.0%	14.3%	
2020	3,838	51,169	19.0%	12.3%	
2021	2,061	29,926	11.1%	7.2%	
2022	2,175	34,511	12.8%	8.3%	
Thereafter	3,058	51,977	19.3%	12.5%	
Total	18,102	\$ 269,647	100.0%	64.8%	

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	1,812	\$ 32,184	22.1%	7.8%	
2019	2,350	43,223	29.6%	10.4%	
2020	1,599	30,822	21.2%	7.4%	
2021	730	14,006	9.6%	3.4%	
2022	557	11,447	7.8%	2.8%	
Thereafter	568	14,160	9.7%	3.4%	
Total	7,616	\$ 145,842	100.0%	35.2%	

Lease Expirations - Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	4,362	\$ 74,895	18.0%	18.0%	
2019	6,770	102,576	24.7%	24.7%	
2020	5,437	81,991	19.7%	19.7%	
2021	2,791	43,932	10.6%	10.6%	
2022	2,732	45,958	11.1%	11.1%	
Thereafter	3,626	66,137	15.9%	15.9%	
Total	25,718	\$ 415,489	100.0%	100.0%	

PS BUSINESS PARKS, INC.
QUARTERLY TO DATE PRODUCTION STATISTICS - TOTAL PORTFOLIO ⁽¹⁾
March 31, 2018

	QTD Total Portfolio Wtd. Avg. Occupancy	Total Portfolio Activity				
		Leasing Volume	Customer Retention	Transaction Costs per Executed Foot	Transaction Costs ⁽²⁾	Rental Rate Change ⁽³⁾
		1st Quarter	1st Quarter	1st Quarter	1st Quarter	1st Quarter
Suburban Maryland	85.8%	104,000	78.1%	\$ 10.52	17.9%	-5.0%
Northern Virginia	91.0%	231,000	67.0%	\$ 11.90	14.9%	-10.5%
San Diego	96.7%	57,000	66.7%	\$ 0.99	2.3%	1.3%
Orange County	97.1%	125,000	88.3%	\$ 2.17	2.7%	1.9%
Los Angeles	97.9%	124,000	79.3%	\$ 0.87	2.4%	8.3%
Austin	94.4%	116,000	90.5%	\$ 1.28	2.1%	10.3%
Dallas	89.6%	156,000	58.1%	\$ 2.84	9.1%	-0.8%
South Florida	96.2%	390,000	79.3%	\$ 1.12	2.7%	3.7%
Seattle	98.2%	51,000	21.9%	\$ 1.71	3.0%	16.4%
East Bay	97.6%	127,000	36.7%	\$ 1.46	2.3%	20.9%
Silicon Valley	97.6%	94,000	67.6%	\$ 2.10	2.9%	22.3%
Mid-Peninsula	96.8%	30,000	61.7%	\$ 2.42	2.4%	8.8%
Company Totals	94.2%	1,605,000	70.0%	\$ 3.65	6.5%	4.3%

⁽¹⁾ Excludes assets sold or held for sale.

⁽²⁾ Effective transaction costs are computed by taking the total transaction costs divided by the total rents over the term of the lease.

⁽³⁾ 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 Summary

March 31, 2018

Project Name	Location	Apartment Units	Total Costs ⁽¹⁾ (in thousands)	Schedule			Estimated Stabilization Period	
				Construction Start	Initial Occupancy	Construction Completion		
Highgate at the Mile	McLean, Virginia	395	\$ 115,935	Q3 2015	Q2 2017	Q4 2017	Q4 2018	
As of March 31, 2018								
						% Completed	% Occupied	Average Rent per Unit⁽²⁾
						100.0%	61.5%	\$ 2,154

(1) The estimated total costs of the project includes contributed land value of \$21.0 million plus unrealized land appreciation of \$6.0 million.

(2) Average rent per unit is defined as the total potential monthly rental revenue (actual rent for occupied apartment units plus market rent for vacant apartment units) divided by the number of apartment units.