

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2000

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 1-10709

PS BUSINESS PARKS, INC.

(Exact name of registrant as specified in its charter)

California

(State or Other Jurisdiction
of Incorporation)

95-4300881

(I.R.S. Employer
Identification Number)

701 Western Avenue, Glendale, California 91201-2397

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (818) 244-8080

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No
--- ---

Number of shares outstanding of each of the issuer's classes of common stock, as of August 10, 2000:

Common Stock, \$0.01 par value, 23,108,190 shares outstanding

PS BUSINESS PARKS, INC.

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PS BUSINESS PARKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
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	June 30, 2000	December 31, 1999
	-----	-----
-		
	(unaudited)	
ASSETS		

<S>	<C>	<C>
Cash and cash equivalents.....	\$ 48,853,000	\$ 74,220,000
Marketable securities.....	24,804,000	18,263,000
Real estate facilities, at cost:		
Land.....	200,176,000	194,140,000
Buildings and equipment.....	656,984,000	636,261,000
	-----	-----
-	857,160,000	830,401,000
Accumulated depreciation.....	(66,104,000)	(50,976,000)
	-----	-----
-	791,056,000	779,425,000
Properties held for disposition, net.....	17,291,000	14,235,000
Construction in progress.....	13,707,000	8,616,000
	-----	-----
-	822,054,000	802,276,000
Receivables.....	1,197,000	771,000
Deferred rent receivables.....	6,717,000	5,493,000
Intangible assets, net.....	1,132,000	1,282,000
Other assets.....	1,564,000	1,436,000
	-----	-----
-	\$ 906,321,000	\$ 903,741,000
Total assets.....	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Accrued and other liabilities.....	\$ 26,602,000	\$ 21,195,000
Mortgage notes payable.....	31,362,000	37,066,000
	-----	-----
-	57,964,000	58,261,000
Minority interest:		
Preferred units.....	132,750,000	132,750,000
Common units.....	158,546,000	157,199,000
Shareholders' equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, 2,200 shares issued and outstanding at June 30, 2000 and December 31, 1999.....	55,000,000	55,000,000
Common stock, \$0.01 par value, 100,000,000 shares authorized, 23,203,974 shares issued and outstanding at June 30, 2000 (23,645,461 shares issued and outstanding at December 31, 1999).....	232,000	236,000
Paid-in capital.....	467,605,000	478,889,000
Cumulative net income.....	96,064,000	73,809,000

Comprehensive income.....	4,809,000	-
Cumulative distributions.....	(66,649,000)	(52,403,000)
-	-----	-----
Total shareholders' equity.....	557,061,000	555,531,000
-	-----	-----
Total liabilities and shareholders' equity...	\$ 906,321,000	\$ 903,741,000
	=====	=====

</TABLE>

See accompanying notes.
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PS BUSINESS PARKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

<TABLE>
<CAPTION>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	
	-----	-----	-----	-----
1999				
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenues:				
Rental income.....	\$ 36,414,000	\$ 30,859,000	\$ 70,467,000	\$
59,976,000				
Facility management fees from affiliates.....	129,000	116,000	252,000	
230,000				
Business services.....	267,000	-	267,000	
-				
Interest income.....	741,000	252,000	2,011,000	
264,000				
Dividend income.....	440,000	21,000	858,000	
29,000				
	-----	-----	-----	-----
	37,991,000	31,248,000	73,855,000	
60,499,000				
	-----	-----	-----	-----
Expenses:				
Cost of operations.....	10,118,000	8,655,000	19,670,000	
17,031,000				
Cost of facility management.....	25,000	23,000	50,000	
46,000				
Cost of business services.....	64,000	-	64,000	
-				
Depreciation and amortization.....	8,898,000	7,314,000	17,274,000	
14,047,000				
General and administrative.....	981,000	795,000	1,864,000	
1,597,000				
Interest expense.....	370,000	772,000	744,000	
1,681,000				
	-----	-----	-----	-----
	20,456,000	17,559,000	39,666,000	
34,402,000				
	-----	-----	-----	-----
Income before disposition of real estate and minority interest.....	17,535,000	13,689,000	34,189,000	
26,097,000				
Gain on disposition of real estate.....	97,000	-	97,000	
-				
	-----	-----	-----	-----
Income before minority interest.....	17,632,000	13,689,000	34,286,000	
26,097,000				
Minority interest in income - preferred units..	(2,921,000)	(214,000)	(5,841,000)	
(214,000)				
Minority interest in income - common units.....	(3,199,000)	(3,220,000)	(6,190,000)	
(6,186,000)				
	-----	-----	-----	-----
Net income.....	\$ 11,512,000	\$ 10,255,000	\$ 22,255,000	\$
19,697,000				

Net income allocation:				
Allocable to preferred shareholders.....	\$ 1,272,000	\$ 862,000	\$ 2,544,000	\$
862,000				
Allocable to common shareholders.....	10,240,000	9,393,000	19,711,000	
18,835,000				

	\$ 11,512,000	\$ 10,255,000	\$ 22,255,000	\$
19,697,000				
Net income per common share:				
Basic.....	\$ 0.44	\$ 0.40	\$ 0.84	\$
0.80				
Diluted.....	\$ 0.44	\$ 0.40	\$ 0.84	\$
0.79				
Weighted average common shares outstanding:				
Basic.....	23,356,000	23,639,000	23,474,000	
23,638,000				
Diluted.....	23,428,000	23,716,000	23,537,000	
23,709,000				

</TABLE>

See accompanying notes.
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PS BUSINESS PARKS, INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the Six Months Ended June 30, 2000
(Unaudited)

<TABLE>
<CAPTION>

	Preferred Stock		Common Stock		Paid-in Capital
	Shares	Amount	Shares	Amount	
Cumulative					
Net Income					

<S>	<C>	<C>	<C>	<C>	<C>
<C>					
Balances at December 31, 1999.....	2,200	\$55,000,000	23,645,461	\$ 236,000	\$478,889,000
\$73,809,000					
Issuance of common stock:					
Conversion of common OP units...	-	-	107,517	1,000	2,530,000
-					
Exercise of stock options.....	-	-	3,596	-	60,000
-					
Unrealized gain - appreciation in marketable securities.....	-	-	-	-	-
-					
Repurchase of common stock.....	-	-	(552,600)	(5,000)	(12,373,000)
-					
Net income.....	-	-	-	-	-
22,255,000					
Distributions paid:					
Preferred stock.....	-	-	-	-	-
-					
Common stock.....	-	-	-	-	-
-					
Adjustment to reflect minority interest to underlying ownership interest.....	-	-	-	-	(1,501,000)
-					

Balances at June 30, 2000.....	2,200	\$55,000,000	23,203,974	\$ 232,000	\$467,605,000
\$96,064,000					

</TABLE>

<TABLE>
<CAPTION>

	Comprehensive Income	Cumulative Distributions	Shareholders' Equity
	-----	-----	-----
<S>	<C>	<C>	<C>
Balances at December 31, 1999.....	-	\$ (52,403,000)	\$ 555,531,000
Issuance of common stock:			
Conversion of common OP units...	-	-	2,531,000
Exercise of stock options.....	-	-	60,000
Unrealized gain - appreciation in marketable securities.....	4,809,000	-	4,809,000
Repurchase of common stock.....	-	-	(12,378,000)
Net income.....	-	-	22,255,000
Distributions paid:			
Preferred stock.....	-	(2,544,000)	(2,544,000)
Common stock.....	-	(11,702,000)	(11,702,000)
Adjustment to reflect minority interest to underlying ownership interest.....	-	-	(1,501,000)
Balances at June 30, 2000.....	\$ 4,809,000	\$ (66,649,000)	\$ 557,061,000

</TABLE>

See accompanying notes.

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PS BUSINESS PARKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

	For the Six Months Ended June 30,	
	2000	1999
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income.....	\$ 22,255,000	\$ 19,697,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense.....	17,274,000	14,047,000
Minority interest in income.....	12,031,000	6,400,000
Increase in receivables and other assets.....	(1,778,000)	(1,292,000)
Increase in accrued and other liabilities.....	5,289,000	3,442,000
Total adjustments.....	32,816,000	22,597,000
Net cash provided by operating activities.....	55,071,000	42,294,000
Cash flows from investing activities:		
Other investments.....	(1,732,000)	(448,000)
Acquisition of real estate facilities.....	(29,497,000)	(42,530,000)
Disposition of real estate facilities.....	5,756,000	-
Capital improvements to real estate facilities.....	(4,747,000)	(7,207,000)
Construction in progress.....	(8,414,000)	(9,397,000)
Net cash used in investing activities.....	(38,634,000)	(59,582,000)
Cash flows from financing activities:		
Borrowings from an affiliate.....	-	41,400,000

Repayment of borrowings from an affiliate.....	-	(41,400,000)
Loans to an affiliate.....	77,000,000	-
Repayment of loans to an affiliate.....	(77,000,000)	-
Borrowings from line of credit.....	-	14,000,000
Repayment of borrowings from line of credit.....	-	(26,500,000)
Principal payments on mortgage notes payable.....	(5,704,000)	(11,688,000)
Net proceeds from the issuance of common stock.....	60,000	93,000
Repurchase of common stock.....	(12,378,000)	-
Net proceeds from the issuance of preferred stock.....	-	53,119,000
Net proceeds from the issuance of preferred operating partnership units.....	-	12,495,000
Distributions paid to preferred shareholders.....	(2,544,000)	(862,000)
Distributions paid to minority interests - preferred units...	(5,841,000)	(214,000)
Distributions paid to common shareholders.....	(11,702,000)	(11,819,000)
Distributions paid to minority interests - common units.....	(3,695,000)	(3,707,000)
--		
Net cash (used in) provided by financing activities.....	(41,804,000)	24,917,000
--		
Net (decrease) increase in cash and cash equivalents.....	(25,367,000)	7,629,000
Cash and cash equivalents at the beginning of the period.....	74,220,000	6,068,000
--		
Cash and cash equivalents at the end of the period.....	\$ 48,853,000	\$ 13,697,000
=====		

</TABLE>

See accompanying notes.

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PS BUSINESS PARKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>

<CAPTION>

	For the Six Months Ended June 30,	
	2000	1999
	-----	-----
--		
<S>	<C>	<C>
Supplemental schedule of non cash investing and financing activities:		
Acquisitions of real estate facilities in exchange for minority interests and mortgage notes payable:		
Real estate facilities.....	\$ -	\$ (20,752,000)
Minority interest - common units.....	-	1,033,000
Mortgage notes payable.....	-	19,719,000
Conversion of common OP units into shares of common stock:		
Minority interest - common units.....	(2,531,000)	-
Common stock.....	1,000	-
Paid-in capital.....	2,530,000	-
Adjustment to reflect minority interest to underlying ownership interest:		
Minority interest - common units.....	1,501,000	(844,000)
Paid-in capital.....	(1,501,000)	844,000
Capitalization of developed properties:		
Real estate facilities.....	(3,323,000)	-
Construction in progress.....	3,323,000	-
Unrealized gain:		
Marketable securities.....	(4,809,000)	-
Comprehensive income.....	4,809,000	-

</TABLE>

See accompanying notes.

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PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000

1. Organization and description of business

PS Business Parks, Inc. ("PSB") was incorporated in the state of California in 1990. As of June 30, 2000, PSB owned an approximate 74.3% general and limited partnership interest in PS Business Parks, L.P. (the "Operating Partnership" or "OP"). PSB, as the sole general partner of the Operating Partnership, has full, exclusive and complete responsibility and discretion in managing and controlling the Operating Partnership. PSB and the Operating Partnership are collectively referred to as the "Company."

The Company is a fully-integrated, self-advised and self-managed real estate investment trust ("REIT") that acquires, develops, owns and operates commercial properties containing commercial and industrial rental space. As of June 30, 2000, the Company owned and operated 124 commercial properties (approximately 12.3 million net rentable square feet) located in 10 states. In addition, the Company managed, on behalf of Public Storage, Inc. ("PSI") and affiliated entities, 38 commercial properties (approximately 1.1 million net rentable square feet).

2. Summary of significant accounting policies

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from estimates. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2000 are not necessarily indicative of the results that may be expected for the year ended December 31, 2000. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1999.

The condensed consolidated financial statements include the accounts of PSB and the Operating Partnership. All significant intercompany balances and transactions have been eliminated in the condensed consolidated financial statements.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value.

Marketable securities

The Company owns approximately one million common shares of Pacific Gulf Properties Inc. The investment is classified as "available-for-sale" in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities. The investment is reflected on the balance sheet at fair market value. The unrealized gain of \$4,809,000 is excluded from earnings and reported in a separate component of shareholders' equity. Dividend income is recognized when earned.

Real estate facilities

Real estate facilities are recorded at cost. Costs related to the renovation or improvement of the properties are capitalized. Expenditures for repair and maintenance are expensed as incurred. Buildings and equipment are depreciated on the straight-line method over the estimated useful lives, which are generally 30 and 5 years, respectively.

Interest cost and property taxes incurred during the period of construction of real estate facilities are capitalized. Construction in progress and developed projects include \$1,945,000 and \$1,257,000 of interest costs capitalized at June 30, 2000 and December 31, 1999, respectively. The Company capitalized \$688,000 and \$410,000 during the six months ended June 30, 2000 and 1999, respectively.

Intangible assets

Intangible assets consist of property management contracts for properties managed, but not owned, by the Company. The intangible assets are being amortized over seven years. Intangible assets are net of accumulated amortization of \$1,024,000 and \$874,000 at June 30, 2000 and December 31, 1999, respectively.

Evaluation of asset impairment

The Company evaluates its assets used in operations, by identifying indicators of impairment and by comparing the sum of the estimated undiscounted future cash flows for each asset to the asset's carrying amount. When indicators of impairment are present and the sum of the undiscounted future cash flows is less than the carrying value of such asset, an impairment loss is recorded equal to the difference between the asset's current carrying value and its value based on discounting its estimated future cash flows. At June 30, 2000, no such indicators of impairment have been identified.

Assets held for disposition are reported at the lower of carrying amount or fair value less selling costs.

Borrowings from and loans to affiliate

The Company borrowed an aggregate of \$41.4 million from PSI and paid \$371,000 in interest expense during the period of January 19, 1999 through April 30, 1999. The notes bore interest at 5.5% (per annum) and were repaid as of April 30, 1999.

The Company loaned an aggregate of \$77 million to PSI and received \$153,000 in interest income during the period of January 5, 2000 through March 20, 2000. The notes bore interest at 5.9% (per annum) and were repaid as of March 20, 2000.

Revenue and expense recognition

All leases are classified as operating leases. Rental income is recognized on a straight-line basis over the terms of the leases. Reimbursements from tenants for real estate taxes and other recoverable operating expenses are recognized as revenue in the period the applicable costs are incurred.

Costs incurred in connection with leasing (primarily tenant improvements and leasing commissions) are capitalized and amortized over the lease period.

Property management fees are recognized in the period earned.

General and administrative expense

General and administrative expense includes executive compensation, office expense, professional fees, state income taxes, cost of acquisition personnel and other such administrative items. Such amounts include amounts incurred by PSI on behalf of the Company, which were subsequently charged to the Company in accordance with the allocation methodology pursuant to the cost allocation and administrative service agreement between the Company and PSI.

Acquisition costs

Internal acquisition costs are expensed as incurred.

Income taxes

During 1997, the Company qualified and intends to continue to qualify as a REIT, as defined in Section 856 of the Internal Revenue Code. As a REIT, the Company is not subject to federal income tax to the extent that it distributes its taxable income to its shareholders. A REIT must distribute at least 95% of its taxable income each year. In addition, REITs are subject to a number of organizational and operating requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) based on its taxable income using corporate income tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed taxable income. The Company believes it met all organization and operating requirements to maintain its REIT status during 1999 and intends to continue to meet such

requirements for 2000. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Net income per common share

Per share amounts are computed using the weighted average common shares outstanding. "Diluted" weighted average common shares outstanding include the dilutive effect of stock options under the treasury stock method. "Basic" weighted average common shares outstanding excludes such effect. Earnings per share has been calculated as follows:

Three Months June 30, ----- 1999 ----- <S> <C>	For the Three Months Ended June 30,		For the Ended
	2000	1999	2000
Net income allocable to common shareholders..... 18,835,000	\$ 10,240,000	\$ 9,393,000	\$ 19,711,000
Weighted average common shares outstanding:			
Basic weighted average common shares outstanding..... 23,638,000	23,356,000	23,639,000	23,474,000
Net effect of dilutive stock options - based on treasury stock method using average market price..... 71,000	72,000	77,000	63,000
Diluted weighted average common shares outstanding..... 23,709,000	23,428,000	23,716,000	23,537,000
Basic earnings per common share..... \$ 0.80	\$ 0.44	\$ 0.44	\$ 0.84
Diluted earnings per common share..... \$ 0.79	\$ 0.44	\$ 0.40	\$ 0.84

PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000

3. Real estate facilities

The activity in real estate facilities for the six months ended June 30, 2000 is as follows:

	Land	Buildings	Accumulated Depreciation	Total
Balances at December 31, 1999.....	\$ 194,140,000	\$ 636,261,000	\$ (50,976,000)	\$ 779,425,000
Property acquisitions.....	7,673,000	21,824,000	-	29,497,000
Property dispositions.....	(1,215,000)	(3,482,000)	475,000	(4,222,000)
Developed projects.....	358,000	2,965,000	-	3,323,000
Properties held for disposition....	(780,000)	(5,331,000)	1,521,000	(4,590,000)
Capital improvements.....	-	4,747,000	-	4,747,000
Depreciation expense.....	-	-	(17,124,000)	(17,124,000)
Balances at June 30, 2000.....	\$ 200,176,000	\$ 656,984,000	\$ (66,104,000)	\$ 791,056,000

Certain properties have been identified as not meeting the Company's ongoing investment strategy and have been designated as properties held for disposition at June 30, 2000. These properties are currently being marketed and the Company anticipates a gain on the sale during this fiscal year. The following summarizes the condensed results of operations of the properties held for disposition which are included in the condensed consolidated statements of income:

	For the Six Months Ended June 30,	
	2000	1999
Rental income.....	\$ 2,250,000	\$ 2,153,000
Cost of operations.....	765,000	750,000
Depreciation.....	326,000	247,000
Net operating income.....	\$ 1,159,000	\$ 1,156,000

4. Leasing activity

The Company leases space in its real estate facilities to tenants under non-cancelable leases generally ranging from one to ten years. Future minimum rental revenues excluding recovery of expenses as of June 30, 2000 under these leases are as follows:

2000 (July - December).....	\$ 59,458,000
2001.....	98,990,000
2002.....	71,783,000
2003.....	50,967,000
2004.....	35,309,000
Thereafter.....	47,753,000

	\$ 364,260,000
	=====

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amount to \$9,175,000 and \$8,216,000 for the six months ended June 30, 2000

PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000

and 1999, respectively. These amounts are included as rental income and cost of operations in the accompanying condensed consolidated statements of income.

5. Revolving line of credit

In August 1999, the Company extended its unsecured line of credit (the "Credit Facility") with Wells Fargo Bank. The Credit Facility has a borrowing limit of \$100 million and an expiration date of August 6, 2002. The expiration date may be extended by one year on each anniversary of the Credit Facility. Interest on outstanding borrowings is payable monthly. At the option of the Company, the rate of interest charged is equal to (i) the prime rate or (ii) a rate ranging from the London Interbank Offered Rate ("LIBOR") plus 0.75% to 1.35% depending on the Company's credit ratings and coverage ratios, as defined (currently LIBOR plus 1.00%). In addition, the Company is required to pay an annual commitment fee of 0.25%. The Company had no outstanding balance and \$100 million available on its line of credit at June 30, 2000 and December 31, 1999.

The Credit Facility requires the Company to meet certain covenants including (i) maintain a balance sheet leverage ratio (as defined) of less than 0.50 to 1.00, (ii) maintain interest and fixed charge coverage ratios (as defined) of not less than 2.25 to 1.0 and 1.75 to 1.0, respectively, (iii) maintain a minimum total shareholders' equity (as defined) and (iv) limit distributions to 95% of funds from operations. In addition, the Company is limited in its ability to incur additional borrowings (the Company is required to maintain unencumbered assets with an aggregate book value equal to or greater than two times the Company's unsecured recourse debt) or sell assets. The Company was in compliance with the covenants of the Credit Facility at June 30, 2000.

6. Mortgage notes payable

Mortgage notes consist of the following:

<TABLE>

<CAPTION>

	June 30, 2000	December 31, 1999
<S>	<C>	<C>
7.125% mortgage note, principal and interest payable monthly, due May 2006.....	\$ 8,662,000	\$ 8,751,000
8.190% mortgage note, principal and interest payable monthly, due March 2007.....	6,576,000	6,666,000
7.290% mortgage note, principal and interest payable monthly, due February 2009.....	6,323,000	6,372,000
7.280% mortgage note, principal and interest payable monthly, due February 2003.....	4,246,000	4,304,000
8.000% mortgage note, principal and interest payable monthly, due April 2003.....	2,066,000	2,108,000
8.500% mortgage note, principal and interest payable monthly, due July 2007.....	1,874,000	1,898,000
8.000% mortgage note, principal and interest payable monthly, due April 2003.....	1,615,000	1,640,000
8.125% mortgage note.....	-	5,327,000
	-----	-----
	\$31,362,000	\$37,066,000
	=====	=====

</TABLE>

PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2000

At June 30, 2000, approximate principal maturities of mortgage notes payable are as follows:

2000 (July - December).....	\$ 390,000
2001.....	829,000
2002.....	895,000
2003.....	7,871,000
2004.....	696,000
Thereafter.....	20,681,000

	\$ 31,362,000
	=====

7. Minority interests

Common units

The Company presents the accounts of PSB and the Operating Partnership on a consolidated basis. Ownership interests in the Operating Partnership, other than PSB's interest, are classified as minority interest in the condensed consolidated financial statements. Minority interest in income consists of the minority interests' share of the condensed consolidated operating results.

Beginning one year from the date of admission as a limited partner and subject to certain limitations described below, each limited partner other than PSB has the right to require the redemption of its partnership interest.

A limited partner that exercises its redemption right will receive cash from the Operating Partnership in an amount equal to the market value (as defined in the Operating Partnership Agreement) of the partnership interests redeemed. In lieu of the Operating Partnership redeeming the partner for cash, PSB, as general partner, has the right to elect to acquire the partnership interest directly from a limited partner exercising its redemption right, in exchange for cash in the amount specified above or by issuance of one share of PSB common stock for each unit of limited partnership interest redeemed.

A limited partner cannot exercise its redemption right if delivery of shares of PSB common stock would be prohibited under the applicable articles of incorporation, if the general partner believes that there is a risk that delivery of shares of common stock would cause the general partner to no longer qualify as a REIT, would cause a violation of the applicable securities laws, or would result in the Operating Partnership no longer being treated as a partnership for federal income tax purposes.

At June 30, 2000, there were 7,335,839 OP units owned by minority interests (7,305,355 were owned by PSI and affiliated entities and 30,484 were owned by unaffiliated third parties). On a fully converted basis, assuming all 7,335,839 minority interest OP units were converted into shares of common stock of PSB at June 30, 2000, the minority interests would own approximately 24.0% of the common shares outstanding. At the end of each

reporting period, PSB determines the amount of equity (book value of net assets) which is allocable to the minority interest based upon the ownership interest and an adjustment is made to the minority interest, with a corresponding adjustment to paid-in capital, to reflect the minority interests' equity in the Company.

Preferred units

On April 23, 1999, the Operating Partnership completed a private placement of 510,000 preferred units with a preferred distribution rate of 8 7/8%. The net proceeds from the placement of preferred units were approximately \$12.5 million and were used to repay borrowings from an affiliate.

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PS BUSINESS PARKS, INC.
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On September 3, 1999, the Operating Partnership completed a private placement of 3,200,000 preferred units with a preferred distribution rate of 8 3/4%. The net proceeds from the placement of preferred units were approximately \$78 million and part of the proceeds was used to prepay a mortgage note payable of approximately \$8.5 million.

On September 7 and 23, 1999, the Operating Partnership completed private placements of 1,200,000 and 400,000 preferred units, respectively, with a preferred distribution rate of 8 7/8%. The net proceeds from the placement of preferred units were approximately \$39.2 million.

The Operating Partnership has the right to redeem the preferred units on or after the fifth anniversary of the issuance date at the original capital contribution plus the cumulative priority return, as defined, to the redemption date to the extent not previously distributed. The preferred units are exchangeable for Cumulative Redeemable Preferred Stock of the respective series of PS Business Parks, Inc. on or after the tenth anniversary of the date of issuance at the option of the Operating Partnership or majority of the holders of the preferred units. The Preferred Stock will have the same distribution rate and par value as the respective units and will have equivalent terms to those described in Note 9.

8. Property management contracts

The Operating Partnership manages industrial, office and retail facilities for PSI and entities affiliated with PSI. These facilities, all located in the United States, operate under the "Public Storage" or "PS Business Parks" name.

The property management contracts provide for compensation of five percent of the gross revenue of the facilities managed. Under the supervision of the property owners, the Operating Partnership coordinates rental policies, rent collections, marketing activities, the purchase of equipment and supplies, maintenance activities, and the selection and engagement of vendors, suppliers and independent contractors. In addition, the Operating Partnership assists and advises the property owners in establishing policies for the hire, discharge and supervision of employees for the operation of these facilities, including property managers, leasing, billing and maintenance personnel.

The property management contract with PSI is for a seven year term with the term being extended one year each anniversary. The property management contracts with affiliates of PSI are cancelable by either party upon sixty days notice.

9. Shareholders' equity

Preferred stock

On April 30, 1999, the Company issued 2,200,000 depository shares each representing 1/1,000 of a share of 9 1/4% Cumulative Preferred Stock, Series A. Net proceeds from the public perpetual preferred stock offering were approximately \$53.1 million and were used to repay borrowings from an affiliate and a mortgage note payable of approximately \$11 million. The remaining proceeds were used for investment in real estate.

Holder of the Company's preferred stock will not be entitled to vote on most matters, except under certain conditions. In the event of a cumulative arrearage equal to six quarterly dividends, the holders of the preferred stock will have the right to elect two additional members to serve on the Company's Board of Directors until all events of default have been cured. At June 30, 2000, there were no dividends in arrears.

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PS BUSINESS PARKS, INC.
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Except under certain conditions relating to the Company's qualification as a REIT, the preferred stock is not redeemable prior to April 30, 2004. On or after April 30, 2004, the preferred stock will be redeemable, at the option of the Company, in whole or in part, at \$25 per depositary share, plus any accrued and unpaid dividends.

The Company paid \$2,544,000 (\$1.156250 per depositary share) and \$862,000 (\$0.391840 per depositary share) in distributions to its preferred shareholders for the six months ended June 30, 2000 and 1999, respectively.

Common stock

On March 2, 2000, the Board of Directors authorized the repurchase from time to time of up to 1,000,000 shares of the Company's common stock on the open market or in privately negotiated transactions. As of June 30, 2000, the Company repurchased 552,600 shares of common stock at an aggregate cost of approximately \$12.4 million.

On March 31, 2000, a holder of common OP units exercised its option and converted its 107,517 common OP units into an equal number of shares of PSB common stock. The conversion resulted in an increase in shareholders' equity and a corresponding decrease in minority interest of approximately \$2,531,000 representing the book value of the OP units at the time of conversion.

The Company paid \$11,702,000 (\$0.50 per common share) and \$11,819,000 (\$0.50 per common share) in distributions to its common shareholders for the six months ended June 30, 2000 and 1999, respectively. Pursuant to restrictions on the Credit Facility, distributions may not exceed 95% of funds from operations, as defined.

Equity stock

In addition to common and preferred stock, the Company is authorized to issue 100,000,000 shares of Equity Stock. The Articles of Incorporation provide that the Equity Stock may be issued from time to time in one or more series and gives the Board of Directors broad authority to fix the dividend and distribution rights, conversion and voting rights, redemption provisions and liquidation rights of each series of Equity Stock.

10. Recent accounting pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is required to be adopted in years beginning after June 15, 2000. This statement provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. The Company is studying this statement to determine its effect on the consolidated financial statements and will adopt this statement in the year ending December 31, 2001.

11. Commitments and contingencies

The Company is subject to the risks inherent in the ownership and operation of commercial real estate. These include, among others, the risks normally associated with changes in the general economic climate, trends in the real estate industry, creditworthiness of tenants, competition, changes in tax laws, interest rate levels, the availability of financing and potential liability under environmental and other laws.

Substantially all of the properties have been subjected to Phase I environmental reviews. Such reviews have not revealed, nor is management aware of, any probable or reasonably possible environmental costs that management believes would be material to the consolidated financial statements except as discussed below.

The Company acquired a property in Beaverton, Oregon ("Creekside Corporate Park") in May 1998. A property adjacent to Creekside Corporate Park is currently the subject of an environmental remedial investigation/feasibility study that is being conducted by the current and past owners of the property, pursuant to an order issued by the Oregon

Department of Environmental Quality ("ODEQ"). As part of that study, ODEQ ordered the property owners to sample soil and groundwater on the Company's property to determine the nature and extent of contamination resulting from past industrial operations at the property subject to the study. The Company, which is not a party of the Order on Consent, executed separate Access Agreements with the property owners to allow access to its property to conduct the required sampling and testing. The sampling and testing is ongoing, and preliminary results from one area indicate that the contamination from the property subject to the study may have migrated onto a portion of Creekside Corporate Park owned by the Company.

There is no evidence that any past or current use of the Creekside Corporate Park property contributed in any way to the contamination that is the subject of the current investigation. Nevertheless, upon completion of the study, it is likely that removal or remedial measures will be required to address any contamination detected during the current investigation, including any contamination on or under the Creekside Corporate Park property. Because of the preliminary nature of the investigation, the Company cannot predict the outcome of the investigation, nor can it estimate the costs of any remediation or removal activities that may be required.

The Company believes that it bears no responsibility or liability for the contamination. In the event the Company is ultimately deemed responsible for any costs relating to this matter, the Company believes that the party from whom the property was purchased will be responsible for any expenses or liabilities that the Company may incur as a result of this contamination.

On November 3, 1999, the Company filed an action in the Los Angeles Superior Court seeking damages in excess of \$1 million, as well as equitable relief. The complaint alleges that Mr. Howard and entities controlled by him engaged in unfair trade practices, including (1) negotiating kickbacks, secret rebates and/or unearned discounts from third party suppliers for "providing" Company business to those suppliers and (2) disrupting the Company's relationship with various suppliers.

On or about February 14, 2000, Mr. Howard and entities controlled by him filed a cross-complaint against the Company, Public Storage, Inc., and several other cross-defendants alleging, among other things, (1) interference with Mr. Howard's contractual relations with various third party suppliers, (2) violation of Title VII of the Civil Rights Act and (3) abuse of process. None of the cross-complainants assigned any dollar amount in the cross-complaint to the claims. The Company intends to vigorously contest the claims in the cross-complaint.

The Company currently is neither subject to any other material litigation nor, to management's knowledge, is any material litigation currently threatened against the Company other than routine litigation and administrative proceedings arising in the ordinary course of business. Based on consultation with counsel, management believes that these items will not have a material adverse impact on the Company's condensed consolidated financial position or results of operations.

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PS BUSINESS PARKS, INC.
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12. Subsequent events

On July 12, 2000 the Operating Partnership completed a private placement of 480,000 preferred units with a preferred distribution rate of 8 7/8%. The net proceeds from the placement of preferred units were approximately \$11.7 million and will be used for investment in real estate.

On July 27, 2000, the Board of Directors authorized the repurchase of up to an additional 600,000 shares of the Company's common stock (for a total repurchase authorization of up to 1,600,000 shares) on the open market or in privately negotiated transactions. Purchases will be made subject to market conditions and other investment opportunities available to the Company.

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Forward-Looking Statements: When used within this document, the words "expects," "believes," "anticipates," "should," "estimates," and similar expressions are intended to identify "forward-looking statements" within the meaning of that term in Section 27A of the Securities Exchange Act of 1933, as amended, and in Section 21F of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors. Actual results could differ materially from those set forth in the forward-looking statements as a result of various factors. Such factors include, but are not limited to a change in economic conditions in the various markets served by the Company's operations which would adversely affect the level of demand for rental of commercial space and the cost structure of the Company, general real estate investment risks, competition, risks associated with acquisition and development activities and debt financing, environmental matters, general uninsured losses and seismic activity. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Overview: During 2000 and 1999, the Company focused on increasing cash flow from its existing core portfolio of properties, expanded its presence in existing markets through strategic acquisitions and developments and strengthened its balance sheet primarily through the issuance of preferred stock/OP units at reasonable prices. By maintaining low leverage, the Company believes that future growth is facilitated.

During the first half of 2000, the Company acquired 178,000 square feet in Northern California for approximately \$23.3 million. In addition, the Company acquired 21 acres of land in Texas for approximately \$3.7 million for the development of two 100,000 square feet flex buildings.

During 1999, the Company added approximately 1.3 million square feet to its portfolio at an aggregate cost of approximately \$103 million. The Company acquired 483,000 square feet in Texas for approximately \$32 million, 405,000 square feet in Northern Virginia/Maryland market for approximately \$41 million, 211,000 square feet in Northern California for approximately \$17 million and 200,000 square feet in Arizona for approximately \$13 million.

Results of Operations: Net income for the three months ended June 30, 2000 was \$11,512,000 compared to \$10,255,000 for the same period in 1999. Net income allocable to common shareholders (net income less preferred stock dividends) for the three months ended June 30, 2000 was \$10,240,000 compared to \$9,393,000 for the same period in 1999. Net income per common share on a diluted basis was \$0.44 for the three months ended June 30, 2000 compared to \$0.40 for the same period in 1999 (based on weighted average diluted common shares outstanding of 23,428,000 and 23,716,000, respectively). Net income for the six months ended June 30, 2000 was \$22,255,000 compared to \$19,697,000 for the same period in 1999. Net income allocable to common shareholders (net income less preferred stock dividends) for the six months ended June 30, 2000 was \$19,711,000 compared to \$18,835,000 for the same period in 1999. Net income per common share on a diluted basis was \$0.84 for the six months ended June 30, 2000 compared to \$0.79 for the same period in 1999 (based on weighted average diluted common shares outstanding of 23,537,000 and 23,709,000, respectively). The increases in net income and net income per share reflect the Company's growth in its asset base through the acquisition and development of commercial properties in addition to increased net operating income from its stabilized base of properties.

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The Company's property operations account for almost all of the net operating income earned by the Company. The following table presents the pre-depreciation operating results of the properties for the three and six months ended June 30, 2000 and 1999:

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Change
	2000	1999	
<S>	<C>	<C>	<C>
Rental income:			
"Same Park" facilities (107 facilities, 10.5 million net rentable square feet).....	\$30,726,000	\$28,995,000	6.0%
Other facilities.....	5,688,000	1,864,000	205.2%

Total rental income.....	\$36,414,000	\$30,859,000	18.0%

=====

Cost of operations (excluding depreciation):

"Same Park" facilities.....	\$ 8,068,000	\$ 7,867,000	2.6%
Other facilities.....	2,050,000	788,000	160.2%

Total cost of operations.....	\$10,118,000	\$ 8,655,000	16.9%
=====			
Net operating income (rental income less cost of operations):			
"Same Park" facilities.....	\$22,658,000	\$21,128,000	7.2%
Other facilities.....	3,638,000	1,076,000	238.1%

Total net operating income.....	\$26,296,000	\$22,204,000	18.4%
=====			

	Six Months Ended June 30,		Change
	2000	1999	

Rental income:			
"Same Park" facilities (107 facilities, 10.5 million net rentable square feet).....	\$59,766,000	\$56,441,000	5.9%
Other facilities.....	10,701,000	3,535,000	202.7%

Total rental income.....	\$70,467,000	\$59,976,000	17.5%
=====			
Cost of operations (excluding depreciation):			
"Same Park" facilities.....	\$15,840,000	\$15,406,000	2.8%
Other facilities.....	3,830,000	1,625,000	135.7%

Total cost of operations.....	\$19,670,000	\$17,031,000	15.5%
=====			
Net operating income (rental income less cost of operations):			
"Same Park" facilities.....	\$43,926,000	\$41,035,000	7.0%
Other facilities.....	6,871,000	1,910,000	259.7%

Total net operating income.....	\$50,797,000	\$42,945,000	18.3%
=====			

</TABLE>

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Rental income and rental income less cost of operations or net operating income ("NOI") prior to depreciation are summarized for the three months ended June 30, 2000 by major geographic regions below:

<TABLE>
<CAPTION>

Percent Region Total	Square Footage	Percent of Total	Rental Income	Percent of Total	NOI	of
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Southern California 25.8%	3,093,000	25.2%	\$ 8,970,000	24.6%	\$ 6,775,000	
Northern California 11.8%	1,495,000	12.2%	4,185,000	11.5%	3,096,000	
Southern Texas 5.9%	1,032,000	8.4%	2,670,000	7.3%	1,556,000	
Northern Texas 15.8%	1,849,000	15.1%	5,724,000	15.7%	4,163,000	
Virginia 15.4%	1,612,000	13.1%	5,627,000	15.5%	4,039,000	
Maryland 9.7%	1,104,000	9.0%	3,519,000	9.7%	2,562,000	
Oregon 11.1%	1,191,000	9.7%	3,718,000	10.2%	2,919,000	
Other 4.5%	888,000	7.3%	2,001,000	5.5%	1,186,000	

100.0%	12,264,000	100.0%	\$36,414,000	100.0%	\$26,296,000	
=====						
Rental income and rental income less cost of operations or net operating income ("NOI") prior to depreciation are summarized for the six months ended June 30, 2000 by major geographic regions below:						
Percent Region	Square Footage	Percent of Total	Rental Income	Percent of Total	NOI	of
Total						

Southern California 26.7%	3,093,000	25.2%	\$17,763,000	25.2%	\$13,533,000	
Northern California 11.4%	1,495,000	12.2%	7,847,000	11.1%	5,806,000	
Southern Texas 6.1%	1,032,000	8.4%	5,264,000	7.5%	3,094,000	
Northern Texas 14.0%	1,849,000	15.1%	10,175,000	14.4%	7,129,000	
Virginia 15.7%	1,612,000	13.1%	10,988,000	15.6%	7,968,000	
Maryland 9.6%	1,104,000	9.0%	6,871,000	9.8%	4,894,000	
Oregon 11.6%	1,191,000	9.7%	7,441,000	10.6%	5,887,000	
Other 4.9%	888,000	7.3%	4,118,000	5.8%	2,486,000	

100.0%	12,264,000	100.0%	\$70,467,000	100.0%	\$50,797,000	
=====						

</TABLE>

Supplemental Property Data and Trends: In order to evaluate the performance of the Company's overall portfolio, management analyzes the operating performance of a consistent group of 107 properties (10.5 million net rentable square feet). These 107 properties (herein referred to as the "Same Park" facilities) have been owned and operated by the Company for the comparable periods. These properties do not include planned dispositions or properties that have been sold during the year. The "Same Park" facilities represent approximately 86% of the square footage of the Company's portfolio at June 30, 2000.

The following table summarizes the pre-depreciation historical operating results of the "Same Park" facilities excluding the effects of accounting for rental revenues on a straight-line basis.

"Same Park" Facilities (107 Properties)

<TABLE>
<CAPTION>

	Three Months Ended June 30,		
	2000	1999	Change
<S>	<C>	<C>	<C>
Rental income (1).....	\$ 30,225,000	\$ 28,191,000	7.2%
Cost of operations.....	8,068,000	7,867,000	2.6%
Net operating income.....	\$ 22,157,000	\$ 20,324,000	9.0%

Gross margin (2).....	73.3%	72.1%	1.2%
Weighted average for period:			
Occupancy.....	97.3%	96.9%	0.4%
Annualized realized rent per sq. ft.(3).....	\$11.79	\$11.04	6.8%
=====			

	Six Months Ended June 30,		Change
	2000	1999	
Rental income (1).....	\$ 58,728,000	\$ 54,929,000	6.9%
Cost of operations.....	15,840,000	15,406,000	2.8%
Net operating income.....	\$ 42,888,000	\$ 39,523,000	8.5%
Gross margin (2).....	73.0%	72.0%	1.0%
Weighted average for period:			
Occupancy.....	97.1%	96.9%	0.2%
Annualized realized rent per sq. ft.(3).....	\$11.48	\$10.76	6.7%

</TABLE>

- - - - -

(1) Rental income does not include the effect of straight-line accounting.

(2) Gross margin is computed by dividing property net operating income by rental income.

(3) Realized rent per square foot represents the actual revenues earned per occupied square foot.

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The following tables summarize the "Same Park" operating results by major geographic region for the three months ended June 30, 2000 and 1999:

<TABLE>
<CAPTION>

Region	Revenues 2000	Revenues 1999	Increase	NOI 2000	NOI 1999	Increase (Decrease)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Southern California.....	\$9,248,000	\$8,157,000	13.4%	\$7,050,000	\$6,131,000	15.0%
Northern California.....	3,058,000	2,640,000	15.8%	2,350,000	1,988,000	18.2%
Southern Texas.....	2,324,000	2,332,000	(0.3%)	1,310,000	1,383,000	(5.3%)
Northern Texas.....	3,916,000	4,400,000	(11.0%)	2,691,000	3,037,000	(11.4%)
Virginia.....	4,176,000	3,642,000	14.7%	3,037,000	2,567,000	18.3%
Maryland.....	2,482,000	2,273,000	9.2%	1,863,000	1,635,000	13.9%
Oregon.....	3,809,000	3,614,000	5.4%	3,093,000	2,902,000	6.6%
Other.....	1,212,000	1,133,000	7.0%	763,000	681,000	12.0%
--	\$30,225,000	\$28,191,000	7.2%	\$22,157,000	\$20,324,000	9.0%

The following tables summarize the "Same Park" operating results by major geographic region for the six months ended June 30, 2000 and 1999:

Region	Revenues 2000	Revenues 1999	Increase	NOI 2000	NOI 1999	Increase (Decrease)
Southern California.....	\$17,879,000	\$16,000,000	11.7%	\$13,651,000	\$11,887,000	14.8%
Northern California.....	5,987,000	5,299,000	13.0%	4,564,000	3,980,000	14.7%
Southern Texas.....	4,581,000	4,487,000	2.1%	2,629,000	2,749,000	(4.4%)
Northern Texas.....	7,562,000	7,863,000	(3.8%)	5,105,000	5,316,000	(4.0%)
Virginia.....	7,985,000	7,245,000	10.2%	5,797,000	5,104,000	13.6%
Maryland.....	4,861,000	4,617,000	5.3%	3,607,000	3,382,000	6.7%
Oregon.....	7,463,000	7,154,000	4.3%	6,050,000	5,712,000	5.9%
Other.....	2,410,000	2,264,000	6.5%	1,485,000	1,393,000	6.6%
--	\$58,728,000	\$54,929,000	6.9%	\$42,888,000	\$39,523,000	8.5%

</TABLE>

The increases noted above reflect the performance of the Company's existing markets. The Company experienced growth in rental rates in Southern and Northern California and Virginia due to a strong economic climate. In Southern Texas, increases in operating expenses in excess of revenue increases resulted in a decrease in NOI. The increases are primarily related to property tax expenses. In Northern Texas, decreases in revenue and NOI are primarily related to decreased expense recoveries for the three and six months ended June 30, 2000.

Facility Management Operations: The Company's facility management accounts for a small portion of the Company's net operating income. During the three months ended June 30, 2000, \$104,000 in net operating income was recognized from facility management operations compared to \$93,000 for the same period in 1999. During the six months ended June 30, 2000, \$202,000 in net operating income was recognized from facility management operations compared to \$184,000 for the same period in 1999. Facility management fees have increased due to the increase in rental rates of the properties managed by the Company.

Business Services: The Company recently hired a Vice President to focus on creating new revenue opportunities for the Company and additional products and services for our customers. Currently the Company has

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begun receiving income from construction management fees and fees from telecommunication service providers. During the three and six months ended June 30, 2000, \$203,000 in net operating income was derived from such services compared to none for the same periods in 1999.

Interest Income: Interest income reflects earnings on cash balances. Interest income was \$741,000 for the three months ended June 30, 2000 compared to \$252,000 for the same period in 1999. Interest income was \$2,011,000 for the six months ended June 30, 2000 compared to \$264,000 for the same period in 1999. The increase is attributable to increased average cash balances and higher interest rates. Average cash balances for the three months ended June 30, 2000 were approximately \$49.4 million compared to \$20.1 million for the same period in 1999. Average cash balances for the six months ended June 30, 2000 were approximately \$69.9 million compared to \$10.6 million for the same period in 1999.

Dividend Income: Dividend income reflects earnings from marketable securities. Dividend income was \$440,000 for the three months ended June 30, 2000 compared to \$21,000 for the same period in 1999. Dividend income was \$858,000 for the six months ended June 30, 2000 compared to \$29,000 for the same period in 1999. The increase is attributable to increased investments in marketable securities.

Cost of Operations: Cost of operations for the three months ended June 30, 2000 was \$10,118,000 compared to \$8,655,000 for the same period in 1999. Cost of operations for the six months ended June 30, 2000 was \$19,670,000 compared to \$17,031,000 for the same period in 1999. Cost of operations for the three months ended June 30, 2000 consists primarily of property taxes (\$3,223,000), property maintenance (\$1,793,000), utilities (\$1,487,000) and direct payroll (\$1,409,000). Cost of operations for the six months ended June 30, 2000 consists primarily of property taxes (\$6,343,000), property maintenance (\$3,581,000), utilities (\$3,099,000) and direct payroll (\$2,877,000). The increase is due primarily to the growth in the total square footage of the Company's portfolio of properties. Cost of operations as a percentage of rental income decreased from 28.0% to 27.8% and from 28.4% to 27.9% for the three and six months ended June 30, 2000, respectively, as a result of economies of scale achieved through the acquisition and development of properties in existing markets.

Depreciation and Amortization Expense: Depreciation and amortization expense for the three months ended June 30, 2000 was \$8,898,000 compared to \$7,314,000 for the same period in 1999. Depreciation and amortization expense for the six months ended June 30, 2000 was \$17,274,000 compared to \$14,047,000 for the same period in 1999. The increase is due to the acquisition and development of real estate facilities during 1999 and 2000.

General and Administrative Expense: General and administrative expense was \$981,000 for the three months ended June 30, 2000 compared to \$795,000 for the same period in 1999. General and administrative expense was \$1,864,000 for the six months ended June 30, 2000 compared to \$1,597,000 for the same period in 1999. The increase is due primarily to the increased size and activities of the Company. Included in general and administrative costs are acquisition costs and abandoned transaction costs. Acquisition expenses were \$117,000 and \$95,000 for the three months ended June 30, 2000 and 1999, respectively. Abandoned transaction costs were none and \$28,000 for the three months ended June 30, 2000 and 1999, respectively. Acquisition expenses were \$248,000 and \$185,000 for the six months ended June 30, 2000 and 1999, respectively. Abandoned transaction costs were \$7,000 and \$30,000 for the six months ended June 30, 2000 and 1999, respectively.

Interest Expense: Interest expense was \$370,000 for the three months ended June 30, 2000 compared to \$772,000 for the same period in 1999. Interest expense was \$744,000 for the six months ended June 30, 2000 compared to \$1,681,000 for the same period in 1999. The decrease is attributable to decreased average debt balances during the period. Interest expense of \$290,000 and \$225,000 was capitalized as part of building costs associated with properties under development during the three months ended June 30, 2000 and 1999, respectively. Interest expense of \$688,000 and \$410,000 was capitalized as part of building costs associated with properties under development during the six months ended

Minority Interest in Income: Minority interest in income reflects the income allocable to equity interests in the Operating Partnership that are not owned by the Company. Minority interest in income for the three months ended June 30, 2000 was \$6,120,000 (\$2,921,000 allocated to preferred unitholders and \$3,199,000 allocated to common unitholders) compared to \$3,434,000 (\$214,000 allocated to preferred unitholders and \$3,220,000 allocated to common unitholders) for the same period in 1999. Minority interest in income for the six months ended June 30, 2000 was \$12,031,000 (\$5,841,000 allocated to preferred unitholders and \$6,190,000 allocated to common unitholders) compared to \$6,400,000 (\$214,000 allocated to preferred unitholders and \$6,186,000 allocated to common unitholders) for the same period in 1999. The increase in minority interest in income is due primarily to the issuance of preferred operating partnership units in April and September of 1999.

Liquidity and Capital Resources

Net cash provided by operating activities for the six months ended June 30, 2000 and 1999 was \$55,071,000 and \$42,294,000, respectively. Management believes that its internally generated net cash provided by operating activities will continue to be sufficient to enable it to meet its operating expenses, capital improvements, debt service requirements and maintain the current level of distribution to shareholders.

The Company owns approximately one million common shares of Pacific Gulf Properties, Inc. ("PAG") representing an investment of approximately \$20 million. PAG recently announced the disposition of its industrial portfolio and the planned disposition of its multi-family portfolio. PAG expects to make a cash distribution to shareholders in the fourth quarter of 2000 of up to \$26 per share from the sale proceeds. This would result in net proceeds of approximately \$26 million to the Company or \$6 million in excess of our original investment. The investment is currently reflected on the balance sheet at \$25 million reflecting the fair market value of the stock at June 30, 2000. The unrealized gain is not reflected in net income or FFO. There is no assurance that the Company will realize the estimated net proceeds.

The Company sold three properties for approximately \$5.7 million in the second quarter of 2000 at a gain of \$97,000. Two additional properties are currently being marketed. There is no assurance that the sales will be consummated or that the Company will realize the estimated net proceeds.

The following table summarizes the Company's ability to make capital improvements to maintain its facilities through the use of cash provided by operating activities. The remaining cash flow is available to the Company to pay distributions to shareholders, make principal payments on debt and to make investments in real estate.

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	2000	1999
<S>		
Net income.....	\$ 22,255,000	\$ 19,697,000
Depreciation and amortization.....	17,274,000	14,047,000
Change in working capital.....	3,511,000	2,150,000
Minority interest in income.....	12,031,000	6,400,000
Net cash provided by operating activities.....	55,071,000	42,294,000
Maintenance capital expenditures.....	(1,181,000)	(1,422,000)
Tenant improvements.....	(2,074,000)	(2,665,000)
Capitalized lease commissions.....	(1,492,000)	(878,000)
Funds available for distributions to shareholders, minority interests, acquisitions and other corporate purposes.....	50,324,000	37,329,000
Cash distributions to shareholders and minority interests.....	(23,782,000)	(16,602,000)
Excess funds available for principal payments on debt, investments in real estate and other corporate purposes.....	\$ 26,542,000	\$ 20,727,000

</TABLE>

The Company's capital structure is characterized by a low level of leverage. As of June 30, 2000, the Company had seven fixed rate mortgage notes payable totaling \$31,362,000 which represented 3.6% of its total capitalization

(based on book value, including minority interests and debt). The weighted average interest rate for the mortgage notes is 7.59%.

In August 1999, the Company extended its unsecured line of credit (the "Credit Facility") with Wells Fargo Bank. The Credit Facility has a borrowing limit of \$100 million and an expiration date of August 6, 2002. The expiration date may be extended by one year on each anniversary of the Credit Facility. Interest on outstanding borrowings is payable monthly. At the option of the Company, the rate of interest charged is equal to (i) the prime rate or (ii) a rate ranging from the London Interbank Offered Rate ("LIBOR") plus 0.75% to 1.35% depending on

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the Company's credit ratings and coverage ratios, as defined (currently LIBOR plus 1.00%). In addition, the Company is required to pay an annual commitment fee of 0.25%.

The Company expects to fund its growth strategies with permanent capital, including issuances of common and preferred stock and internally generated retained cash flows. In addition, the Company may sell properties that no longer meet its investment criteria. The Company may finance acquisitions on a temporary basis with borrowings from its line of credit. The Company intends to repay amounts borrowed under the Credit Facility from undistributed cash flow or, as market conditions permit and as determined to be advantageous, from the public or private placement of preferred and common stock/OP units or formation of joint ventures. The Company targets a leverage ratio of 40% and Funds from Operations ("FFO") to combined fixed charges and preferred distributions ratio of 3.0 to 1.0. As of June 30, 2000 and for the six months then ended, the leverage ratio was 23% (based on the fair market capitalization) and the FFO to fixed charges and preferred distributions coverage ratio was 5.2 to 1.0.

In April 1999, the Company completed a private placement of preferred OP units and a public offering of depositary shares representing fractional interest in perpetual preferred stock resulting in net proceeds totaling \$65.6 million. The net proceeds from the placement of preferred OP units, completed April 23, 1999 were approximately \$12.5 million. The preferred OP units have a preferred distribution rate of 8 7/8% on a stated value of \$12.75 million. The preferred OP units have equivalent terms to those of perpetual preferred stock. Net proceeds from the public perpetual preferred stock offering completed April 30, 1999 were \$53.1 million. The preferred stock has a dividend rate of 9 1/4% on a stated value of \$55 million. Proceeds from the issuances were used to pay off borrowings from an affiliate and a portion was used to repay a mortgage note payable of approximately \$11 million. The remaining proceeds were used for investment in real estate.

On September 3, 1999, the Operating Partnership completed a private placement of 3,200,000 preferred units with a preferred distribution rate of 8 3/4%. The net proceeds from the placement of preferred units were approximately \$78 million. A portion of the proceeds was used to prepay a mortgage note payable of approximately \$8.5 million. On September 7 and 23, 1999, the Operating Partnership completed private placements of 1,200,000 and 400,000 preferred units, respectively, with a preferred distribution rate of 8 7/8%. The net proceeds from the placement of preferred units were approximately \$39.2 million.

On July 12, 2000 the Operating Partnership completed a private placement of 480,000 preferred units with a preferred distribution rate of 8 7/8%. The net proceeds from the placement of preferred units were approximately \$11.7 million and will be used for investment in real estate.

Funds from Operations: FFO is defined as net income, computed in accordance with generally accepted accounting principles ("GAAP"), before depreciation, amortization, minority interest in income, straight line rent adjustments and extraordinary or non-recurring items. FFO is presented because the Company considers FFO to be a useful measure of the operating performance of a REIT which, together with net income and cash flows provides investors with a basis to evaluate the operating and cash flow performances of a REIT. FFO does not represent net income or cash flows from operations as defined by GAAP. FFO does not take into consideration scheduled principal payments on debt and capital improvements. Accordingly, FFO is not necessarily a substitute for cash flow or net income as a measure of liquidity or operating performance or ability to make acquisitions and capital improvements or ability to pay distributions or debt principal payments. Also, FFO as computed and disclosed by the Company may not be comparable to FFO computed and disclosed by other REITs.

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FFO for the Company is computed as follows:
<TABLE>
<CAPTION>

Six Months Ended June 30,

2000

1999

<S>	<C>	<C>
Net income allocable to common shareholders.....	\$ 19,711,000	\$ 18,835,000
Gain on disposition of real estate.....	(97,000)	-
Depreciation and amortization.....	17,274,000	14,047,000
Minority interest in income - common units.....	6,190,000	6,186,000
Less effects of straight-line rents.....	(1,224,000)	(1,607,000)
<hr/>		
Consolidated FFO allocable to common shareholders and minority interests.....	41,854,000	37,461,000
FFO allocated to common minority interest - common units.....	(10,003,000)	(9,010,000)
<hr/>		
FFO allocated to common shareholders.....	\$ 31,851,000	\$ 28,451,000
<hr/>		

</TABLE>

Capital Expenditures: During the first half of 2000, the Company incurred \$4.7 million in maintenance capital expenditures, tenant improvements and capitalized lease commissions. On a recurring annual basis, the Company expects \$0.90 to \$1.20 per square foot in recurring capital expenditures (an aggregate of \$11 - \$15 million based on square footage at June 30, 2000) and expects to make approximately \$1 million in renovations on a property in Southern California during the remainder of 2000.

Distributions: The Company has elected and intends to qualify as a REIT for federal income tax purposes. As a REIT, the Company must meet, among other tests, sources of income, share ownership and certain asset tests. In addition, the Company is not taxed on that portion of its taxable income which is distributed to its shareholders provided that at least 95% of its taxable income is so distributed to its shareholders prior to filing of the Company's tax return.

The Board of Directors declared a quarterly dividend of \$0.25 per common share on July 27, 2000. In addition, the Board of Directors declared a quarterly dividend of \$0.578125 per share on the depository shares each representing 1/1000 of a share of 9 1/4% Cumulative Preferred Stock, Series A. Distributions are payable on September 30, 2000 to shareholders of record as of the close of business on September 15, 2000.

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ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

To limit the Company's exposure to market risk, the Company principally finances its operations and growth with permanent equity capital consisting of either common or preferred stock. At June 30, 2000, the Company's debt as a percentage of shareholders' equity (based on book values) was 5.6%.

The Company's market risk sensitive instruments include mortgage notes payable which totaled \$31,362,000 at June 30, 2000. Substantially all of the Company's mortgage notes payable bear interest at fixed rates. See Note 6 of the Notes to Consolidated Financial Statements for terms, valuations and approximate principal maturities of the mortgage notes payable as of June 30, 2000. Based on borrowing rates currently available to the Company, the carrying amount of debt approximates fair value.

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PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held an annual meeting of shareholders on May 9, 2000. Proxies for the annual meeting were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934. The annual meeting involved the following matter:

Election of Directors	Number of Shares of Common Stock	
Name	Voted For	Withheld
----	-----	-----
Ronald L. Havner, Jr.	19,222,551	25,935
Harvey Lenkin	19,222,051	26,435
Vern O. Curtis	19,222,551	25,935
Arthur M. Friedman	19,222,551	25,935
James H. Kropp	19,222,051	26,435
Alan K. Pribble	19,222,551	25,935
Jack D. Steele	19,222,551	25,935

(a) Exhibits

- 2.1 Amended and Restated Agreement and Plan of Reorganization among Registrant, American Office Park Properties, Inc. ("AOPP") and Public Storage, Inc. ("PSI") dated as of December 17, 1997. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.
- 3.1 Restated Articles of Incorporation. Filed with Registrant's Registration Statement No. 333-78627 and incorporated herein by reference.
- 3.2 Certificate of Determination of Preferences of 8 1/4% Series C Cumulative Redeemable Preferred Stock of PS Business Parks, Inc. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 and incorporated herein by reference.
- 3.3 Certificate of Determination of Preferences of 8 7/8% Series X Cumulative Redeemable Preferred Stock of PS Business Parks, Inc. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 and incorporated herein by reference.
- 3.4 Amendment to Certificate of Determination of Preferences of 8 7/8% Series X Cumulative Redeemable Preferred Stock of PS Business Parks, Inc. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 and incorporated herein by reference.
- 3.5 Certificate of Determination of Preferences of 8 7/8% Series Y Cumulative Redeemable Preferred Stock of PS Business Parks, Inc. Filed herewith.
- 3.6 Restated Bylaws. Filed with Registrant's Current Report on Form 8-K dated March 17, 1998 and incorporated herein by reference.

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- 10.1 Amended Management Agreement between Storage Equities, Inc. and Public Storage Commercial Properties Group, Inc. dated as of February 21, 1995. Filed with PSI's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference.
- 10.2 Registrant's 1997 Stock Option and Incentive Plan. Filed with Registrant's Registration Statement No. 333-48313 and incorporated herein by reference.
- 10.3 Agreement of Limited Partnership of PS Business Parks, L.P. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 and incorporated herein by reference.
- 10.4 Merger and Contribution Agreement dated as of December 23, 1997 among Acquiport Two Corporation, Acquiport Three Corporation, New York State Common Retirement Fund, American Office Park Properties, L.P., AOPP and AOPP Acquisition Corp. Three. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.
- 10.5 Agreement Among Shareholders and Company dated as of December 23, 1997 among Acquiport Two Corporation, AOPP, American Office Park Properties, L.P. and PSI. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.
- 10.6 Amendment to Agreement Among Shareholders and Company dated as of January 21, 1998 among Acquiport Two Corporation, AOPP, American Office Park Properties, L.P. and PSI. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.
- 10.7 Non-Competition Agreement dated as of December 23, 1997 among PSI, AOPP, American Office Park Properties, L.P. and Acquiport Two Corporation. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.
- 10.8 Employment Agreement between AOPP and Ronald L. Havner, Jr. dated as of December 23, 1997. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.
- 10.9 Employment Agreement between Registrant and J. Michael Lynch dated as of May 20, 1998. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 and incorporated herein by reference.
- 10.10 Common Stock Purchase Agreement dated as of January 23, 1998 among AOPP and the Investors signatory thereto. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.
- 10.11 Registration Rights Agreement dated as of January 30, 1998 among AOPP

and the Investors signatory thereto. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.

- 10.12 Registration Rights Agreement dated as of March 17, 1998 between Registrant and Acquiport Two Corporation ("Acquiport Registration Rights Agreement"). Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 and incorporated herein by reference.
- 10.13 Letter dated May 20, 1998 relating to Acquiport Registration Rights Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 and incorporated herein by reference.
- 10.14 Revolving Credit Agreement dated August 6, 1998 among PS Business Parks, L.P., Wells Fargo Bank, National Association, as Agent, and the Lenders named therein. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 and incorporated herein by reference.

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- 10.15 First Amendment to Revolving Credit Agreement dated as of August 19, 1999 among PS Business Parks, L.P., Wells Fargo Bank, National Association, as Agent, and the Lenders named therein. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 and incorporated herein by reference.
- 10.16 Form of Indemnity Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 and incorporated herein by reference.
- 10.17 Cost Sharing and Administrative Services Agreement dated as of November 16, 1995 by and among PSCC, Inc. and the owners listed therein. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 and incorporated herein by reference.
- 10.18 Amendment to Cost Sharing and Administrative Services Agreement dated as of January 2, 1997 by and among PSCC, Inc. and the owners listed therein. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 and incorporated herein by reference.
- 10.19 Accounts Payable and Payroll Disbursement Services Agreement dated as of January 2, 1997 by and between PSCC, Inc. and American Office Park Properties, L.P. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 and incorporated herein by reference.
- 10.20 Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. Relating to 8 7/8% Series B Cumulative Redeemable Preferred Units, dated as of April 23, 1999. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999 and incorporated herein by reference.
- 10.21 Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. Relating to 9 1/4% Series A Cumulative Redeemable Preferred Units, dated as of April 30, 1999. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999 and incorporated herein by reference.
- 10.22 Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. Relating to 8 1/4% Series C Cumulative Redeemable Preferred Units, dated as of September 3, 1999. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 and incorporated herein by reference.
- 10.23 Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. Relating to 8 7/8% Series X Cumulative Redeemable Preferred Units, dated as of September 7, 1999. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 and incorporated herein by reference.
- 10.24 Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. Relating to Additional 8 7/8% Series X Cumulative Redeemable Preferred Units, dated as of September 23, 1999. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999 and incorporated herein by reference.
- 10.25 Amendment to Agreement of Limited Partnership of PS Business Parks L.P. Relating to 8 7/8% Series Y Cumulative Redeemable Preferred Units, dated as of July 12, 2000. Filed herewith.
- 11 Statement re: Computation of Earnings per Share. Filed herewith.

12 Statement re: Computation of Ratio of Earnings to Fixed Charges. Filed
herewith.

27 Financial Data Schedule. Filed herewith.

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(b) Reports on Form 8-K

None.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: August 11, 2000

PS BUSINESS PARKS, INC.

BY: /s/ Jack Corrigan

Jack Corrigan

Vice President and Chief Financial Officer

CERTIFICATE OF DETERMINATION OF PREFERENCES
OF
8 7/8% SERIES Y CUMULATIVE REDEEMABLE
PREFERRED STOCK
OF
PS BUSINESS PARKS, INC.
[As Filed in the Office of the Secretary of State
of the State of California on July 12, 2000]

The undersigned, David Goldberg and Jack E. Corrigan, Vice President and Secretary, respectively, of PS BUSINESS PARKS, INC., a California corporation, do hereby certify:

FIRST: The Restated Articles of Incorporation of the Corporation authorize the issuance of 50,000,000 shares of stock designated "preferred shares," issuable from time to time in one or more series, and authorize the Board of Directors to fix the number of shares constituting any such series, and to determine or alter the dividend rights, dividend rate, conversion rights, voting rights, right and terms of redemption (including sinking fund provisions), the redemption price or prices and the liquidation preference of any wholly unissued series of such preferred shares, and the number of shares constituting any such series.

SECOND: The Board of Directors of the Corporation did duly adopt the resolutions attached hereto as Exhibit A and incorporated herein by reference authorizing and providing for the creation of a series of preferred shares to be known as "8 7/8% Series Y Cumulative Redeemable Preferred Stock" consisting of 480,000 shares, none of the shares of such series having been issued.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

IN WITNESS WHEREOF, the undersigned have executed this certificate this 12th day of July, 2000.

/s/ DAVID GOLDBERG

David Goldberg, Vice President

/s/ JACK E. CORRIGAN

Jack E. Corrigan, Secretary

EXHIBIT A

RESOLUTION OF THE BOARD OF DIRECTORS
OF PS BUSINESS PARKS, INC.

ESTABLISHING A SERIES OF 8 7/8% SERIES Y
CUMULATIVE REDEEMABLE PREFERRED STOCK

RESOLVED that pursuant to the authority conferred upon the Board of Directors by Article III of the Restated Articles of Incorporation of this Corporation, there is hereby established a series of the authorized preferred shares of this Corporation having a par value of \$.01 per share, which series shall be designated "8 7/8% Series Y Cumulative Redeemable Preferred Stock," shall consist of 480,000 shares and shall have the following rights, preferences and privileges:

1. Rank. The 8 7/8% Series Y Cumulative Redeemable Preferred Stock (the "Series Y Preferred Stock") will, with respect to distributions and rights upon voluntary or involuntary liquidation, winding-up or dissolution of the Corporation, or both, rank senior to all classes or series of Common Shares and to all classes or series of equity securities of the Corporation now or hereafter authorized, issued or outstanding, other than any class or series of equity securities of the Corporation expressly designated as ranking on a parity with or senior to the Series Y Preferred Stock as to distributions and rights upon voluntary or involuntary liquidation, winding-up or dissolution of the Corporation. For purposes of this Certificate of Determination, the term "Parity Preferred Stock" shall be used to refer to any class or series of capital stock of the Corporation now or hereafter authorized, issued or outstanding expressly designated by the Corporation to rank on a parity with Series Y Preferred Stock with respect to distributions and rights upon voluntary or involuntary liquidation, winding-up or dissolution of the Corporation (including the Corporation's 9 1/4% Cumulative Preferred Stock, Series A, 8 7/8% Series B Cumulative Redeemable Preferred Stock, 8 3/4% Series C Cumulative Redeemable Preferred Stock and 8 7/8% Series X Cumulative Redeemable Preferred Stock). For purposes of the preceding sentence, "capital stock" means any equity securities

(including Common Shares and Preferred Stock), shares, participation or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable for equity securities) or options to purchase any of the foregoing.

2. Distributions Rights. (a) Payment of Distributions. Subject to the rights of holders of Parity Preferred Stock as to the payment of distributions, holders of Series Y Preferred Stock shall be entitled to receive the Series Y Priority Return, when, as and if declared by the Board of Directors of the Corporation, out of funds legally available for the payment of distributions. Such distributions shall be cumulative, shall accrue from the original date of issuance of the Series Y Preferred Stock and will be payable (A) quarterly in arrears, on March 31, June 30, September 30 and December 31 of each year commencing on the last day of the calendar quarter following the date of issuance of such stock and, (B) in the event of a redemption, on the redemption date (each a "Series Y Preferred Stock Distribution Payment Date"). If any Preferred Stock Distribution Payment Date is not a Business Day (as defined herein), then payment of the distribution to be made on such date shall be made on the Business Day immediately preceding such Preferred Stock Distribution Payment Date in each case with the same force and effect as if made on such date. Distributions on the Series Y Preferred Stock will be made to the holders of record of the Series Y Preferred Stock on the relevant record dates to be fixed by the Board of Directors of the Corporation, which record dates shall in no event be more than 45 days or less than 15 days prior to the relevant Series Y Preferred Stock Distribution Payment Date (each a "Distribution Record Date").

For purposes of this Certificate of Determination, the following terms shall have the meanings set forth herein: (i) "Liquidation Preference" shall mean, with respect to the Series Y Preferred Stock, \$25.00 per share of Series Y Preferred Stock, plus the amount of any accumulated and unpaid Series Y Priority Return (as hereinafter defined) with respect to such share, whether or not declared, minus any distributions in excess of the Series Y Priority Return that has occurred with respect to such Series Y Preferred Units, to the date of payment; (ii) "Series Y Priority Return" shall mean an amount equal to $8\frac{7}{8}\%$ per annum of the Liquidation Preference per share of Series Y Preferred Stock, commencing on the date of issuance of such share of Series Y Preferred Stock, determined on the basis of a 365-day year (and actual days for any period), cumulative to the extent not distributed on any Series Y Preferred Stock Distribution Payment Date; and (iii) "Business Day" shall mean each day, other than a Saturday or a Sunday, which is not a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close.

(b) Prohibition on Distributions. No distributions on Series Y Preferred Stock shall be authorized by the Board of Directors of the Corporation or paid or set apart for payment by the Corporation at any such time as the terms and provisions of any agreement of the Corporation including any agreement relating to indebtedness, prohibits such authorization, payment or setting apart for payment or provides that such authorization, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or to the extent that such authorization or payment shall be restricted or prohibited by law.

(c) Distributions Cumulative. Distributions on the Series Y Preferred Stock will accrue whether or not the terms and provisions of any agreement of the Corporation, including any agreement relating to its indebtedness at any time prohibits the current payment of distributions, whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such distributions and whether or not such distributions are authorized or declared. Accrued but unpaid distributions on the Series Y Preferred Stock will accumulate as of the Series Y Preferred Stock Distribution Payment Date on which they first become payable. Distributions on account of arrears for any past distribution periods may be declared and paid at any time, without reference to a regular Series Y Preferred Stock Distribution Payment Date to holders of record of the Series Y Preferred Stock on the record date fixed by the Board of Directors which date shall not be more than 45 days or less than 15 days prior to the payment date. Accumulated and unpaid distributions will not bear interest.

(d) Priority as to Distributions. (i) So long as any Series Y Preferred Stock is outstanding, no distribution of cash or other property shall be authorized, declared, paid or set apart for payment on or with respect to any class or series of Common Shares or any class or series of other stock of the Corporation ranking junior as to the payment of distributions or rights upon voluntary or involuntary dissolution, liquidation or winding-up of the Corporation to the Series Y Preferred Stock (such Common Shares or other junior stock, collectively, "Junior Stock"), nor shall any cash or other property be set aside for or applied to the purchase, redemption or other acquisition for consideration of any Series Y Preferred Stock, any Parity Preferred Stock or any Junior Stock, unless, in each case, all distributions accumulated on all Series Y Preferred Stock and all classes and series of outstanding Parity Preferred Stock have been paid in full. The foregoing sentence shall not prohibit (i) distributions payable solely in Junior Stock, and (ii) the conversion of Series Y Preferred Stock, Junior Stock or Parity Preferred Stock

into stock of the Corporation ranking junior to the Series Y Preferred Stock as to distributions.

(ii) So long as distributions have not been paid in full (or a sum sufficient for such full payment is not irrevocably deposited in trust for payment) upon the Series Y Preferred Stock, all distributions authorized and declared on the Series Y Preferred Stock and all classes or series of outstanding Parity Preferred Stock with respect to distributions shall be authorized and declared so that the amount of distributions authorized and declared per share of Series Y Preferred Stock and such other classes or series of Parity Preferred Stock shall in all cases bear to each other the same ratio that accrued distributions per share on the Series Y Preferred Stock and such other classes or series of Parity Preferred Stock (which shall not include any accumulation in respect of unpaid distributions for prior distribution periods if such class or series of Parity Preferred Stock do not have cumulative distribution rights) bear to each other.

(e) No Further Rights. Holders of Series Y Preferred Stock shall not be entitled to any distributions, whether payable in cash, other property or otherwise, in excess of the full cumulative distributions described herein.

3. Liquidation. (a) Payment of Liquidating Distributions. Subject to the rights of holders of Parity Preferred Stock with respect to rights upon any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation and subject to any series of capital stock ranking senior to the Series Y Preferred Stock with respect to rights upon any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the holders of Series Y Preferred Stock shall be entitled to receive out of the assets of the Corporation legally available for distribution or the proceeds thereof, after payment or provision for debts and other liabilities of the Corporation, but before any payment or distributions of the assets shall be made to holders of Common Shares or any other class or series of shares of the Corporation that ranks junior to the Series Y Preferred Stock as to rights upon liquidation, dissolution or winding-up of the Corporation, an amount equal to the Liquidation Preference per share of Series Y Preferred Stock. If upon such voluntary or involuntary liquidation, dissolution or winding-up, there are insufficient assets to permit full payment of liquidating distributions to the holders of Series Y Preferred Stock and any Parity Preferred Stock as to rights upon liquidation, dissolution or winding-up of the Corporation, all payments of liquidating distributions on the Series Y Preferred Stock and such Parity Preferred Stock shall be made so that the payments on the Series Y Preferred Stock and such Parity Preferred Stock shall in all cases bear to each other the same ratio that the respective rights of the Series Y Preferred Stock and such other Parity Preferred Stock (which shall not include any accumulation in respect of unpaid distributions for prior distribution periods if such Parity Preferred Stock does not have cumulative distribution rights) upon liquidation, dissolution or winding-up of the Corporation bear to each other.

(b) Notice. Written notice of any such voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by (i) fax and (ii) by first class mail, postage pre-paid, not less than 10 and not more than 60 days prior to the payment date stated therein, to each record holder of the Series Y Preferred Stock at the respective addresses of such holders as the same shall appear on the share transfer records of the Corporation.

(c) No Further Rights. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series Y Preferred Stock will have no right or claim to any of the remaining assets of the Corporation.

(d) Consolidation, Merger or Certain Other Transactions. The voluntary sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Corporation to, or the consolidation or merger or other business combination of the Corporation with or into, any corporation, trust or other entity (or of any corporation, trust or other entity with or into the Corporation) or a statutory share exchange shall not be deemed to constitute a liquidation, dissolution or winding-up of the Corporation.

4. Redemption. (a) Right of Optional Redemption. The Series Y Preferred Stock may not be redeemed prior to July 12, 2005. On or after such date, the Corporation shall have the right to redeem the Series Y Preferred Stock, in whole (but not in part), at any time, upon not less than 30 nor more than 60 days' written notice, at a redemption price, payable in cash, equal to the Liquidation Preference (the "Series Y Redemption Price").

(b) Limitation on Redemption. The redemption price of the Series Y Preferred Stock will be payable solely to the extent such payment would be permitted as a distribution under the California Corporations Code.

(c) Procedures for Redemption. (i) Notice of redemption will be (i) faxed, and (ii) mailed by the Corporation, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders

of record of the Series Y Preferred Stock to be redeemed at their respective addresses as they appear on the transfer records of the Corporation. No failure to give or defect in such notice shall affect the validity of the proceedings for the redemption of any Series Y Preferred Stock except as to the holder to whom such notice was defective or not given. In addition to any information required by law or by the applicable rules of any exchange upon which the Series Y Preferred Stock may be listed or admitted to trading, each such notice shall state: (i) the redemption date, (ii) the redemption price, (iii) the number of shares of Series Y Preferred Stock to be redeemed, (iv) the place or places where such shares of Series Y Preferred Stock are to be surrendered for payment of the redemption price, (v) that distributions on the Series Y Preferred Stock to be redeemed will cease to accumulate on such redemption date and (vi) that payment of the redemption price and any accumulated and unpaid distributions will be made upon presentation and surrender of such Series Y Preferred Stock.

(ii) If the Corporation gives a notice of redemption in respect of Series Y Preferred Stock (which notice will be irrevocable) then, by 12:00 noon, New York City time, on the redemption date, the Corporation will deposit irrevocably in trust for the benefit of the Series Y Preferred Stock being redeemed funds sufficient to pay the applicable Series Y Redemption Price, and will give irrevocable instructions and authority to pay such Series Y Redemption Price to the holders of the Series Y Preferred Stock upon surrender of the certificate evidencing the Series Y Preferred Stock by such holders at the place designated in the notice of redemption. On and after the date of redemption, distributions will cease to accumulate on the Series Y Preferred Stock called for redemption, unless the Corporation defaults in the payment thereof. If any date fixed for redemption of Series Y Preferred Stock is not a Business Day, then payment of the redemption price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Series Y Redemption Price or any accumulated or unpaid distributions in respect of the Series Y Preferred Stock is improperly withheld or refused and not paid by the Corporation, distributions on such Series Y Preferred Stock will continue to accumulate from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the applicable Series Y Redemption Price.

(d) Status of Redeemed Stock. Any Series Y Preferred Stock that shall at any time have been redeemed shall after such redemption, have the status of authorized but unissued Preferred Stock, without designation as to class or series until such shares are once more designated as part of a particular class or series by the Board of Directors.

5. Voting Rights. (a) General. Holders of the Series Y Preferred Stock will not have any voting rights, except as set forth below.

(b) Right to Elect Directors. If the Corporation shall fail to pay full cumulative dividends on the shares of Series Y Preferred Stock or any of its preferred shares for six quarterly dividend payment periods, whether or not consecutive (a "Dividend Default"), the holders of all outstanding preferred shares, voting as a single class without regard to series, will be entitled to elect two Directors until full cumulative dividends for all past dividend payment periods on all preferred shares have been paid or declared and funds therefor set apart for payment. Such right to vote separately as a class to elect Directors shall, when vested, be subject, always, to the same provisions for the vesting of such right to elect Directors separately as a class in the case of future Dividend Defaults. At any time when such right to elect Directors separately as a class shall have so vested, the Corporation may call, and, upon the written request of the holders of record of not less than 20% of the total number of preferred shares of the Corporation then outstanding, shall call, a special meeting of stockholders for the election of Directors. In the case of such a written request, such special meeting shall be held within 90 days after the delivery of such request and, in either case, at the place and upon the notice provided by law and in the Bylaws of the Corporation; provided that the Corporation shall not be required to call such a special meeting if such request is received less than 120 days before the date fixed for the next ensuing Annual Meeting of Shareholders of the Corporation and the holders of all classes of outstanding preferred shares are afforded the opportunity to elect such Directors (or fill any vacancy) at such Annual Meeting of Shareholders. Directors elected as aforesaid shall serve until the next Annual Meeting of Shareholders of the Corporation or until their respective successors shall be elected and qualified. If, prior to the end of the term of any Director elected as aforesaid, a vacancy in the office of such Director shall occur during the continuance of a Dividend Default by reason of death, resignation, or disability, such vacancy shall be filled for the unexpired term by the appointment of a new Director for the unexpired term of such former Director, such appointment to be made by the remaining Director elected as aforesaid.

(c) Certain Voting Rights. So long as any Series Y Preferred Stock remain outstanding, the Corporation shall not, without the affirmative vote of the holders of a majority of the Series Y Preferred Stock outstanding at the time, (i) designate or create, or increase the authorized or issued amount of, any

class or series of shares ranking prior to the Series Y Preferred Stock with respect to payment of distributions or rights upon liquidation, dissolution or winding-up or reclassify any authorized shares of the Corporation into any such shares, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such shares, (ii) designate or create, or increase the authorized or issued amount of, any Parity Preferred Stock or reclassify any authorized shares of the Corporation into any such shares, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such shares, but only to the extent such Parity Preferred Stock is issued to an Affiliate of the Corporation on terms that differ from the terms of any Parity Preferred Stock issued to the public or non-Affiliates of the Corporation, or (iii) either (A) consolidate, merge into or with, or convey, transfer or lease its assets substantially as an entirety, to any corporation or other entity, or (B) amend, alter or repeal the provisions of the Corporation's Charter (including this Certificate of Determination) or By-laws, whether by merger, consolidation or otherwise, in each case that would materially and adversely affect the powers, special rights, preferences, privileges or voting power of the Series Y Preferred Stock or the holders thereof; provided, however, that with respect to the occurrence of a merger, consolidation or a sale or lease of all of the Corporation's assets as an entirety, so long as (a) the Corporation is the surviving entity and the Series Y Preferred Stock remains outstanding with the terms thereof unchanged, or (b) the resulting, surviving or transferee entity is a corporation organized under the laws of any state and substitutes the Series Y Preferred Stock for other preferred stock having substantially the same terms and same rights as the Series Y Preferred Stock, including with respect to distributions, voting rights and rights upon liquidation, dissolution or winding-up, then the occurrence of any such event shall not be deemed to materially and adversely affect such rights, privileges or voting powers of the holders of the Series Y Preferred Stock; and provided, further, that any increase in the amount of authorized Preferred Stock or the creation or issuance of any other class or series of Preferred Stock, or any increase in an amount of authorized shares of each class or series, in each case ranking either (a) junior to the Series Y Preferred Stock with respect to payment of distributions and the distribution of assets upon liquidation, dissolution or winding-up, or (b) on a parity with the Series Y Preferred Stock with respect to payment of distributions or the distribution of assets upon liquidation, dissolution or winding-up to the extent such Preferred Stock is not issued to an Affiliate of the Corporation on terms that differ from the terms of any Parity Preferred Stock issued to the public or non-Affiliates of the Corporation, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

The affirmative vote or consent of the holders of at least 66 2/3% of the outstanding shares of this Series and any other series of preferred shares ranking on a parity with this Series as to dividends and upon liquidation, voting as a single class without regard to series, will be required to issue, authorize or increase the authorized amount of any class or series of shares ranking prior to this Series as to dividends or upon liquidation or to issue or authorize any obligation or security convertible into or evidencing a right to purchase any such security, but subject to Section 5(c)(ii) hereof, the Articles of Incorporation may be amended to increase the number of authorized preferred shares ranking on a parity with or junior to this Series or to create another class of preferred shares ranking on a parity with or junior to this Series without the vote of the holders of outstanding shares of this Series.

6. Conversion. The holders of the Series Y Preferred Stock shall not have any rights to convert such shares into shares of any other class or series of stock or into any other securities of, or interest in, the Corporation.

7. No Sinking Fund. No sinking fund shall be established for the retirement or redemption of Series Y Preferred Stock.

8. No Preemptive Rights. No holder of the Series Y Preferred Stock of the Corporation shall, as such holder, have any preemptive rights to purchase or subscribe for additional shares of stock of the Corporation or any other security of the Corporation which it may issue or sell.

PS BUSINESS PARKS, L.P.

AMENDMENT TO AGREEMENT OF LIMITED
PARTNERSHIP RELATING TO
87/8% SERIES Y CUMULATIVE REDEEMABLE
PREFERRED UNITS

This Amendment to the Agreement of Limited Partnership of PS Business Parks, L.P., a California limited partnership (the "Partnership"), dated as of the 12th day of July, 2000 (this "Amendment") amends the Agreement of Limited Partnership of the Partnership, dated as of March 17, 1998 by and among PS Business Parks, Inc. (the "General Partner") and each of the limited partners executing a signature page thereto, as amended (collectively, the "Partnership Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Partnership Agreement. Section references are (unless otherwise specified) references to sections in this Amendment.

WHEREAS, pursuant to Section 4.2(a) of the Partnership Agreement, the General Partner desires to cause the Partnership to issue additional Units of a new class and series, with the designations, preferences and relative, participating, optional or other special rights, powers and duties set forth herein;

WHEREAS, pursuant to Section 4.2(a) of the Partnership Agreement, the General Partner, without the consent of the Limited Partners, may amend the Partnership Agreement by executing a written instrument setting forth the terms of such amendment; and

WHEREAS, the General Partner desires by this Amendment to so amend the Partnership Agreement as of the date first set forth above to provide for the designation and issuance of such new class and series of Units.

NOW, THEREFORE, the Partnership Agreement is hereby amended by establishing and fixing the rights, limitations and preferences of a new class and series of Units as follows:

Section 1. Definitions. Capitalized terms not otherwise defined herein shall have their respective meanings set forth in the Partnership Agreement. Capitalized terms that are used in this Amendment shall have the meanings set forth below:

(a) "Liquidation Preference" means, with respect to the Series Y Preferred Units, \$25.00 per Series Y Preferred Unit, plus the amount of any accumulated and unpaid Priority Return with respect to such unit, whether or not declared, minus any distributions in excess of the Priority Return that has accrued with respect to such Series Y Preferred Units to the date of payment.

(b) "Parity Preferred Units" means any class or series of Partnership Interests of the Partnership now or hereafter authorized, issued or outstanding and expressly designated by the Partnership to rank in parity with the Series Y Preferred Units (as hereinafter defined) with respect to distributions and rights upon voluntary or involuntary liquidation, winding-up or dissolution of the Partnership, including the 9 1/4% Series A Cumulative Redeemable Preferred Units, the 8 7/8% Series B Cumulative Redeemable Preferred Units, the 8 1/4% Series C Cumulative Redeemable Preferred Units and the 8 7/8% Series X Cumulative Redeemable Preferred Units. Notwithstanding the differing allocation rights set forth in Section 4 below that apply to the Series A, B and C Preferred Units (as compared to the Series X and Y Preferred Units), for purposes of this Amendment those Series A, B and C Preferred Units and any future series of preferred units that rank in parity with those series also shall be considered Parity Preferred Units to the Series X and Y Preferred Units.

(c) "Priority Return" means an amount equal to 87/8% per annum of the Liquidation Preference per Series Y Preferred Unit, commencing on the date of issuance of such Series Y Preferred Unit, determined on the basis of a 365-day year (and actual days for any period) cumulative to the extent not distributed on any Series Y Preferred Unit Distribution Payment Date.

(d) "PTP" means a "publicly traded partnership" within the meaning of Section 7704 of the Code.

Section 2. Designation and Number. Pursuant to Section 4.2(a) of the Partnership Agreement, a series of Partnership Units in the Partnership designated as the "87/8% Series Y Cumulative Redeemable Preferred Units" (the "Series Y Preferred Units") is hereby established. The number of Series Y Preferred Units shall be 480,000. The Holders of Series Y Preferred Units shall not have any Percentage Interest (as such term is defined in the Partnership Agreement) in the Partnership.

Section 3. Distributions. (a) Payment of Distributions. Subject to the rights of holders of Parity Preferred Units as to the payment of distributions,

pursuant to Section 5.1 of the Partnership Agreement, holders of Series Y Preferred Units shall be entitled to receive, when, as and if declared by the Partnership acting through the General Partner, the Priority Return. Such distributions shall be cumulative, shall accrue from the original date of issuance of the Series Y Preferred Units and, notwithstanding Section 5.1 of the Partnership Agreement, will be payable (i) quarterly in arrears on March 31, June 30, September 30 and December 31 of each year commencing on September 30, 2000, and (ii) in the event of a redemption of Series Y Preferred Units (each a "Series Y Preferred Unit Distribution Payment Date"). If any date on which distributions are to be made on the Series Y Preferred Units is not a Business Day (as defined herein), then payment of the distribution to be made on such date will be made on the Business Day immediately preceding such date with the same force and effect as if made on such date. Distributions on the Series Y Preferred Units will be made to the holders of record of the Series Y Preferred Units on the relevant record dates to be fixed by the Partnership acting through the General Partner, which record dates shall in no event exceed fifteen (15) Business Days prior to the relevant Series Y Preferred Unit Distribution Payment Date (the "Series Y Preferred Unit Partnership Record Date").

(b) Prohibition on Distribution. No distributions on Series Y Preferred Units shall be authorized by the General Partner or paid or set apart for payment by the Partnership at any such time as the terms and provisions of any agreement of the Partnership or the General Partner, including any agreement relating to their indebtedness, prohibits such authorization, payment or setting apart for payment or provides that such authorization, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or to the extent that such authorization or payment shall be restricted or prohibited by law.

(c) Distributions Cumulative. Distributions on the Series Y Preferred Units will accrue whether or not the terms and provisions of any agreement of the Partnership, including any agreement relating to its indebtedness at any time prohibit the current payment of distributions, whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such distributions and whether or not such distributions are authorized. Accrued but unpaid distributions on the Series Y Preferred Units will accumulate as of the Series Y Preferred Unit Distribution Payment Date on which they first become payable. Distributions on account of arrears for any past distribution periods may be declared and paid at any time, without reference to a regular Series Y Preferred Unit Distribution Payment Date to holders of record of the Series Y Preferred Units on the record date fixed by the Partnership acting through the General Partner which date shall not exceed fifteen (15) Business Days prior to the payment date. Accumulated and unpaid distributions will not bear interest.

(d) Priority as to Distributions. Subject to the provisions of Article 13 of the Partnership Agreement:

(i) So long as any Series Y Preferred Units are outstanding, no distribution of cash or other property shall be authorized, declared, paid or set apart for payment on or with respect to any class or series of Partnership Interest ranking junior as to the payment of distributions or rights upon a voluntary or involuntary liquidation, dissolution or winding-up of the Partnership to the Series Y Preferred Units (collectively, "Junior Units"), nor shall any cash or other property be set aside for or applied to the purchase, redemption or other acquisition for consideration of any Series Y Preferred Units, any Parity Preferred Units or any Junior Units, unless, in each case, all distributions accumulated on all Series Y Preferred Units and all classes and series of outstanding Parity Preferred Units have been paid in full. The foregoing sentence shall not prohibit (x) distributions payable solely in Junior Units, (y) the conversion of Junior Units or Parity Preferred Units into Partnership Interests ranking junior to the Series Y Preferred Units or (z) the redemption of Partnership Interests corresponding to Series Y Preferred Stock, Parity Preferred Stock or Junior Stock to be purchased by the General Partner pursuant to the Articles of Incorporation with respect to the General Partner's common stock and comparable Articles of Incorporation provisions with respect to other classes or series of capital stock of the General Partner to preserve the General Partner's status as a real estate investment trust, provided that such redemption shall be upon the same terms as the corresponding purchase pursuant to the Articles of Incorporation.

(ii) So long as distributions have not been paid in full (or a sum sufficient for such full payment is not irrevocably deposited in trust for payment) upon the Series Y Preferred Units, all distributions authorized and declared on the Series Y Preferred Units and all classes or series of outstanding Parity Preferred Units shall be authorized and declared so that the amount of distributions authorized and declared per Series Y Preferred Unit and such other classes or series of Parity Preferred Units shall in all cases bear to each other the same ratio that accrued distributions per Series Y Preferred Unit and such other classes or series of Parity Preferred Units (which shall not include any accumulation in respect of unpaid distributions for prior distribution periods if such class or series of Parity Preferred Units do not have cumulative distribution rights) bear

to each other.

(e) No Further Rights. Holders of Series Y Preferred Units shall not be entitled to any distributions, whether payable in cash, other property or otherwise in excess of the full cumulative distributions described herein.

Section 4. Allocations. Section 6.1(a)(ii) of the Partnership Agreement is amended to read, in its entirety, as follows:

"(ii)(A) Notwithstanding anything to the contrary contained in this Agreement, in any taxable year: (1) the holders of Series A, B and C Preferred Units shall first be allocated an amount of gross income equal to the Priority Return distributed to such holders in such taxable year, and (2) subject to any prior allocation of Profit pursuant to the loss chargeback set forth in Section 6.1(a)(ii)(B) below, the holders of Series X and Y Preferred Units shall then be allocated an amount of Profit equal to the Priority Return distributed to such holders either in such taxable year or in prior taxable years to the extent that such distributions have not previously been matched with an allocation of Profit pursuant to this Section 6.1(a)(ii)(A)(2).

(B) After the Capital Account balances of all Partners other than holders of any series of Preferred Units have been reduced to zero, Losses of the Partnership that otherwise would be allocated so as to cause deficit Capital Account balances for those other Partners shall be allocated to the holders of the Series A, B, C, X and Y Preferred Units in proportion to the positive balances of their Capital Accounts until those Capital Account balances have been reduced to zero. If Losses have been allocated to the holders of the Series A, B, C, X and Y Preferred Units pursuant to the preceding sentence, the first subsequent Profits shall be allocated to those preferred partners so as to recoup, in reverse order, the effects of the loss allocations.

(C) Upon liquidation of the Partnership or the interest of the holders of Series A, B, C, X or Y Preferred Units in the Partnership: (1) items of gross income or deduction shall first be allocated to the holders of Series A, B and C Preferred Units in a manner such that, immediately prior to such liquidation, the Capital Account balances of such holders shall equal the amount of their Liquidation Preferences, and (2) an amount of Profit or Loss shall then be allocated to the holders of Series X and Y Preferred Units in a manner such that, immediately prior to such liquidation, the Capital Account balances of such holders shall equal the amount of their Liquidation Preferences."

Section 5. Optional Redemption. (a) Right of Optional Redemption. Except as otherwise provided in this Amendment, the Series Y Preferred Units may not be redeemed prior to the fifth (5th) anniversary of the issuance date. On or after such date, the Partnership shall have the right to redeem the Series Y Preferred Units, in whole (and not in part), at any time, upon not less than 10 nor more than 60 days written notice, at a redemption price, payable in cash, equal to the Liquidation Preference (the "Series Redemption Price"). The Redemption Right given to Limited Partners in Section 8.6 of the Partnership Agreement shall not be available to the holders of the Series Y Preferred Units and all references to Limited Partners in said Section 8.6 (and related provisions of the Partnership Agreement) shall not include holders of the Series Y Preferred Units. The Series Y Redemption Price will not be payable out of proceeds from a loan obtained by the Partnership solely for the purpose of payment of said Series Y Redemption Price.

(b) Procedures for Redemption. (i) Notice of redemption will be (A) faxed, and (B) mailed by the Partnership, by certified mail, postage prepaid, not less than 10 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series Y Preferred Units at their respective addresses as they appear on the records of the Partnership. No failure to give or defect in such notice shall affect the validity of the proceedings for the redemption of any Series Y Preferred Units except as to the holder to whom such notice was defective or not given. In addition to any information required by law each such notice shall state: (m) the redemption date, (n) the Redemption Price, (o) the aggregate number of Series Y Preferred Units to be redeemed, (p) as provided in Section 5(b)(ii) below, the place or places where evidence of the surrender of such Series Y Preferred Units shall be delivered for payment of the Redemption Price, (q) that distributions on the Series Y Preferred Units to be redeemed will cease to accumulate on such redemption date and (r) that payment of the Redemption Price will be made upon presentation of evidence of the surrender of such Series Y Preferred Units as set forth in Section 5(b)(ii) below.

(ii) If the Partnership gives a notice of redemption in respect of Series Y Preferred Units (which notice will be irrevocable) then, by 12:00 noon, New York City time, on the redemption date, the Partnership will deliver into escrow with an escrow agent acceptable to the Partnership and the holders of the Series Y Preferred Units (the "Escrow Agent") the Redemption Price and an executed Redemption Agreement, in the form attached hereto as Exhibit A (the "Redemption Agreement"), and an Amendment to the Agreement of Limited Partnership evidencing the Redemption, in the form attached hereto as Exhibit B. The holders of the Series Y Preferred Units shall

also, by 12:00 noon, New York City time, on the redemption date, deliver into escrow with the Escrow Agent an executed Redemption Agreement and an executed Amendment to the Agreement of Limited Partnership evidencing the Redemption. Upon delivery of all of the above-described items by both parties, Escrow Agent shall release the Redemption Price to the holders of the Series Y Preferred Units and the fully-executed Redemption Agreement and Amendment to Agreement of Limited Partnership to both parties. On and after the date of redemption, distributions will cease to accumulate on the Series Y Preferred Units called for redemption, unless the Partnership defaults in the payment thereof. If any date fixed for redemption of Series Y Preferred Units is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price is improperly withheld or refused and not paid by the Partnership, distributions on such Series Y Preferred Units will continue to accumulate from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the applicable Redemption Price.

Section 6. Voting Rights. (a) General. Holders of the Series Y Preferred Units will not have any voting rights or right to consent to any matter requiring the consent or approval of the Limited Partners, except as set forth in Section 14.1 of the Partnership Agreement and in this Section 6. (Solely for purposes of Section 14.1 of the Partnership Agreement, each Series Y Preferred Unit shall be treated as one Partnership Unit.)

(b) Certain Voting Rights. So long as any Series Y Preferred Units remain outstanding, the Partnership shall not, without the affirmative vote of the holders of at least a majority of the Series Y Preferred Units outstanding at the time: (i) authorize or create, or increase the authorized or issued amount of, any class or series of Partnership Interests ranking senior to the Series Y Preferred Units with respect to payment of distributions or rights upon liquidation, dissolution or winding-up or reclassify any Partnership Interests into any such Partnership Interest, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such Partnership Interests (for this purpose, partnership interests that rank in parity with the Series A, B and C Preferred Units or other series with equivalent parity, shall not be treated as ranking senior to, and shall be treated as in parity with, the Series Y Preferred Units and any other series that rank in parity with the Series Y Preferred Units); (ii) designate or create, or increase the authorized or issued amount of, any Parity Preferred Units or reclassify any authorized Partnership Interests into any such Parity Preferred Units, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such shares, but only to the extent such Parity Preferred Units are issued to an Affiliate of the Partnership on terms that differ from the terms of any Parity Preferred Units issued to the public or non-Affiliates of the Partnership (for purposes of this Section 6(b)(ii), an issuance to the General Partner shall not be treated as an issuance to an Affiliate of the Partnership to the extent the issuance of such Partnership Interests was to allow the General Partner to issue corresponding preferred stock to persons who are not Affiliates); or (iii) either (A) exchange shares, consolidate, merge into or with, or convey, transfer or lease its assets substantially as an entirety to, any corporation or other entity or (B) amend, alter or repeal the provisions of the Partnership Agreement, whether by merger, consolidation or otherwise, that would adversely affect the powers, special rights, preferences, privileges or voting power of the Series Y Preferred Units or the holders thereof; provided, however, that with respect to the occurrence of a share exchange, merger, consolidation or a sale or lease of all of the Partnership's assets as an entirety, so long as (1) the Partnership is the surviving entity and the Series Y Preferred Units remain outstanding with the terms thereof unchanged, or (2) the resulting, surviving or transferee entity is a partnership, limited liability company or other pass-through entity organized under the laws of any state and substitutes the Series Y Preferred Units for other interests in such entity having substantially the same terms and rights as the Series Y Preferred Units, including with respect to distributions, voting rights and rights upon liquidation, dissolution or winding-up, then the occurrence of any such event shall not be deemed to adversely affect such rights, privileges or voting powers of the holders of the Series Y Preferred Units; and provided, further, that any increase in the amount of Partnership Interests or the creation or issuance of any other class or series of Partnership Interests, in each case ranking (y) junior to the Series Y Preferred Units with respect to payment of distributions or the distribution of assets upon liquidation, dissolution or winding-up, or (z) on a parity to the Series Y Preferred Units with respect to payment of distributions or the distribution of assets upon liquidation, dissolution or winding-up, to the extent such Partnership Interests are not issued to an Affiliate of the Partnership (an issuance to the General Partner shall not be treated as an issuance to an Affiliate of the Partnership to the extent the issuance of such Partnership Interests was to allow the General Partner to issue corresponding preferred stock to persons who are not Affiliates of the Partnership) such issuance shall not be deemed to adversely affect such rights, preferences, privileges or voting

powers. Notwithstanding anything to the contrary contained in this Section 6, if holders of a majority of the Series Y Preferred Units do not approve of a proposed action by the Partnership described in clause (iii) of the immediately preceding sentence which, in the reasonable judgment of the Partnership, results in the holders of Series Y Preferred Units having substantially the same terms and rights as the Series Y Preferred Units, including with respect to distributions, voting rights and rights upon liquidation, dissolution or winding-up, and the holders of a majority of the Series Y Preferred Units do not affirmatively vote in favor of such proposed action, then the Partnership may proceed with such proposed action and the sole remedy of the holders of the Series Y Preferred Units shall be the acceleration of the exchange date relating to the Series Y Preferred Units, as set forth in Section 8 of this Amendment. In the event of any conflict between the provisions of Section 4.2 of the Partnership Agreement and the provisions of this Section 6, the provisions of this Section 6 shall control.

Section 7. Transfer Restrictions. (a) The holders of Series Y Preferred Units shall be subject to all of the provisions of Section 11 of the Partnership Agreement as modified by this Section 7. Subject to the consent of the General Partner, which shall not be unreasonably withheld or delayed, the Series Y Preferred Units may be transferred to a maximum of five (5) persons. At no time shall the number of holders of the Series Y Preferred Units exceed five.

(b) Notwithstanding anything to the contrary in Section 7(a), if any holder of Series Y Preferred Units concludes based upon results or projected results that there exists (in the reasonable judgment of such holder) an imminent and substantial risk that such holder's interest in the Partnership represents or will represent more than 20% of the total profits or capital interests in the Partnership for a taxable year (determined in accordance with Treasury Regulations Section 1.731-2), then such holder shall be permitted to transfer so much of its Series Y Preferred Units as may be appropriate to alleviate the risk of not satisfying such 20% limit.

Section 8. Exchange Rights. (a) Right to Exchange. (i) Series Y Preferred Units will be exchangeable in whole (and not in part) at any time on or after the tenth (10th) anniversary of the date of issuance, at the option of the Partnership or a majority of the holders thereof (acting as a whole), for authorized but previously unissued shares of 87/88 Series Y Cumulative Redeemable Preferred Stock of the General Partner (the "Series Y Preferred Stock") at an exchange rate of one share of Series Y Preferred Stock for one Series Y Preferred Unit, subject to adjustment as described below (the "Series Y Exchange Price"); provided that the Series Y Preferred Units will become exchangeable at any time, in whole (and not in part), at the option of a majority of the holders of Series Y Preferred Units (acting as a whole) for Series Y Preferred Stock if (x) at any time full distributions shall not have been timely made on any Series Y Preferred Unit with respect to six (6) prior quarterly distribution periods, whether or not consecutive; provided, however, that a distribution in respect of Series Y Preferred Units shall be considered timely made if made within two (2) Business Days after the applicable Series Y Preferred Units Distribution Payment Date if at the time of such late payment there shall not be any prior quarterly distribution periods in respect of which full distributions were not timely made, (y) upon receipt by a holder or holders of Series Y Preferred Units of (1) notice from the General Partner that the General Partner or a Subsidiary of the General Partner has taken the position that the Partnership is, or upon the occurrence of a defined event in the immediate future will be, a PTP and (2) an opinion rendered by an outside nationally recognized independent counsel familiar with such matters addressed to a holder or holders of Series Y Preferred Units, that the Partnership is or likely is, or upon the occurrence of a defined event in the immediate future will be or likely will be a PTP, or (z) the holders of the Series Y Preferred Units hold or will hold 20% or more of the profits and capital interests of the Partnership, provided further that, in the case of clause (z), the Series Y Preferred Units will be exchangeable only to the extent necessary to reduce the holdings of the holders of the Series Y Preferred Units to less than 20% of the capital and profits interests of the Partnership.

In addition to and not in limitation of the foregoing, the Series Y Preferred Units may be exchanged for Series Y Preferred Stock, in whole (and not in part), at the option of the holders of a majority of the Series Y Preferred Units (acting as a whole) prior to the tenth (10th) anniversary of the issuance date and after the third anniversary thereof if such holder of Series Y Preferred Units shall deliver to the General Partner either (i) a private letter ruling addressed to such holder of Series Y Preferred Units or (ii) an opinion of independent counsel reasonably acceptable to the General Partner based on the enactment of temporary or final Treasury Regulations or the publication of a Revenue Ruling in either case to the effect that an exchange of the Series Y Preferred Units at such earlier time would not cause the Series Y Preferred Units to be considered "stock and securities" within the meaning of section 351(e) of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of determining whether the holder of such Series Y Preferred Units is an "investment company" under section 721(b) of the Code if an exchange is permitted at such earlier date.

In addition to and not in limitation of the foregoing, the Series Y Preferred Units may be exchanged in whole (and not in part) (regardless of

whether held by Salomon Smith Barney Tax Advantaged Exchange Fund III, LLC ("Subscriber") at the option of the holders of a majority of the Series Y Preferred Units (acting as a whole) for Series Y Preferred Stock (but only if the exchange in whole may be accomplished consistently with the ownership limitations set forth under the Article IV of the Charter of the General Partner, taking into account exceptions thereto) if at any time (i) the Partnership or the General Partner breach any of the covenants set forth in the Tax Representations Certificate delivered in connection with the Private Placement Purchase Agreement, dated as of July 12th, 2000, among Subscriber, the Partnership and the General Partner, (ii) the Partnership reasonably determines that the assets and income of the Partnership for a taxable year after 2000 would not satisfy the income and assets tests of Section 856 of the Code for such taxable year if the Partnership were a real estate investment trust within the meaning of the Code, (iii) under the circumstances described in the penultimate sentence of Section 6(b), or (iv) any holder of Series Y Preferred Units shall deliver to the Partnership and the Company an opinion of independent counsel reasonably acceptable to the Company to the effect that, based on the assets and income of the Partnership for a taxable year after 2000, the Partnership would not satisfy the income and assets tests of Section 856 of the Code for such taxable year if the Partnership were a real estate investment trust within the meaning of the Code, and that in the case of each of (ii) and (iv), such failure would create a meaningful risk that a holder of the Series Y Preferred Units would fail to maintain qualification as a real estate investment trust.

(ii) Notwithstanding anything to the contrary set forth in Section 8(a)(i), if an Exchange Notice (as hereinafter defined) has been delivered to the General Partner, then the General Partner may, at its option, elect to redeem or cause the Partnership to redeem all (but not a portion) of the outstanding Series Y Preferred Units for cash in an amount equal to the Liquidation Preference per Series Y Preferred Unit. The General Partner may exercise its option to redeem the Series Y Preferred Units for cash pursuant to this Section 8(a)(ii) by giving each holder of record of Series Y Preferred Units notice of its election to redeem for cash, within five (5) Business Days after receipt of the Exchange Notice, by (m) fax, and (n) registered mail, postage paid at the address of each holder as it may appear on the records of the Partnership stating (A) the redemption date, which shall be no later than sixty (60) days following the receipt of the Exchange Notice, (B) the redemption price, (C) the place or places where the Series Y Preferred Units are to be surrendered for payment of the redemption price, (D) that distributions on the Series Y Preferred Units will cease to accrue on such redemption date, (E) that payment of the redemption price will be made upon presentation and surrender of the Series Y Preferred Units and (F) the aggregate number of Series Y Preferred Units to be redeemed.

(iii) If an exchange of Series Y Preferred Units pursuant to Section 8(a)(i) would violate the provisions on ownership limitation of the General Partner set forth in Article IV of the Charter of the General Partner with respect to the Series Y Preferred Stock the General Partner shall give written notice thereof to each holder of record of Series Y Preferred Units, within five (5) Business Days following receipt of the Exchange Notice, by (m) fax, and (n) registered mail, postage prepaid, at the address of each such holder set forth in the records of the Partnership. In such event, each holder of Series Y Preferred Units shall be entitled to exchange, pursuant to the provisions of Section 8(b) a number of Series Y Preferred Units which would comply with the provisions on the ownership limitation of the General Partner set forth in such Article IV of the Charter of the General Partner and any Series Y Preferred Units not so exchanged (the "Excess Units") shall be redeemed by the Partnership for cash in an amount equal to the Liquidation Preference. The written notice of the General Partner shall state (A) the number of Excess Units held by such holder, (B) the redemption price of the Excess Units, (C) the date on which such Excess Units shall be redeemed, which date shall be no later than sixty (60) days following the receipt of the Exchange Notice, (D) the place or places where such Excess Units are to be surrendered for payment of the Redemption Price, (E) that distributions on the Excess Units will cease to accrue on such redemption, date, and (F) that payment of the redemption price will be made upon presentation and surrender of such Excess Units. If an exchange would result in Excess Units, as a condition to such exchange, each holder of such units agrees to provide representations and covenants reasonably requested by the General Partner relating to (1) the widely held nature of the interests in such holder, sufficient to assure the General Partner that the holder's ownership of stock of the General Partner (without regard to the limits described above) will not cause any Person (as such term is defined in the Articles of Incorporation of the General Partner) to own stock of the General Partner in an amount that would cause such Person not to comply with the provisions of the ownership limitation of the General Partner set forth in such Article IV of the Articles of Incorporation of the General Partner; and (2) to the extent such holder can so represent and covenant without obtaining information from its owners, the holder's ownership of tenants of the Partnership and its affiliates.

Notwithstanding provision of this Agreement to the contrary, no Series Y Limited Partner shall be entitled to effect an exchange of Series Y Preferred Units for Series Y Preferred Stock to the extent that ownership or right to acquire such shares would cause the Partner or any other Person or, in the

opinion of counsel selected by the General Partner, may cause the Partner or any other Person to violate the restrictions on ownership and transfer of Series Y Preferred Stock set forth in the Articles of Incorporation. To the extent any such attempted exchange for Series Y Preferred Stock would be in violation of the previous sentence, it shall be void ab initio and such Series Y Limited Partner shall not acquire any rights or economic interest in the Series Y Preferred Stock otherwise issuable upon such exchange.

(iv) The redemption of Series Y Preferred Units described in Section 8(a)(ii) and (iii) shall be subject to the provisions of Section 5(b)(i) and Section 5(b)(ii); provided, however, that the term "redemption price" in such Section shall be read to mean the Liquidation Preference per Series Y Preferred Unit being redeemed.

(b) Procedure for Exchange. (i) Any exchange shall be exercised pursuant to a notice of exchange (the "Exchange Notice") delivered to the General Partner by the holder who is exercising such exchange right, by (a) fax and (b) by certified mail postage prepaid. The exchange of Series Y Preferred Units may be effected after the fifth (5th) Business Day following receipt by the General Partner of the Exchange Notice by delivering certificates if any, representing such Series Y Preferred Units to be exchanged together with, if applicable, written notice of exchange and a proper assignment of such Series Y Preferred Units to the office of the General Partner maintained for such purpose. Currently, such office is c/o PS Business Parks, Inc., 701 Western Avenue, Glendale, California 91201, Attention: Jack E. Corrigan. Each exchange will be deemed to have been effected immediately prior to the close of business on the date on which such Series Y Preferred Units to be exchanged (together with all required documentation) shall have been surrendered and notice shall have been received by the General Partner as aforesaid and the Exchange Price shall have been paid. Any Series Y Preferred Stock issued pursuant to this Section 8 shall be delivered as shares which are duly authorized, validly issued, fully paid and nonassessable, free of pledge, lien, encumbrance or restriction other than those provided in the Charter, the Bylaws of the General Partner, the Securities Act of 1933, as amended and relevant state securities or blue sky laws.

(ii) In the event of an exchange of Series Y Preferred Units for shares of Series Y Preferred Stock, an amount equal to the accrued and unpaid Priority Return, whether or not declared, to the date of exchange on any Series Y Preferred Units tendered for exchange shall (a) accrue on the shares of the Series Y Preferred Stock into which such Series Y Preferred Units are exchanged, and (b) continue to accrue on such Series Y Preferred Units, which shall remain outstanding following such exchange, with the General Partner as the holder of such Series Y Preferred Units. Notwithstanding anything to the contrary set forth herein, in no event shall a holder of a Series Y Preferred Unit that was validly exchanged into Series Y Preferred Stock pursuant to this section (other than the General Partner now holding such Series Y Preferred Unit), receive a distribution from the Partnership, if such holder, after exchange, is entitled to receive a distribution from the General Partner with respect to the share of Series Y Preferred Stock for which such Series Y Preferred Unit was exchanged or redeemed.

(iii) Fractional shares of Series Y Preferred Stock are not to be issued upon exchange but, in lieu thereof, the General Partner will pay a cash adjustment based upon the fair market value of the Series Y Preferred Stock on the day prior to the exchange date as determined in good faith by the Board of Directors of the General Partner.

(c) Adjustment of Exchange Price. (i) The Exchange Price is subject to adjustment upon certain events, including, (a) subdivisions, combinations and reclassification of the Series Y Preferred Stock, and (b) distributions to all holders of Series Y Preferred Stock of evidences of indebtedness of the General Partner or assets (including securities, but excluding dividends and distributions paid in cash out of equity applicable to Series Y Preferred Stock).

(ii) In case the General Partner shall be a party to any transaction (including, without limitation, a merger, consolidation, statutory share exchange, tender offer for all or substantially all of the General Partner's capital stock or sale of all or substantially all of the General Partner's assets), in each case as a result of which the Series Y Preferred Stock will be converted into the right to receive shares of capital stock, other securities or other property (including cash or any combination thereof), each Series Y Preferred Unit will thereafter be exchangeable into the kind and amount of shares of capital stock and other securities and property receivable (including cash or any combination thereof) upon the consummation of such transaction by a holder of that number of shares of Series Y Preferred Stock or fraction thereof into which one Series Y Preferred Unit was exchangeable immediately prior to such transaction. The General Partner may not become a party to any such transaction unless the terms thereof are consistent with the foregoing. In the event of a conflict between the provisions of this Section 8(c)(ii) and any provision of the Partnership Agreement, the provisions of this Section 8(c)(ii) shall control.

Section 9. No Conversion Rights. Except as set forth in Section 8, the

holders of the Series Y Preferred Units shall not have any rights to convert such units into shares of any other class or series of stock or into any other securities of, or interest in, the Partnership.

Section 10. No Sinking Fund. No sinking fund shall be established for the retirement or redemption of Series Y Preferred Units.

Section 11. Exhibit A to Partnership Agreement. In order to duly reflect the issuance of the Series Y Preferred Units provided for herein, the Partnership Agreement is hereby further amended pursuant to Section 12.3 thereof by deleting Exhibit A thereto and replacing Exhibit A attached hereto therefor.

Section 12. Inconsistent Provisions. Nothing to the contrary contained in the Partnership Agreement shall limit any of the rights or obligations set forth in this Amendment.

IN WITNESS WHEREOF this Amendment has been executed as of the date first above written.

PS BUSINESS PARKS, INC.

By: /s/ Jack Corrigan

Jack Corrigan
Vice President and Chief Financial Officer

PS BUSINESS PARKS, INC.
EXHIBIT 11
STATEMENT RE: COMPUTATION OF EARNINGS PER SHARE

<TABLE>
<CAPTION>

Months Ended	Three Months Ended		Six
	June 30,		June
30,			
-----	-----	-----	-----
Basic and Diluted Earnings Per Share:	2000	1999	2000
1999	-----	-----	-----
-----	-----	-----	-----
<S>	<C>	<C>	<C>
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Net income allocable to common shareholders.....	\$ 10,240,000	\$ 9,393,000	\$ 19,711,000
\$ 18,835,000	=====	=====	=====
-----	-----	-----	-----
Weighted average common shares outstanding:			
Basic weighted average common shares outstanding.....	23,356,000	23,639,000	23,474,000
23,638,000			
Net effect of dilutive stock options - based on			
treasury stock method using average market price.....	72,000	77,000	63,000
71,000	-----	-----	-----
-----	-----	-----	-----
Diluted weighted average common shares outstanding.....	23,428,000	23,716,000	23,537,000
23,709,000	=====	=====	=====
-----	-----	-----	-----
Basic earnings per common share.....	\$ 0.44	\$ 0.40	\$ 0.84
\$ 0.80	=====	=====	=====
-----	-----	-----	-----
Diluted earnings per common share.....	\$ 0.44	\$ 0.40	\$ 0.84
\$ 0.79	=====	=====	=====
-----	-----	-----	-----

Exhibit 11

</TABLE>

PS BUSINESS PARKS, INC.
EXHIBIT 12:
STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<TABLE>
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	Six Months Ended June 30,	
	2000	1999
<S>	<C>	<C>
Net income.....	\$ 22,255,000	\$ 19,697,000
Minority interest.....	12,031,000	6,400,000
Interest expense.....	744,000	1,681,000
Earnings available to cover fixed charges.....	\$ 35,030,000	\$ 27,778,000
Fixed charges (1).....	1,432,000	2,091,000
Preferred distributions.....	8,385,000	1,076,000
Combined fixed charges and preferred distributions.....	\$ 9,817,000	\$ 3,167,000
Ratio of earnings to fixed charges.....	24.46	13.28
Ratio of earnings to combined fixed charges and preferred distributions.....	3.57	8.77

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	Years Ended December 31,				
	1999	1998	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
Net income.....	\$ 41,255,000	\$ 29,400,000	\$ 3,836,000	\$ 519,000	\$
1,192,000					
Minority interest.....	16,049,000	11,208,000	8,566,000	-	-
-					
Interest expense.....	3,153,000	2,361,000	1,000	-	-
-					
Earnings available to cover fixed charges.....	\$60,457,000	\$ 42,969,000	\$ 12,403,000	\$ 519,000	\$
1,192,000					
Fixed charges (1).....	\$ 4,142,000	\$ 2,629,000	\$ 1,000	\$ -	\$
Preferred distributions.....	7,562,000	-	-	-	-
Combined fixed charges and preferred distributions.....	\$ 11,704,000	\$ 2,629,000	\$ 1,000	\$ -	\$
Ratio of earnings to fixed charges..	14.60	16.34	12,403	N/A	
N/A					
Ratio of earnings to combined fixed charges and preferred distributions.....	5.17	16.34	12,403	N/A	
N/A					

</TABLE>

(1) Fixed charges include interest expense plus capitalized interest.

Exhibit 12

PS BUSINESS PARKS, INC.

EXHIBIT 12

STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

Supplemental disclosure of Ratio of Funds from Operations ("FFO") to fixed charges:

<TABLE>
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	Six Months Ended June 30,	
	2000	1999
<S>	<C>	<C>
FFO.....	\$ 41,854,000	\$ 37,461,000
Interest expense.....	744,000	1,681,000
Minority interest in income - preferred units.....	5,841,000	214,000
Preferred dividends.....	2,544,000	862,000
Adjusted FFO available to cover fixed charges.....	\$ 50,983,000	\$ 40,218,000
Fixed charges (1).....	1,432,000	2,091,000
Preferred distributions.....	8,385,000	1,076,000
Combined fixed charges and preferred distributions.....	\$ 9,817,000	\$ 3,167,000
Ratio of FFO to fixed charges.....	35.60	19.23
Ratio of FFO to combined fixed charges and preferred distributions.....	5.19	12.70

</TABLE>

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	Years Ended December 31,				
	1999	1998	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
FFO.....	\$ 76,353,000	\$ 57,430,000	\$ 17,597,000	\$ 303,000	\$ 720,000
Interest expense.....	3,153,000	2,361,000	1,000	-	-
Minority interest in income - preferred units.....	4,156,000	-	-	-	-
Preferred dividends.....	3,406,000	-	-	-	-
Adjusted FFO available to cover fixed charges.....	\$ 87,068,000	\$ 59,791,000	\$ 17,598,000	\$ 303,000	\$ 720,000
Fixed charges (1).....	\$ 4,142,000	\$ 2,629,000	\$ 1,000	\$ -	\$ -
Preferred distributions.....	7,562,000	-	-	-	-
Combined fixed charges and preferred distributions.....	\$ 11,704,000	\$ 2,629,000	\$ 1,000	\$ -	\$ -

-

Ratio of FFO to fixed charges.....	21.02	22.74	17,598	N/A	N/A
Ratio of FFO to combined fixed charges and preferred distributions.....	7.44	22.74	17,598	N/A	N/A

</TABLE>

(1) Fixed charges include interest expense plus capitalized interest.

Exhibit 12

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5

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PS BUSINESS PARKS. INC.
EXHIBIT 27 - FINANCIAL DATA SCHEDULE
ARTICLE 5 OF REGULATION S-X

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