



**PSBUSINESSPARKS**<sup>SM</sup>

**Analysis of Operating Results  
and Financial Condition**

**June 30, 2018**

**ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION FOR  
THE THREE AND SIX MONTHS ENDED JUNE 30, 2018**

**INDEX**

	<b><u>Page</u></b>
Fact Sheet .....	<b>3</b>
Funds from Operations (FFO) .....	<b>4</b>
Capital Structure .....	<b>6</b>
Consolidated Balance Sheets .....	<b>7</b>
Consolidated Statements of Income .....	<b>9</b>
Capital Expenditure Analysis .....	<b>13</b>
Portfolio Operating Analysis and Statistics .....	<b>14</b>
Lease Expirations .....	<b>23</b>
Leasing Production Data .....	<b>28</b>
Multi-Family Summary .....	<b>29</b>

**PS BUSINESS PARKS, INC.**  
**SECOND QUARTER FACT SHEET <sup>(1)</sup>**  
(in thousands, except per share amounts)

**NET OPERATING INCOME**

	For The Three Months Ended			For The Six Months Ended		
	06/30/18	06/30/17	% Change	06/30/18	06/30/17	% Change
Rental income:						
Same Park <sup>(2)</sup>	\$ 97,760	\$ 95,464	2.4%	\$ 195,782	\$ 191,220	2.4%
Non-Same Park <sup>(3)</sup>	1,336	314	325.5%	1,944	605	221.3%
Multi-family <sup>(4)</sup>	1,738	-	100.0%	3,162	-	100.0%
Total rental income	100,834	95,778	5.3%	200,888	191,825	4.7%
Cost of operations:						
Same Park <sup>(2)</sup>	28,865	28,008	3.1%	58,900	56,222	4.8%
Non-Same Park <sup>(3)</sup>	564	270	108.9%	924	624	48.1%
Multi-family <sup>(4)</sup>	973	-	100.0%	1,970	-	100.0%
Total cost of operations	30,402	28,278	7.5%	61,794	56,846	8.7%
Net operating income:						
Same Park <sup>(2)</sup>	68,895	67,456	2.1%	136,882	134,998	1.4%
Non-Same Park <sup>(3)</sup>	772	44	1,654.5%	1,020	(19)	(5,468.4%)
Multi-family <sup>(4)</sup>	765	-	100.0%	1,192	-	100.0%
Total net operating income	\$ 70,432	\$ 67,500	4.3%	\$ 139,094	\$ 134,979	3.0%

**FUNDS FROM OPERATIONS**

	For The Three Months Ended			For The Six Months Ended		
	06/30/18	06/30/17	% Change	06/30/18	06/30/17	% Change
<b>FFO allocable to common and dilutive shares</b>	<b>\$ 55,366</b>	<b>\$ 54,107</b>	<b>2.3%</b>	<b>\$ 110,948</b>	<b>\$ 107,062</b>	<b>3.6%</b>
<b>FFO per share</b>	<b>\$ 1.59</b>	<b>\$ 1.55</b>	<b>2.6%</b>	<b>\$ 3.18</b>	<b>\$ 3.07</b>	<b>3.6%</b>
Weighted average common shares outstanding - diluted	27,423	27,412	0.0%	27,395	27,384	0.0%
Weighted average common operating partnership units outstanding	7,305	7,305	-	7,305	7,305	-
Weighted average restricted stock units outstanding	156	179	(12.8%)	189	196	(3.6%)
Total common and dilutive shares	34,884	34,896	0.0%	34,889	34,885	0.0%

**PROPERTY INFORMATION**

	For The Three Months Ended			For The Six Months Ended		
	06/30/18	06/30/17	% Change	06/30/18	06/30/17	% Change
<u>Total Portfolio</u>						
Total rentable square footage at period end	28,186	27,129	3.9%	28,186	27,129	3.9%
Weighted average occupancy	94.1%	93.1%	1.1%	94.2%	93.5%	0.7%
Period end occupancy	94.1%	93.2%	1.0%	94.1%	93.2%	1.0%
Annualized realized rental income per sq. ft. <sup>(5)</sup>	\$ 15.37	\$ 15.17	1.3%	\$ 15.40	\$ 15.12	1.9%
REVPAF <sup>(6)</sup>	\$ 14.47	\$ 14.12	2.5%	\$ 14.50	\$ 14.14	2.5%
<u>Same Park Portfolio</u> <sup>(2)</sup>						
Total rentable square footage at period end	26,903	26,903	-	26,903	26,903	-
Weighted average occupancy	94.6%	93.7%	1.0%	94.6%	94.1%	0.5%
Period end occupancy	95.1%	93.8%	1.4%	95.1%	93.8%	1.4%
Annualized realized rental income per sq. ft. <sup>(5)</sup>	\$ 15.36	\$ 15.15	1.4%	\$ 15.38	\$ 15.10	1.9%
REVPAF <sup>(6)</sup>	\$ 14.54	\$ 14.19	2.5%	\$ 14.55	\$ 14.22	2.3%
<u>Non-Same Park Portfolio</u> <sup>(3)</sup>						
Total rentable square footage at period end	1,283	226	467.7%	1,283	226	467.7%
Weighted average occupancy	67.0%	20.6%	225.2%	61.0%	19.6%	211.2%
Period end occupancy	73.0%	22.5%	224.4%	73.0%	22.5%	224.4%
<u>Multi-family Portfolio</u> <sup>(7)</sup>						
Number of units	395	233	69.5%	395	233	69.5%
Period end leased	81.8%	9.1%	798.9%	81.8%	9.1%	798.9%

**MARKET VALUE INFORMATION**

	06/30/18	% of Total	12/31/17	% of Total
Market value of common stock and common operating partnership units	\$ 4,450,879	82.1%	\$ 4,323,106	79.9%
Total preferred equity	959,750	17.7%	1,089,750	20.1%
Total debt	10,000	0.2%	-	-
Total market capitalization	\$ 5,420,629	100.0%	\$ 5,412,856	100.0%
Stock price at the end of the period	\$ 128.50		\$ 125.09	

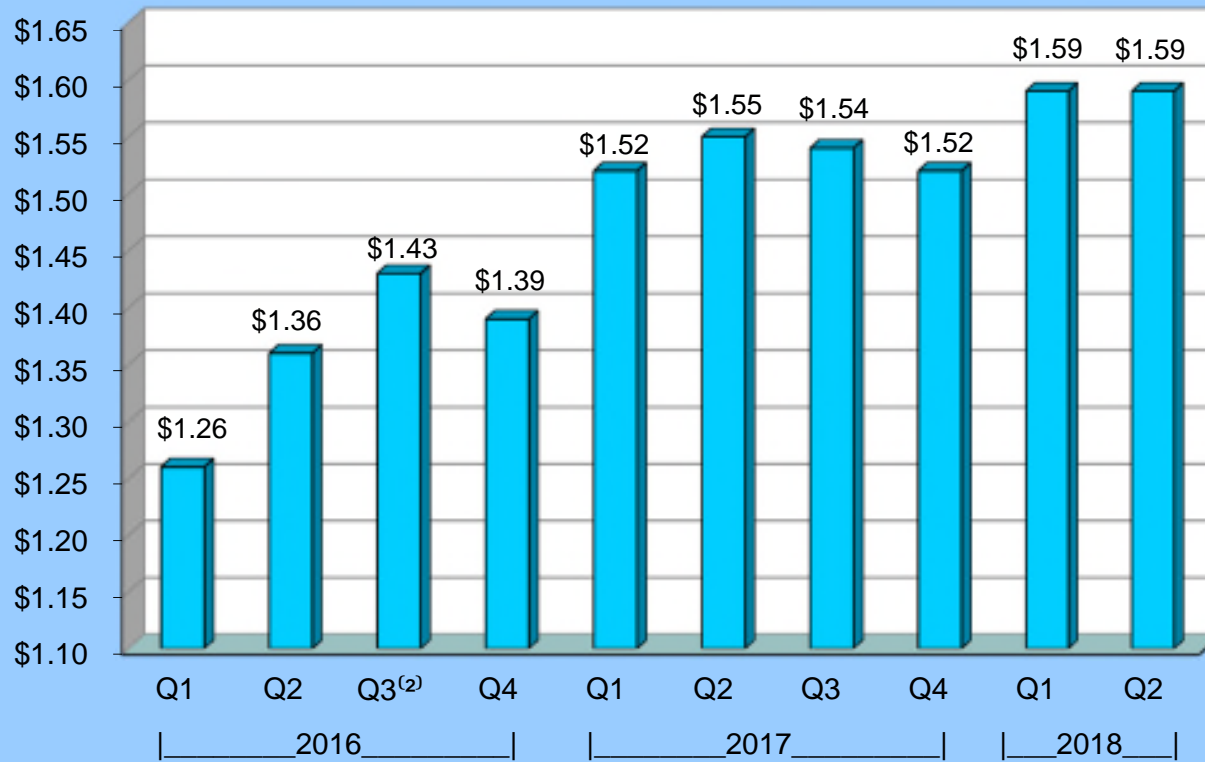
**NOTES**

- (1) Excludes 943,000 square feet of assets held for sale or sold.
- (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 was consolidated into our consolidated income statement in 2018. Operating results prior to January 1, 2018 were reflected under "equity in loss of unconsolidated joint venture" on our consolidated income statement in 2017. The multi-family asset commenced operations during the second quarter of 2017. Refer to page 21 for more information.
- (5) Represents the annualized rental income earned per occupied square foot.
- (6) Represents the annualized rental income earned per total weighted average square foot.
- (7) Operating metrics from the multi-family asset are excluded from the total portfolio operating metrics.

**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			
	06/30/18	06/30/17	Change	% Change	06/30/18	06/30/17	Change	% Change
<b><u>Funds from operations (FFO) - As Reported</u></b>								
Net income allocable to common shareholders	\$ 70,221	\$ 24,742	\$ 45,479	183.8%	\$ 116,269	\$ 51,135	\$ 65,134	127.4%
Adjustments:								
Gain on sale of real estate facility and development rights	(58,448)	(1,209)	(57,239)	4,734.4%	(85,283)	(5,074)	(80,209)	1,580.8%
Depreciation from unconsolidated joint venture	-	104	(104)	(100.0%)	-	104	(104)	(100.0%)
Depreciation and amortization	24,416	23,628	788	3.3%	48,298	46,706	1,592	3.4%
Net income allocable to noncontrolling interests	18,400	6,645	11,755	176.9%	30,300	13,746	16,554	120.4%
Net income allocable to restricted stock unit holders	779	197	582	295.4%	1,353	445	908	204.0%
FFO (income) loss allocated to joint venture partner	(2)	-	(2)	(100.0%)	11	-	11	100.0%
FFO allocable to common and dilutive shares	<u>\$ 55,366</u>	<u>\$ 54,107</u>	<u>\$ 1,259</u>	2.3%	<u>\$ 110,948</u>	<u>\$ 107,062</u>	<u>\$ 3,886</u>	3.6%
Weighted average outstanding:								
Common shares	27,322	27,200	122	0.4%	27,294	27,174	120	0.4%
Operating partnership units	7,305	7,305	-	-	7,305	7,305	-	-
Restricted stock units	156	179	(23)	(12.8%)	189	196	(7)	(3.6%)
Common share equivalents	101	212	(111)	(52.4%)	101	210	(109)	(51.9%)
Total common and dilutive shares	<u>34,884</u>	<u>34,896</u>	<u>(12)</u>	0.0%	<u>34,889</u>	<u>34,885</u>	<u>4</u>	0.0%
FFO per common and dilutive share	<u>\$ 1.59</u>	<u>\$ 1.55</u>	<u>\$ 0.04</u>	2.6%	<u>\$ 3.18</u>	<u>\$ 3.07</u>	<u>\$ 0.11</u>	3.6%
<b><u>Funds available for distribution (FAD):</u></b>								
Funds from operations	\$ 55,366	\$ 54,107	\$ 1,259	2.3%	\$ 110,948	\$ 107,062	\$ 3,886	3.6%
Adjustments:								
Recurring capital improvements	(2,169)	(2,687)	518	(19.3%)	(3,271)	(3,311)	40	(1.2%)
Tenant improvements	(3,745)	(8,912)	5,167	(58.0%)	(7,631)	(15,192)	7,561	(49.8%)
Lease commissions	(1,805)	(1,547)	(258)	16.7%	(3,724)	(2,944)	(780)	26.5%
Total recurring capital expenditures (assets sold or held for sale)	(255)	(406)	151	(37.2%)	(351)	(764)	413	(54.1%)
Total recurring capital expenditures (multi-family)	(6)	-	(6)	(100.0%)	(13)	-	(13)	(100.0%)
Straight-line rent	(609)	(753)	144	(19.1%)	(1,344)	(1,634)	290	(17.7%)
Stock compensation expense	671	1,563	(892)	(57.1%)	1,781	3,646	(1,865)	(51.2%)
Cash paid for taxes in lieu of shares upon vesting of restricted stock units	-	(47)	47	(100.0%)	(4,529)	(3,403)	(1,126)	33.1%
In-place lease adjustment	16	(9)	25	(277.8%)	23	(34)	57	(167.6%)
Tenant improvement reimbursements, net of lease incentives	(619)	(495)	(124)	25.1%	(1,134)	(856)	(278)	32.5%
Capitalized interest expense	-	(227)	227	(100.0%)	-	(506)	506	(100.0%)
FAD	<u>\$ 46,845</u>	<u>\$ 40,587</u>	<u>\$ 6,258</u>	15.4%	<u>\$ 90,755</u>	<u>\$ 82,064</u>	<u>\$ 8,691</u>	10.6%
FAD per common and dilutive share	<u>\$ 1.34</u>	<u>\$ 1.16</u>	<u>\$ 0.18</u>	15.5%	<u>\$ 2.60</u>	<u>\$ 2.35</u>	<u>\$ 0.25</u>	10.6%
<b><u>Free cash available for debt repayment and investments:</u></b>								
FAD	\$ 46,845	\$ 40,587	6,258	15.4%	\$ 90,755	\$ 82,064	8,691	10.6%
Distributions to common shareholders	(23,225)	(23,130)	(95)	0.4%	(46,396)	(46,207)	(189)	0.4%
Distributions to common operating partnership unit holders	(6,209)	(6,209)	-	-	(12,419)	(12,419)	-	0.0%
Distributions to restricted stock unit holders	(241)	(183)	(58)	31.7%	(536)	(399)	(137)	34.3%
Non-recurring property renovations	(61)	(1,139)	1,078	(94.6%)	(93)	(1,152)	1,059	(91.9%)
Free cash available for debt repayment and investments	<u>\$ 17,109</u>	<u>\$ 9,926</u>	<u>\$ 7,183</u>	72.4%	<u>\$ 31,311</u>	<u>\$ 21,887</u>	<u>\$ 9,424</u>	43.1%
Investment in Highgate	(949)	(9,310)	8,361	(89.8%)	(3,709)	(23,945)	20,236	(84.5%)
Investment in multi-family development (The Mile)	(257)	(340)	83	(24.4%)	(403)	(1,588)	1,185	(74.6%)
Retained cash	<u>\$ 15,903</u>	<u>\$ 276</u>	<u>\$ 15,627</u>	5,662.0%	<u>\$ 27,199</u>	<u>\$ (3,646)</u>	<u>\$ 30,845</u>	(846.0%)
FAD distributions payout ratio	<u>63.3%</u>	<u>72.7%</u>			<u>65.4%</u>	<u>71.9%</u>		

### Core FFO Per Share<sup>(1)</sup>



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

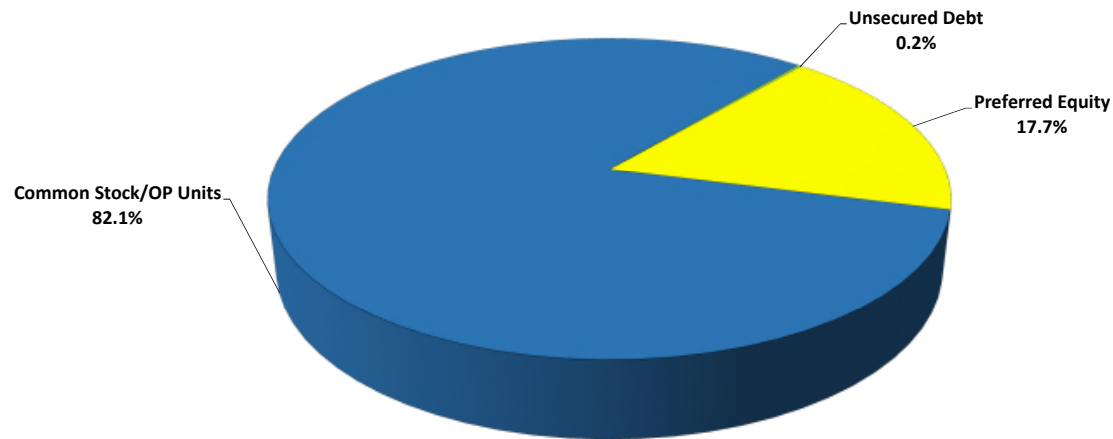
<sup>(2)</sup> Excludes a lease buyout payment of \$528,000.

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

	As of June 30, 2018			As of December 31, 2017		
	Total	% of Total Market Capitalization	WTD Average Rate	Total	% of Total Market Capitalization	WTD Average Rate
<b>Unsecured Debt:</b>						
\$250.0 million unsecured credit facility (LIBOR + 0.825%)	\$ 10,000			\$ -		
Total unsecured debt	10,000	0.2%	2.54%	-	-	-
<b>Preferred Equity:</b>						
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		
5.250% Series X preferred stock (9,200,000 depository shares outstanding) callable 9/21/22	230,000			230,000		
5.200% Series Y preferred stock (8,000,000 depository shares outstanding) callable 12/7/22	200,000			200,000		
6.000% Series T preferred stock (5,200,000 depository shares outstanding) redeemed 1/3/18	-			130,000		
Total preferred equity	959,750	17.7%	5.40%	1,089,750	20.1%	5.47%
Total debt and preferred equity	969,750	17.9%	5.39%	1,089,750	20.1%	5.47%
Common stock (27,331,834 and 27,254,607 shares outstanding as of June 30, 2018 and December 31, 2017, respectively)	3,512,141			3,409,279		
Common operating partnership units (7,305,355 units outstanding as of June 30, 2018 and December 31, 2017)	938,738			913,827		
Total common equity <sup>(1)</sup>	4,450,879	82.1%		4,323,106	79.9%	
Total market capitalization	\$ 5,420,629	100.0%		\$ 5,412,856	100.0%	

<sup>(1)</sup> Closing stock price was \$128.50 and \$125.09 as of June 30, 2018 and December 31, 2017, respectively.

### Total Market Capitalization as of June 30, 2018: \$5.4 billion



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

	<u>06/30/18</u>	<u>12/31/17</u>	<u>Change</u>		<u>% Change</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 7,214	\$ 114,882	\$ (107,668)	(a)	(93.7%)
Real estate facilities, at cost:					
Land	816,656	769,036	47,620		6.2%
Buildings and equipment	2,362,209	2,156,862	205,347		9.5%
	<u>3,178,865</u>	<u>2,925,898</u>	<u>252,967</u>		8.6%
Accumulated depreciation	(1,201,990)	(1,161,798)	(40,192)		3.5%
	<u>1,976,875</u>	<u>1,764,100</u>	<u>212,775</u>	(b)	12.1%
Properties held for disposition, net	9,465	49,259	(39,794)		(80.8%)
Land and building held for development	30,068	29,665	403		1.4%
	<u>2,016,408</u>	<u>1,843,024</u>	<u>173,384</u>		9.4%
Investment in and advances to unconsolidated joint venture	-	100,898	(100,898)		(100.0%)
Rent receivable, net	1,807	1,876	(69)	(c)	(3.7%)
Deferred rent receivable, net	31,917	32,062	(145)		(0.5%)
Other assets	14,969	7,417	7,552	(d)	101.8%
Total assets	<u>\$ 2,072,315</u>	<u>\$ 2,100,159</u>	<u>\$ (27,844)</u>		(1.3%)
<b><u>LIABILITIES AND EQUITY</u></b>					
Accrued and other liabilities	\$ 81,296	\$ 80,223	\$ 1,073	(e)	1.3%
Preferred stock called for redemption	-	130,000	(130,000)		(100.0%)
Credit facility	10,000	-	10,000		100.0%
Total liabilities	<u>91,296</u>	<u>210,223</u>	<u>(118,927)</u>		(56.6%)
Equity:					
PS Business Parks, Inc.'s shareholders' equity:					
Preferred stock	959,750	959,750	-		-
Common stock	272	272	-		-
Paid-in capital	733,617	735,067	(1,450)	(f)	(0.2%)
Accumulated earnings (deficit)	69,448	(1,778)	71,226	(g)	(4,006.0%)
Total PS Business Parks, Inc.'s shareholders' equity	<u>1,763,087</u>	<u>1,693,311</u>	<u>69,776</u>		4.1%
Noncontrolling interests	217,932	196,625	21,307		10.8%
Total equity	<u>1,981,019</u>	<u>1,889,936</u>	<u>91,083</u>		4.8%
Total liabilities and equity	<u>\$ 2,072,315</u>	<u>\$ 2,100,159</u>	<u>\$ (27,844)</u>		(1.3%)

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

<b>(a) Change in cash and cash equivalents:</b>			
Beginning cash balance			\$ 114,882
Net cash provided by operating activities			131,754
Net cash used in investing activities			(29,967)
Net cash used in financing activities			(209,455)
Ending cash balance			<u>\$ 7,214</u>
<b>(b) Change in real estate facilities, at cost:</b>			
Beginning balance			\$ 1,764,100
Consolidation of joint venture			107,250
Acquisition of real estate facility			138,036
Recurring capital improvements			3,460
Tenant improvements, gross			7,953
Lease commissions			3,773
Nonrecurring capital improvements			93
Depreciation and amortization			(47,508)
Transfer to properties held for disposition			(282)
Ending balance			<u>\$ 1,976,875</u>
<b>(c) Rent receivable consists of:</b>			
	06/30/18	12/31/17	Change
Non-government customers	\$ 1,383	\$ 1,115	\$ 268
U.S. Government customers	824	1,161	(337)
Allowance for doubtful accounts	(400)	(400)	-
	<u>\$ 1,807</u>	<u>\$ 1,876</u>	<u>\$ (69)</u>
<b>(d) Other assets consist of:</b>			
	06/30/18	12/31/17	Change
Above-market in-place lease adjustment and incentives, net	\$ 2,354	\$ 1,084	\$ 1,270
Acquired in-place lease value	5,843	-	5,843
Prepaid property taxes and insurance	3,076	3,394	(318)
Other	3,696	2,939	757
	<u>\$ 14,969</u>	<u>\$ 7,417</u>	<u>\$ 7,552</u>
<b>(e) Accrued and other liabilities consist of:</b>			
	06/30/18	12/31/17	Change
Security deposits	\$ 34,879	\$ 34,198	\$ 681
Accrued property taxes	14,016	11,157	2,859
Prepaid rent	13,989	16,638	(2,649)
Below-market in-place lease adjustment and tenant improvement reimbursements, net	10,399	7,970	2,429
Other	8,013	10,260	(2,247)
	<u>\$ 81,296</u>	<u>\$ 80,223</u>	<u>\$ 1,073</u>
<b>(f) Change in paid-in capital:</b>			
Beginning paid-in capital			\$ 735,067
Exercise of stock options			1,228
Stock compensation, net			1,245
Cash paid for taxes in lieu of shares upon vesting of restricted stock units			(4,529)
Adjustment to reflect noncontrolling interests to underlying ownership			606
Ending paid in capital			<u>\$ 733,617</u>
<b>(g) Change in accumulated earnings (deficit):</b>			
Beginning accumulated deficit			\$ (1,778)
Distributions to preferred shareholders			(25,962)
Distributions to common shareholders			(46,396)
Net income			143,584
Ending accumulated earnings			<u>\$ 69,448</u>



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

	For The Three Months Ended		Change	% Change
	06/30/18	06/30/17		
Rental income	\$ 101,824	\$ 99,800	\$ 2,024	(a) 2.0%
Expenses:				
Cost of operations	31,256	30,250	1,006	(b) 3.3%
Depreciation and amortization	24,416	23,628	788	3.3%
General and administrative	2,368	2,443	(75)	(c) (3.1%)
Total operating expenses	<u>58,040</u>	<u>56,321</u>	<u>1,719</u>	3.1%
Operating income	43,784	43,479	305	0.7%
Interest and other income	294	154	140	90.9%
Interest and other expense	(167)	(285)	118	(d) (41.4%)
Equity in loss of unconsolidated joint venture	-	(382)	382	(100.0%)
Gain on sale of real estate facilities and development rights	58,448	1,209	57,239	4,734.4%
Net income	<u>102,359</u>	<u>44,175</u>	<u>58,184</u>	131.7%
Allocation to noncontrolling interests	<u>(18,400)</u>	<u>(6,645)</u>	<u>(11,755)</u>	176.9%
Net income allocable to PS Business Parks, Inc.	83,959	37,530	46,429	123.7%
Allocation to preferred shareholders	(12,959)	(12,591)	(368)	2.9%
Allocation to restricted stock unit holders	(779)	(197)	(582)	295.4%
Net income allocable to common shareholders	<u>\$ 70,221</u>	<u>\$ 24,742</u>	<u>\$ 45,479</u>	183.8%
Net income per common share				
Basic	\$ 2.57	\$ 0.91	\$ 1.66	182.4%
Diluted	\$ 2.56	\$ 0.90	\$ 1.66	184.4%
Weighted average common shares outstanding:				
Basic	<u>27,322</u>	<u>27,200</u>	<u>122</u>	0.4%
Diluted	<u>27,423</u>	<u>27,412</u>	<u>11</u>	0.0%

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

	For The Three Months Ended		Change
	06/30/18	06/30/17	
<b>(a) Rental income:</b>			
Same Park	\$ 97,398	\$ 94,725	\$ 2,673
Non-Same Park	1,116	265	851
Multi-family	1,738	-	1,738
Same Park straight-line rent	362	739	(377)
Non-Same Park straight-line rent	220	49	171
Assets sold or held for sale	990	4,022	(3,032)
	<u>\$ 101,824</u>	<u>\$ 99,800</u>	<u>\$ 2,024</u>
<b>(b) Cost of operations:</b>			
Same Park	\$ 28,865	\$ 28,008	\$ 857
Non-Same Park	564	270	294
Multi-family	973	-	973
Assets sold or held for sale	550	1,565	(1,015)
LTEIP amortization	304	407	(103)
	<u>\$ 31,256</u>	<u>\$ 30,250</u>	<u>\$ 1,006</u>
<b>(c) General and administrative expenses:</b>			
Compensation expense	\$ 1,564	\$ 997	\$ 567
LTEIP amortization	(146)	711	(857)
Professional fees and other	950	735	215
	<u>\$ 2,368</u>	<u>\$ 2,443</u>	<u>\$ (75)</u>
<b>(d) Interest and other expense:</b>			
Credit facility	\$ (13)	\$ (413)	\$ 400
Capitalized interest	-	227	(227)
Facilities fees & other charges	(154)	(99)	(55)
	<u>\$ (167)</u>	<u>\$ (285)</u>	<u>\$ 118</u>

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

	For The Six Months Ended		Change	% Change
	6/30/2018	6/30/2017		
Rental income	\$ 205,583	\$ 199,861	\$ 5,722	(a) 2.9%
Expenses:				
Cost of operations	64,256	61,283	2,973	(b) 4.9%
Depreciation and amortization	48,298	46,706	1,592	3.4%
General and administrative	4,674	5,274	(600)	(c) (11.4%)
Total operating expenses	<u>117,228</u>	<u>113,263</u>	<u>3,965</u>	3.5%
Operating income	88,355	86,598	1,757	2.0%
Interest and other income	578	387	191	49.4%
Interest and other expense	(332)	(469)	137	(d) (29.2%)
Equity in loss of unconsolidated joint venture	-	(382)	382	(100.0%)
Gain on sale of real estate facilities and development rights	85,283	5,074	80,209	1,580.8%
Net income	<u>173,884</u>	<u>91,208</u>	<u>82,676</u>	90.6%
Allocation to noncontrolling interests	<u>(30,300)</u>	<u>(13,746)</u>	<u>(16,554)</u>	120.4%
Net income allocable to PS Business Parks, Inc.	143,584	77,462	66,122	85.4%
Allocation to preferred shareholders based upon				
Distributions	(25,962)	(25,882)	(80)	0.3%
Allocation to restricted stock unit holders	(1,353)	(445)	(908)	204.0%
Net income allocable to common shareholders	<u>\$ 116,269</u>	<u>\$ 51,135</u>	<u>\$ 65,134</u>	127.4%
Net income per common share				
Basic	\$ 4.26	\$ 1.88	\$ 2.38	126.6%
Diluted	\$ 4.24	\$ 1.87	\$ 2.37	126.7%
Weighted average common shares outstanding:				
Basic	<u>27,294</u>	<u>27,174</u>	<u>120</u>	0.4%
Diluted	<u>27,395</u>	<u>27,384</u>	<u>11</u>	0.0%

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

	For The Six Months Ended		Change
	06/30/18	06/30/17	
<b>(a) Rental income:</b>			
Same Park	\$ 194,934	\$ 189,650	\$ 5,284
Non-Same Park	1,550	525	1,025
Multi-family	3,162	-	3,162
Same Park straight-line rent	848	1,570	(722)
Non-Same Park straight-line rent	394	80	314
Assets sold or held for sale or development	4,695	8,036	(3,341)
	<u>\$ 205,583</u>	<u>\$ 199,861</u>	<u>\$ 5,722</u>
<b>(b) Cost of Operations:</b>			
Same Park	\$ 58,900	\$ 56,222	\$ 2,678
Non-Same Park	924	624	300
Multi-family	1,970	-	1,970
Assets sold or held for sale or development	1,803	3,234	(1,431)
LTEIP amortization	659	1,203	(544)
	<u>\$ 64,256</u>	<u>\$ 61,283</u>	<u>\$ 2,973</u>
<b>(c) General and administrative expenses:</b>			
Compensation expense	\$ 2,641	\$ 2,166	\$ 475
LTEIP amortization	200	1,684	(1,484)
Professional fees and other	1,833	1,424	409
	<u>\$ 4,674</u>	<u>\$ 5,274</u>	<u>\$ (600)</u>
<b>(d) Interest and other expense:</b>			
Credit facility	\$ (18)	\$ (696)	\$ 678
Capitalized interest	-	506	(506)
Facilities fees & other charges	(314)	(279)	(35)
	<u>\$ (332)</u>	<u>\$ (469)</u>	<u>\$ 137</u>

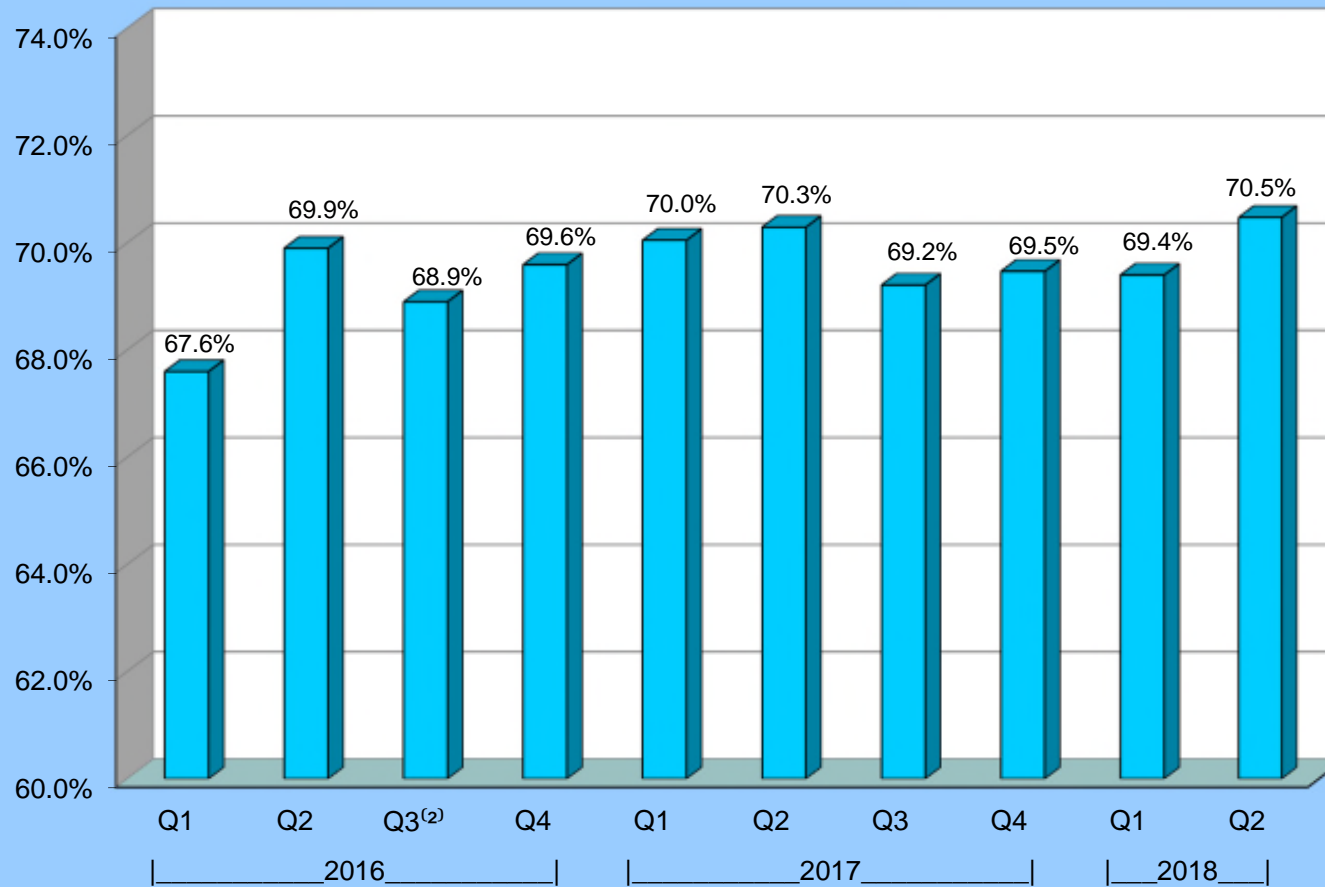
**PS BUSINESS PARKS, INC.**  
**Analysis of Capital Expenditures <sup>(1)</sup>**  
**(in thousands, except per square foot data)**

<u>Commercial recurring capital expenditures <sup>(2)</sup></u>	<u>For The Six Months Ended June 30, 2018</u>	<u>Cost per Weighted Average Square Foot</u>
Capital improvements	\$3,447	\$0.12
Tenant improvements	7,757	\$0.28
Lease commissions	3,773	\$0.14
Total commercial recurring capital expenditures	<u>\$14,977</u>	\$0.54
 <u>Non-recurring property renovations</u>		
Non-recurring property renovations	\$93	

(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 \$14.2 million or approximately \$0.51 per weighted average square foot for the six months ended June 30, 2018 compared to \$13.3 million or approximately \$0.47 per weighted average square foot for the six months ended June 30, 2017.

## Same Park Gross Operating Margin Percentage <sup>(1)</sup>



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

<sup>(2)</sup> Excludes a lease buyout payment of \$528,000.

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

Industry Concentration as of June 30, 2018

	% of Total Rental Income
Business services	18.4%
Warehouse, distribution, transportation and logistics	11.4%
Computer hardware, software and related services	10.3%
Health services	9.9%
Retail, food, and automotive	7.6%
Engineering and Construction	7.2%
Government	7.0%
Insurance and financial services	3.9%
Electronics	3.1%
Home furnishings	2.6%
Aerospace/defense products and services	2.3%
Communications	1.9%
Educational services	1.4%
Other	13.0%
<b>Total</b>	<b>100.0%</b>

Top 10 Customers by Total Annual Rental Income as of June 30, 2018

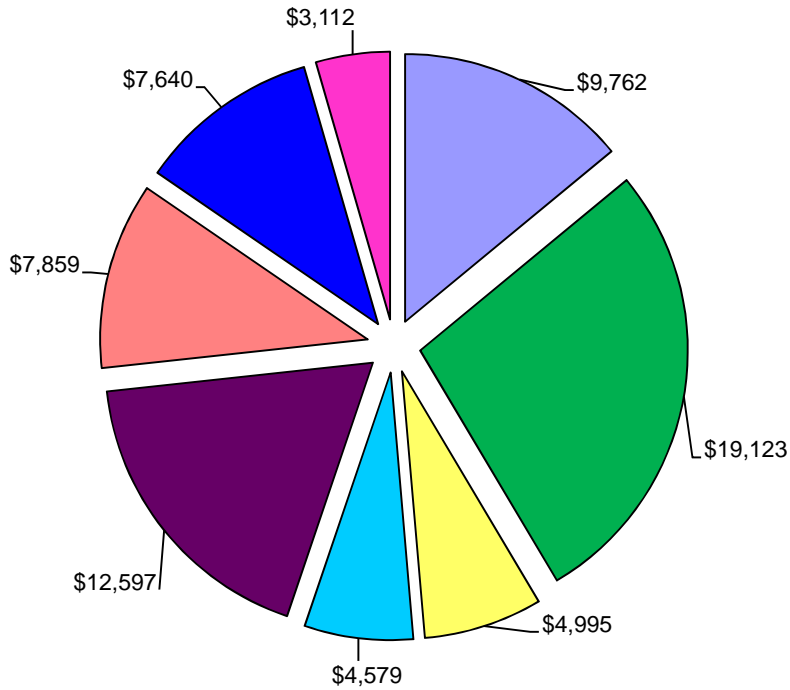
Customer	Square Footage	Annualized Rental Income <sup>(1)</sup>	% of Total Annualized Rental Income
US Government	681	\$ 16,805	4.2%
Luminex Corporation	460	3,680	0.9%
Keeco, L.L.C.	184	3,734	0.9%
Lockheed Martin Corporation	168	3,125	0.8%
CEVA Logistics U.S., Inc.	213	2,723	0.7%
KZ Kitchen Cabinet & Stone	192	2,284	0.6%
Applied Materials, Inc.	162	2,188	0.6%
Investorplace Media, LLC	46	1,883	0.5%
Carbel, LLC	178	1,757	0.4%
Quanta Computer USA, Inc.	179	1,696	0.4%
<b>Total</b>	<b>2,463</b>	<b>\$ 39,875</b>	<b>10.0%</b>

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

### Total Portfolio Net Operating Income by Region

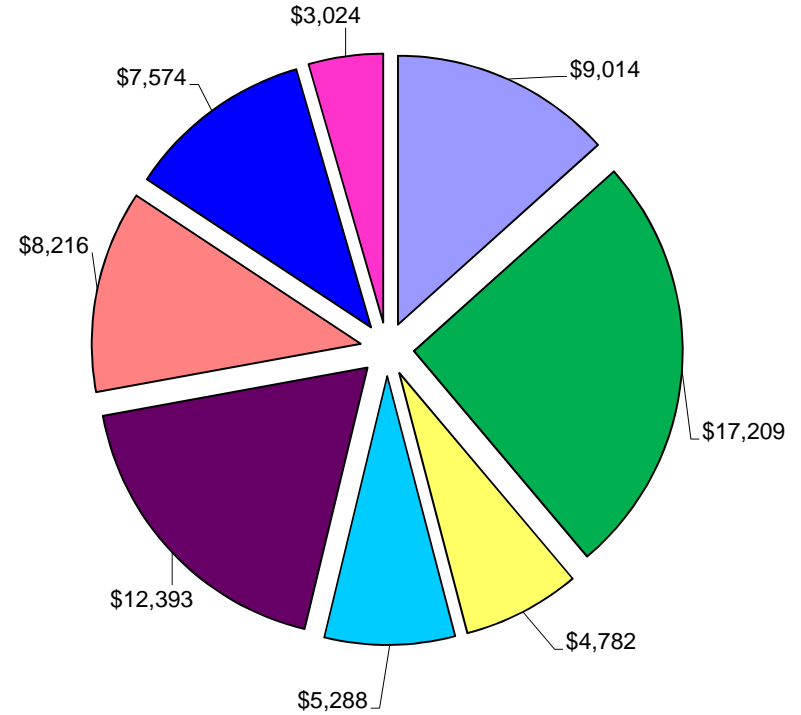
Three Months Ended June 30, 2018  
\$69,667 (in thousands) <sup>(1)</sup>

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



Three Months Ended June 30, 2017  
\$67,500 (in thousands) <sup>(1)</sup>

Southern California (13%)	Northern California (26%)
Austin (7%)	Dallas (8%)
Northern Virginia (18%)	Suburban Maryland (12%)
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

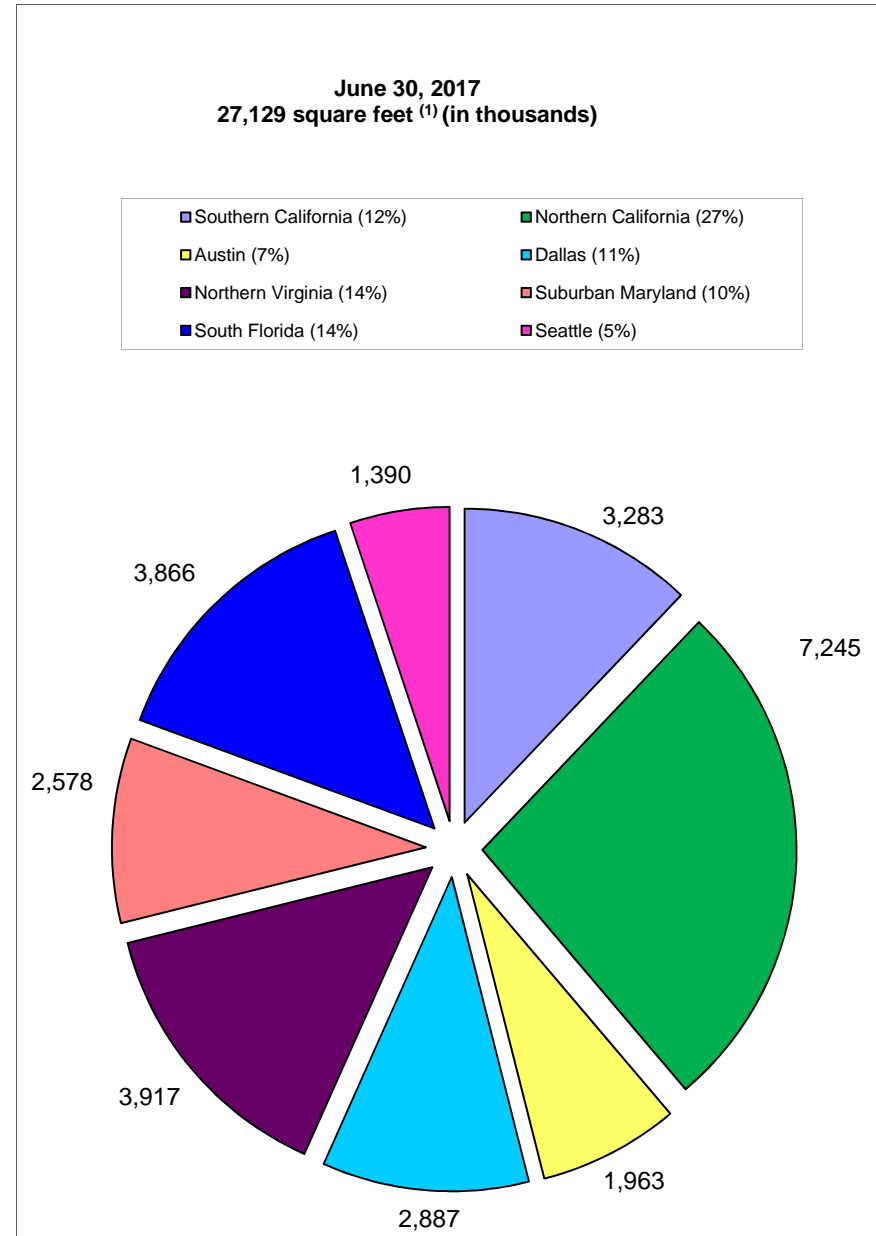
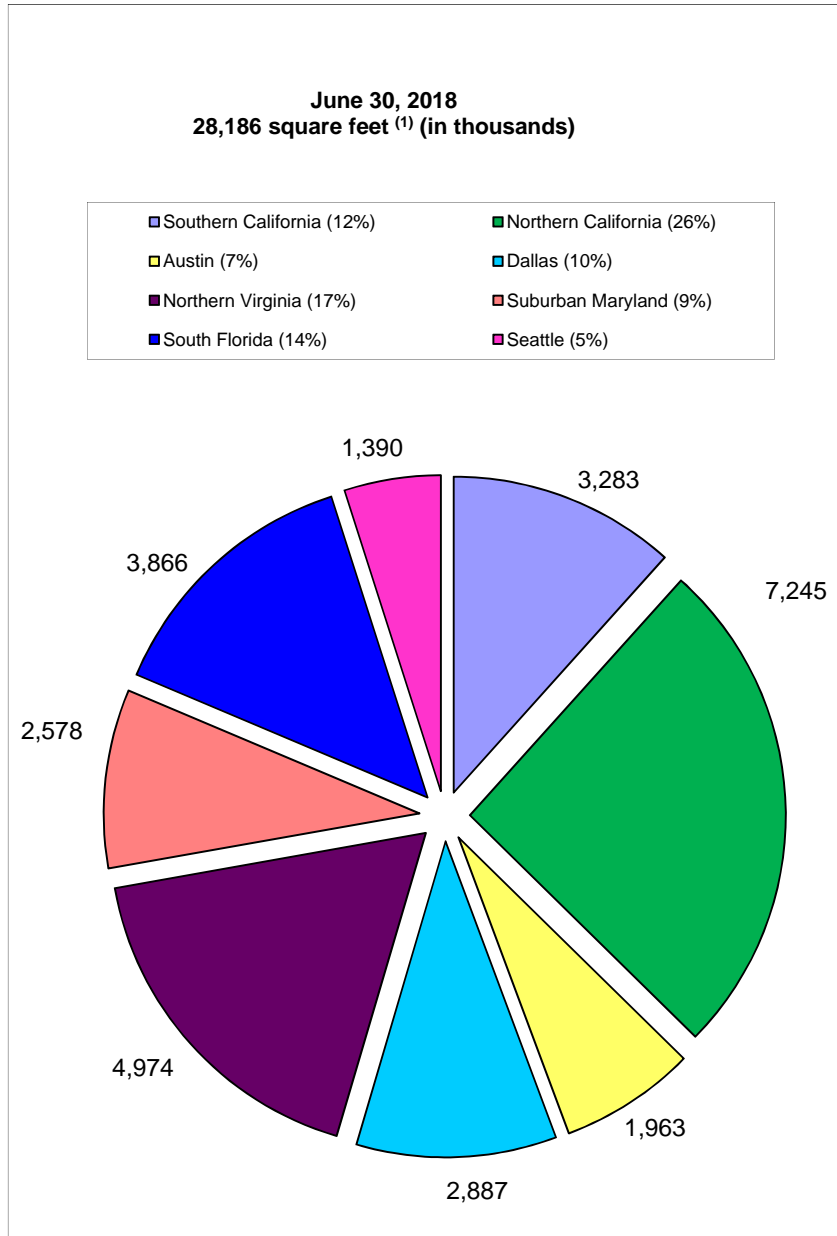
	June 30, 2018				June 30, 2017			
	Flex	Office	Industrial	Total	Flex	Office	Industrial	Total
In thousands								
<b>Rental Income:</b>								
Northern California	\$ 2,364	\$ 2,812	\$ 19,610	\$ 24,786	\$ 2,321	\$ 2,641	\$ 17,917	\$ 22,879
Southern California	4,503	150	8,525	13,178	4,213	166	8,011	12,390
Dallas	4,585	—	2,892	7,477	5,169	—	2,829	7,998
Austin	5,820	—	1,989	7,809	5,487	—	1,786	7,273
Northern Virginia	6,214	10,269	1,826	18,309	6,180	10,758	1,621	18,559
South Florida	492	41	9,921	10,454	465	63	9,723	10,251
Suburban Maryland	2,971	7,413	1,119	11,503	3,340	7,644	1,085	12,069
Seattle	1,458	186	2,600	4,244	1,458	146	2,441	4,045
<b>Total</b>	<b>28,407</b>	<b>20,871</b>	<b>48,482</b>	<b>97,760</b>	<b>28,633</b>	<b>21,418</b>	<b>45,413</b>	<b>95,464</b>
<b>Adjusted Cost of Operations:</b>								
Northern California	625	725	4,313	5,663	592	671	4,407	5,670
Southern California	1,152	65	2,199	3,416	1,181	62	2,133	3,376
Dallas	1,958	—	940	2,898	1,809	—	901	2,710
Austin	2,118	—	696	2,814	1,805	—	686	2,491
Northern Virginia	1,843	3,759	513	6,115	1,764	3,931	471	6,166
South Florida	133	15	2,666	2,814	126	16	2,535	2,677
Suburban Maryland	948	2,716	349	4,013	877	2,688	332	3,897
Seattle	380	59	693	1,132	389	44	588	1,021
<b>Total</b>	<b>9,157</b>	<b>7,339</b>	<b>12,369</b>	<b>28,865</b>	<b>8,543</b>	<b>7,412</b>	<b>12,053</b>	<b>28,008</b>
<b>NOI:</b>								
Northern California	1,739	2,087	15,297	19,123	1,729	1,970	13,510	17,209
Southern California	3,351	85	6,326	9,762	3,032	104	5,878	9,014
Dallas	2,627	—	1,952	4,579	3,360	—	1,928	5,288
Austin	3,702	—	1,293	4,995	3,682	—	1,100	4,782
Northern Virginia	4,371	6,510	1,313	12,194	4,416	6,827	1,150	12,393
South Florida	359	26	7,255	7,640	339	47	7,188	7,574
Suburban Maryland	2,023	4,697	770	7,490	2,463	4,956	753	8,172
Seattle	1,078	127	1,907	3,112	1,069	102	1,853	3,024
<b>Total</b>	<b>\$ 19,250</b>	<b>\$ 13,532</b>	<b>\$ 36,113</b>	<b>\$ 68,895</b>	<b>\$ 20,090</b>	<b>\$ 14,006</b>	<b>\$ 33,360</b>	<b>\$ 67,456</b>

For the Six Months Ended

	June 30, 2018				June 30, 2017			
	Flex	Office	Industrial	Total	Flex	Office	Industrial	Total
In thousands								
<b>Rental Income:</b>								
Northern California	\$ 4,706	\$ 5,617	\$ 38,698	\$ 49,021	\$ 4,697	\$ 5,321	\$ 36,157	\$ 46,175
Southern California	8,904	333	16,921	26,158	8,387	311	16,014	24,712
Dallas	9,479	—	5,748	15,227	9,988	—	5,735	15,723
Austin	11,277	—	3,968	15,245	11,178	—	3,611	14,789
Northern Virginia	12,481	21,022	3,686	37,189	12,883	21,576	3,189	37,648
South Florida	970	86	19,975	21,031	920	87	19,181	20,188
Suburban Maryland	6,261	14,913	2,258	23,432	6,281	15,396	2,252	23,929
Seattle	2,914	366	5,199	8,479	2,852	262	4,942	8,056
<b>Total</b>	<b>56,992</b>	<b>42,337</b>	<b>96,453</b>	<b>195,782</b>	<b>57,186</b>	<b>42,953</b>	<b>91,081</b>	<b>191,220</b>
<b>Adjusted Cost of Operations:</b>								
Northern California	1,286	1,467	8,739	11,492	1,213	1,399	8,948	11,560
Southern California	2,338	131	4,256	6,725	2,316	128	4,205	6,649
Dallas	3,772	—	1,929	5,701	3,551	—	1,743	5,294
Austin	4,044	—	1,366	5,410	3,645	—	1,334	4,979
Northern Virginia	3,851	8,192	1,088	13,131	3,559	7,752	973	12,284
South Florida	262	26	5,477	5,765	282	36	5,110	5,428
Suburban Maryland	1,965	5,764	724	8,453	1,806	5,508	694	8,008
Seattle	738	112	1,373	2,223	749	91	1,180	2,020
<b>Total</b>	<b>18,256</b>	<b>15,692</b>	<b>24,952</b>	<b>58,900</b>	<b>17,121</b>	<b>14,914</b>	<b>24,187</b>	<b>56,222</b>
<b>NOI:</b>								
Northern California	3,420	4,150	29,959	37,529	3,484	3,922	27,209	34,615
Southern California	6,566	202	12,665	19,433	6,071	183	11,809	18,063
Dallas	5,707	—	3,819	9,526	6,437	—	3,992	10,429
Austin	7,233	—	2,602	9,835	7,533	—	2,277	9,810
Northern Virginia	8,630	12,830	2,598	24,058	9,324	13,824	2,216	25,364
South Florida	708	60	14,498	15,266	638	51	14,071	14,760
Suburban Maryland	4,296	9,149	1,534	14,979	4,475	9,888	1,558	15,921
Seattle	2,176	254	3,826	6,256	2,103	171	3,762	6,036
<b>Total</b>	<b>\$ 38,736</b>	<b>\$ 26,645</b>	<b>\$ 71,501</b>	<b>\$ 136,882</b>	<b>\$ 40,065</b>	<b>\$ 28,039</b>	<b>\$ 66,894</b>	<b>\$ 134,998</b>

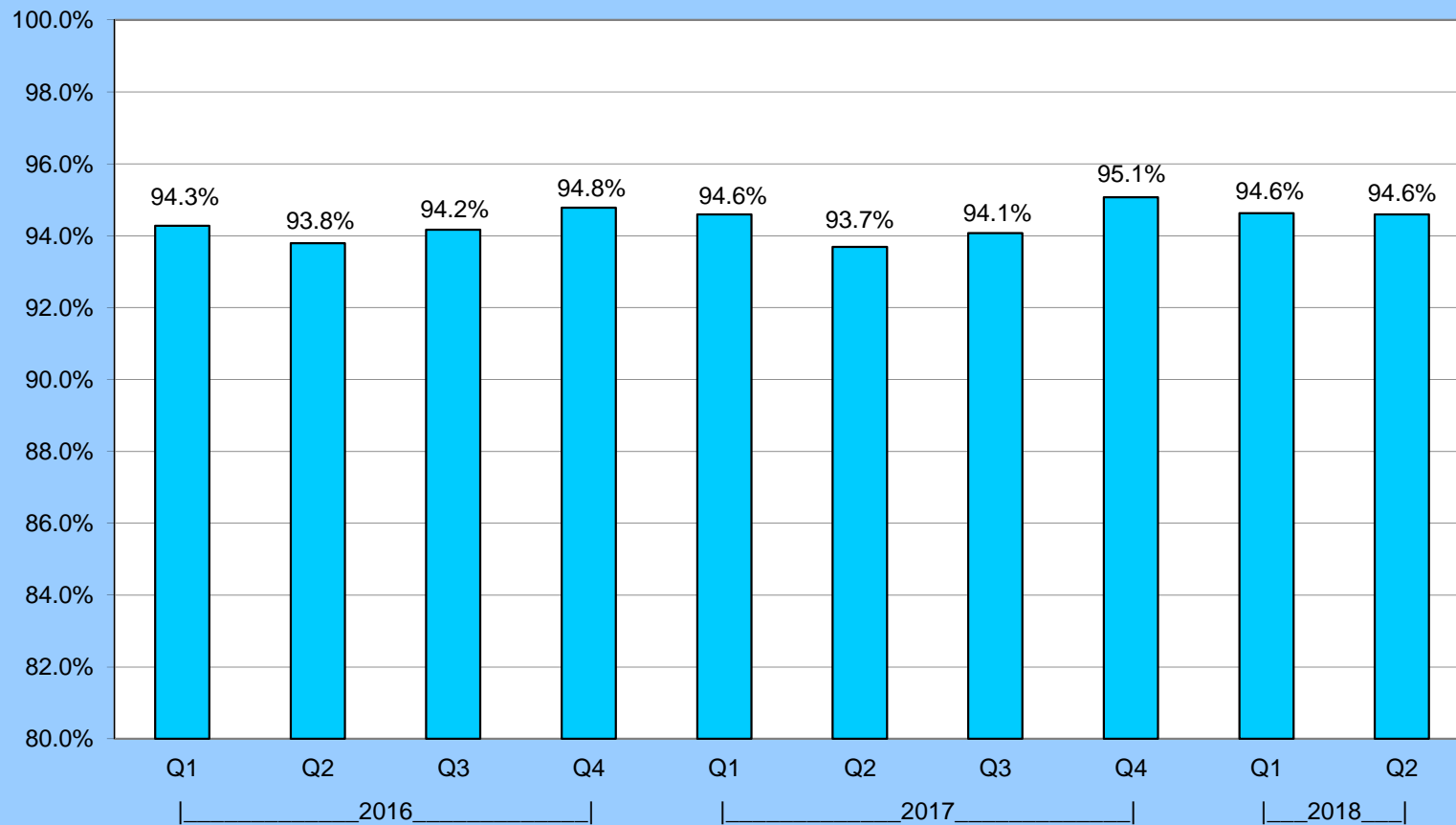
(1) Excludes multi-family and assets sold or held for sale.

### Total Portfolio Rentable Square Footage by Region



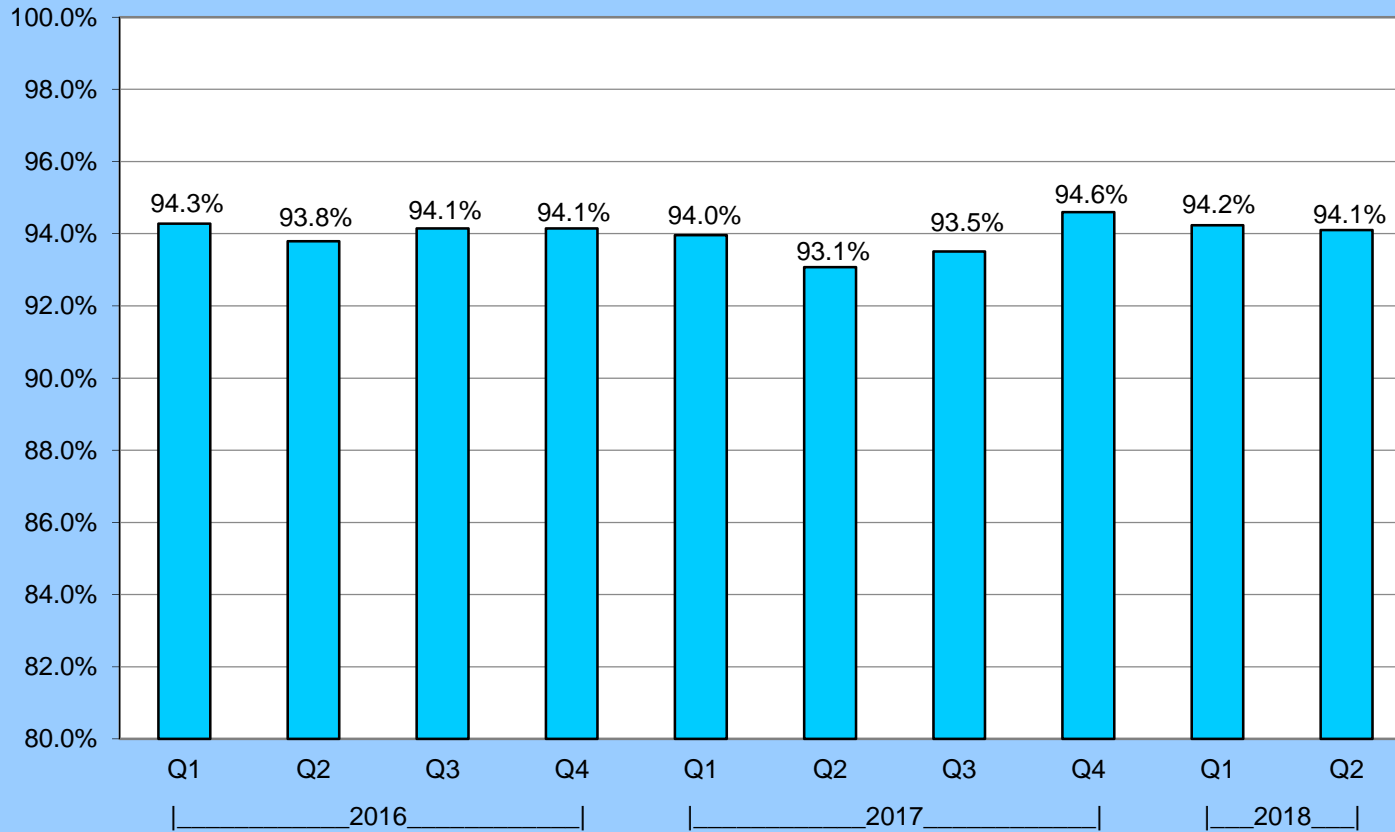
(1) Excludes multi-family and assets sold or held for sale.

## Same Park Weighted Average Occupancy (1)



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

## Total Portfolio Weighted Average Occupancy <sup>(1)</sup>



<sup>(1)</sup> 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 <sup>(1)</sup>**  
(in thousands, excludes assets sold or held for sale)

Rentable Square Footage of Properties as of June 30, 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%
Los Angeles County	1,256	31	317	1,604	6.0%
Seattle	1,092	28	270	1,390	5.2%
Orange County	810	-	101	911	3.4%
San Diego County	233	-	535	768	2.8%
Mid-Peninsula	-	340	94	434	1.6%
<b>Total</b>	<b>16,466</b>	<b>3,763</b>	<b>6,674</b>	<b>26,903</b>	<b>100.0%</b>
Percentage by Product Type	61.2%	14.0%	24.8%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended June 30, 2018				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	94.5%	90.2%	93.7%	92.0%
South Florida	96.2%	67.0%	99.4%	96.3%
East Bay	98.9%	-	98.2%	98.9%
Silicon Valley	97.2%	-	96.9%	97.2%
Dallas	92.8%	-	82.1%	86.9%
Suburban Maryland	87.3%	87.5%	95.5%	89.5%
Austin	98.8%	-	89.0%	92.8%
Los Angeles County	98.4%	81.7%	99.0%	98.2%
Seattle	98.1%	100.0%	97.7%	98.1%
Orange County	98.5%	-	100.0%	98.7%
San Diego County	99.5%	-	97.6%	98.1%
Mid-Peninsula	-	96.2%	99.0%	96.8%
<b>Total</b>	<b>97.0%</b>	<b>89.7%</b>	<b>91.5%</b>	<b>94.6%</b>

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended June 30, 2018 <sup>(2)</sup>			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	93.0%	90.4%	92.0%
South Florida	96.5%	95.3%	96.3%
East Bay	98.8%	99.7%	98.9%
Silicon Valley	97.4%	96.3%	97.2%
Dallas	86.2%	88.0%	86.9%
Suburban Maryland	90.3%	86.7%	89.5%
Austin	94.1%	83.7%	92.8%
Los Angeles County	99.7%	97.0%	98.2%
Seattle	97.9%	98.5%	98.1%
Orange County	98.8%	98.6%	98.7%
San Diego County	-	98.1%	98.1%
Mid-Peninsula	-	96.8%	96.8%
<b>Total</b>	<b>95.0%</b>	<b>93.6%</b>	<b>94.6%</b>

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

<sup>(2)</sup> 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 <sup>(1)</sup>**  
(in thousands, excludes assets sold or held for sale)

Rentable Square Footage of Properties as of June 30, 2018					
Primary Markets	Industrial	Office	Flex	Total	% of Total
Northern Virginia	1,564	1,970	1,440	4,974	17.7%
South Florida	3,728	12	126	3,866	13.7%
East Bay	3,297	-	53	3,350	11.9%
Silicon Valley	3,094	-	367	3,461	12.3%
Dallas	1,300	-	1,587	2,887	10.2%
Suburban Maryland	394	1,608	576	2,578	9.2%
Austin	755	-	1,208	1,963	7.0%
Los Angeles County	1,256	31	317	1,604	5.7%
Seattle	1,092	28	270	1,390	4.9%
Orange County	810	-	101	911	3.2%
San Diego County	233	-	535	768	2.7%
Mid-Peninsula	-	340	94	434	1.5%
<b>Total</b>	<b>17,523</b>	<b>3,989</b>	<b>6,674</b>	<b>28,186</b>	<b>100.0%</b>
Percentage by Product Type	62.2%	14.1%	23.7%	100.0%	

Weighted Average Occupancy Rates by Product Type for the Three Months Ended June 30, 2018				
Primary Markets	Industrial	Office	Flex	Total
Northern Virginia	88.1%	90.2%	93.7%	91.0%
South Florida	96.2%	67.0%	99.4%	96.3%
East Bay	98.9%	-	98.2%	98.9%
Silicon Valley	97.2%	-	96.9%	97.2%
Dallas	92.8%	-	82.1%	86.9%
Suburban Maryland	87.3%	83.2%	95.5%	86.6%
Austin	98.8%	-	89.0%	92.8%
Los Angeles County	98.4%	81.7%	99.0%	98.2%
Seattle	98.1%	100.0%	97.7%	98.1%
Orange County	98.5%	-	100.0%	98.7%
San Diego County	99.5%	-	97.6%	98.1%
Mid-Peninsula	-	96.2%	99.0%	96.8%
<b>Total</b>	<b>96.7%</b>	<b>87.8%</b>	<b>91.5%</b>	<b>94.1%</b>

Weighted Average Occupancy Rates by Portfolio Type for the Three Months Ended June 30, 2018 <sup>(2)</sup>			
Primary Markets	Large Tenant	Small Tenant	Total
Northern Virginia	91.6%	90.0%	91.0%
South Florida	96.5%	95.3%	96.3%
East Bay	98.8%	99.7%	98.9%
Silicon Valley	97.4%	96.3%	97.2%
Dallas	86.2%	88.0%	86.9%
Suburban Maryland	90.3%	77.8%	86.6%
Austin	94.1%	83.7%	92.8%
Los Angeles County	99.7%	97.0%	98.2%
Seattle	97.9%	98.5%	98.1%
Orange County	98.8%	98.6%	98.7%
San Diego County	-	98.1%	98.1%
Mid-Peninsula	-	96.8%	96.8%
<b>Total</b>	<b>94.8%</b>	<b>92.5%</b>	<b>94.1%</b>

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

<sup>(2)</sup> 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, 2018**  
(in thousands, excluding an asset held for sale)

Lease Expirations - Industrial				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	1,276	\$ 15,975	7.4%	3.8%
2019	4,727	56,461	26.3%	13.3%
2020	3,860	47,167	22.0%	11.1%
2021	2,185	28,713	13.4%	6.8%
2022	1,865	24,600	11.5%	5.8%
Thereafter	2,953	41,592	19.4%	9.8%
Total	<u>16,866</u>	<u>\$ 214,508</u>	<u>100.0%</u>	<u>50.6%</u>

Lease Expirations - Flex				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	925	\$ 17,235	14.7%	4.0%
2019	1,537	28,209	24.0%	6.6%
2020	1,355	24,186	20.6%	5.7%
2021	716	12,953	11.0%	3.0%
2022	700	15,316	13.1%	3.6%
Thereafter	920	19,453	16.6%	4.5%
Total	<u>6,153</u>	<u>\$ 117,352</u>	<u>100.0%</u>	<u>27.4%</u>

Lease Expirations - Office				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	380	\$ 9,963	10.6%	2.3%
2019	889	23,430	24.9%	5.5%
2020	710	18,876	20.1%	4.4%
2021	415	9,568	10.2%	2.2%
2022	338	8,579	9.1%	2.0%
Thereafter	876	23,658	25.1%	5.6%
Total	<u>3,608</u>	<u>\$ 94,074</u>	<u>100.0%</u>	<u>22.0%</u>

Lease Expirations - Total Portfolio				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	2,581	\$ 43,173	10.1%	10.1%
2019	7,153	108,100	25.4%	25.4%
2020	5,925	90,229	21.2%	21.2%
2021	3,316	51,234	12.0%	12.0%
2022	2,903	48,495	11.4%	11.4%
Thereafter	4,749	84,703	19.9%	19.9%
Total	<u>26,627</u>	<u>\$ 425,934</u>	<u>100.0%</u>	<u>100.0%</u>

**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2018**  
(in thousands, excluding an asset held for sale)

Southern California				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	435	\$ 7,339	13.2%	1.7%
2019	1,148	17,971	32.3%	4.2%
2020	890	14,785	26.6%	3.5%
2021	315	5,781	10.4%	1.3%
2022	231	4,429	7.9%	1.0%
Thereafter	212	5,369	9.6%	1.3%
Total	3,231	\$ 55,674	100.0%	13.0%

Northern California				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	368	\$ 7,456	7.0%	1.8%
2019	2,326	30,539	28.5%	7.2%
2020	1,427	23,071	21.5%	5.4%
2021	932	13,484	12.6%	3.2%
2022	753	11,135	10.4%	2.6%
Thereafter	1,320	21,476	20.0%	5.0%
Total	7,126	\$ 107,161	100.0%	25.2%

Austin				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	210	\$ 3,532	11.8%	0.8%
2019	272	4,149	13.8%	1.0%
2020	527	8,745	29.1%	2.1%
2021	255	4,582	15.2%	1.1%
2022	264	4,319	14.4%	1.0%
Thereafter	285	4,719	15.7%	1.1%
Total	1,813	\$ 30,046	100.0%	7.1%

Dallas				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	255	\$ 3,110	9.8%	0.7%
2019	666	8,119	25.7%	1.9%
2020	761	8,107	25.6%	1.9%
2021	299	3,802	12.0%	0.9%
2022	153	1,745	5.5%	0.4%
Thereafter	434	6,779	21.4%	1.6%
Total	2,568	\$ 31,662	100.0%	7.4%



**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2018**  
(in thousands, excluding an asset held for sale)

South Florida				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	499	\$ 4,785	11.3%	1.1%
2019	842	9,835	23.3%	2.3%
2020	720	8,168	19.3%	1.9%
2021	609	7,155	16.9%	1.7%
2022	412	4,637	11.0%	1.1%
Thereafter	692	7,669	18.2%	1.8%
Total	3,774	\$ 42,249	100.0%	9.9%

Northern Virginia				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	429	\$ 7,688	8.8%	1.8%
2019	1,205	24,736	28.2%	5.8%
2020	824	15,112	17.2%	3.5%
2021	488	8,844	10.1%	2.0%
2022	644	14,103	16.1%	3.3%
Thereafter	877	17,153	19.6%	4.0%
Total	4,467	\$ 87,636	100.0%	20.4%

Suburban Maryland				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	293	\$ 7,541	14.2%	1.8%
2019	353	7,763	14.6%	1.8%
2020	323	7,069	13.3%	1.7%
2021	294	5,923	11.2%	1.4%
2022	263	5,647	10.6%	1.3%
Thereafter	757	19,128	36.1%	4.5%
Total	2,283	\$ 53,071	100.0%	12.5%

Seattle				
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income
2018	92	\$ 1,722	9.3%	0.4%
2019	341	4,988	27.1%	1.2%
2020	453	5,172	28.1%	1.2%
2021	124	1,663	9.0%	0.4%
2022	183	2,480	13.4%	0.7%
Thereafter	172	2,410	13.1%	0.6%
Total	1,365	\$ 18,435	100.0%	4.5%

**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2018**  
(in thousands, excluding an asset held for sale)

Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	%	% of Total Annualized Rental Income
2018	2,581	\$ 43,173	10.1%		10.1%
2019	7,153	108,100	25.4%		25.4%
2020	5,925	90,229	21.2%		21.2%
2021	3,316	51,234	12.0%		12.0%
2022	2,903	48,495	11.4%		11.4%
Thereafter	4,749	84,703	19.9%		19.9%
Total	<u>26,627</u>	<u>\$ 425,934</u>	<u>100.0%</u>		<u>100.0%</u>

**PS BUSINESS PARKS, INC.**  
**TOTAL PORTFOLIO LEASE EXPIRATIONS AS OF JUNE 30, 2018**  
(in thousands, excluding an asset held for sale)

Lease Expirations - Large Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	1,374	\$ 22,062	8.0%	5.1%	
2019	4,765	64,263	23.2%	15.1%	
2020	4,047	54,376	19.7%	12.8%	
2021	2,407	34,366	12.4%	8.1%	
2022	2,266	35,665	12.9%	8.4%	
Thereafter	3,957	65,959	23.8%	15.5%	
Total	18,816	\$ 276,691	100.0%	65.0%	

Lease Expirations - Small Tenant Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	1,207	\$ 21,111	14.1%	5.0%	
2019	2,388	43,837	29.4%	10.3%	
2020	1,878	35,853	24.0%	8.4%	
2021	909	16,868	11.3%	3.9%	
2022	637	12,830	8.6%	3.0%	
Thereafter	792	18,744	12.6%	4.4%	
Total	7,811	\$ 149,243	100.0%	35.0%	

Lease Expirations - Total Portfolio					
Year of Lease Expiration	Leased Square Footage	Annualized Rental Income	%	% of Total Annualized Rental Income	
2018	2,581	\$ 43,173	10.1%	10.1%	
2019	7,153	108,100	25.4%	25.4%	
2020	5,925	90,229	21.2%	21.2%	
2021	3,316	51,234	12.0%	12.0%	
2022	2,903	48,495	11.4%	11.4%	
Thereafter	4,749	84,703	19.9%	19.9%	
Total	26,627	\$ 425,934	100.0%	100.0%	

**PS BUSINESS PARKS, INC.**  
**QUARTER AND YEAR TO DATE PRODUCTION STATISTICS - TOTAL PORTFOLIO <sup>(1)</sup>**  
**June 30, 2018**

	QTD Total Portfolio Wtd. Avg. Occupancy	YTD Total Portfolio Wtd. Avg. Occupancy	Total Portfolio Activity									
			Leasing Volume		Customer Retention		Transaction Costs per Executed Foot		Transaction Costs <sup>(2)</sup>		Rental Rate Change <sup>(3)</sup>	
			2nd Quarter	YTD	2nd Quarter	YTD	2nd Quarter	YTD	2nd Quarter	YTD	2nd Quarter	YTD
Suburban Maryland	86.6%	86.2%	286,000	390,000	85.5%	83.8%	\$ 8.00	\$ 8.77	8.3%	10.2%	-18.3%	-15.7%
Northern Virginia	91.0%	91.0%	306,000	537,000	88.7%	77.2%	\$ 4.64	\$ 8.10	9.3%	13.0%	-9.3%	-9.7%
San Diego	98.1%	97.4%	73,000	130,000	57.2%	61.5%	\$ 0.77	\$ 0.86	2.1%	2.2%	4.0%	2.8%
Orange County	98.7%	97.9%	63,000	188,000	72.9%	81.2%	\$ 0.66	\$ 1.85	1.0%	2.5%	7.2%	3.6%
Los Angeles	98.2%	98.0%	152,000	276,000	76.4%	74.8%	\$ 1.23	\$ 1.22	2.6%	2.9%	6.1%	7.0%
Austin	92.8%	93.6%	54,000	170,000	74.9%	74.7%	\$ 2.72	\$ 1.73	4.4%	2.8%	5.5%	8.2%
Dallas	86.9%	88.2%	295,000	450,000	80.7%	51.1%	\$ 3.56	\$ 3.23	7.1%	7.4%	-0.9%	-0.9%
South Florida	96.3%	96.2%	359,000	750,000	44.8%	62.7%	\$ 1.51	\$ 1.30	4.0%	3.3%	0.1%	1.9%
Seattle	98.1%	98.1%	48,000	100,000	69.7%	36.6%	\$ 4.57	\$ 3.15	4.5%	0.0%	11.1%	13.3%
East Bay	98.9%	98.3%	148,000	275,000	85.4%	58.6%	\$ 0.86	\$ 1.10	1.5%	1.8%	18.2%	19.2%
Silicon Valley	97.2%	97.4%	281,000	374,000	85.8%	81.9%	\$ 0.53	\$ 1.07	2.1%	2.8%	9.9%	13.2%
Mid-Peninsula	96.8%	96.8%	41,000	70,000	80.9%	67.0%	\$ 0.68	\$ 1.37	0.8%	1.5%	13.1%	11.4%
<b>Company Totals by Market</b>	<b>94.1%</b>	<b>94.2%</b>	<b>2,106,000</b>	<b>3,710,000</b>	<b>76.4%</b>	<b>68.9%</b>	<b>\$ 2.97</b>	<b>\$ 3.34</b>	<b>5.5%</b>	<b>6.1%</b>	<b>-0.8%</b>	<b>1.3%</b>
Industrial	96.7%	96.7%	1,099,000	2,162,000	73.5%	70.1%	\$ 1.31	\$ 1.44	3.4%	3.2%	6.6%	7.9%
Flex	91.5%	92.1%	528,000	791,000	78.1%	60.5%	\$ 2.79	\$ 2.55	4.6%	4.5%	2.8%	2.6%
Office	87.8%	87.2%	479,000	757,000	81.1%	76.2%	\$ 6.99	\$ 9.62	8.6%	11.7%	-13.3%	-11.9%
<b>Company Totals by Type</b>	<b>94.1%</b>	<b>94.2%</b>	<b>2,106,000</b>	<b>3,710,000</b>	<b>76.4%</b>	<b>68.9%</b>	<b>\$ 2.97</b>	<b>\$ 3.34</b>	<b>5.5%</b>	<b>6.1%</b>	<b>-0.8%</b>	<b>1.3%</b>

<sup>(1)</sup> Excludes assets sold or held for sale.

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

<sup>(3)</sup> 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**  
**June 30, 2018**

<b>Project Name</b>	<b>Location</b>	<b>Apartment Units</b>	<b>Total Costs<sup>(1)</sup> (in thousands)</b>	<b>Schedule</b>			<b>Estimated Stabilization Period</b>
				<b>Construction Start</b>	<b>Initial Occupancy</b>	<b>Construction Completion</b>	
Highgate at the Mile	McLean, Virginia	395	\$ 115,935	Q3 2015	Q2 2017	Q4 2017	Q4 2018
				<b>% Occupied as of</b>			<b>Average Rent per Unit<sup>(2)</sup> at</b>
				<b>6/30/2018</b>	<b>6/30/2017</b>	<b>% Change</b>	<b>6/30/2018</b>
				81.8%	9.1%	798.9%	\$ 2,133

(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.