

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 March 31, 1999

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 95-4300881
(State or Other Jurisdiction) I.R.S. Employer

of Incorporation) 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 X No

Number of shares outstanding of each of the issuer's classes of common stock, as of May 11, 1999: Common Stock, \$0.01 par value, 23,637,410 shares outstanding

PS BUSINESS PARKS, INC.

INDEX

<TABLE>
<CAPTION>

<S>

Page

<C>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed consolidated balance sheets as of March 31, 1999 and December 31, 1998.....	2
Condensed consolidated statements of income for the three months ended March 31, 1999 and 1998.....	3
Condensed consolidated statement of shareholders' equity for the three months ended March 31, 1999.....	4
Condensed consolidated statements of cash flows for the three months ended March 31, 1999	5 - 6
Notes to condensed consolidated financial statements.....	7 - 16

Item 2. Management's discussion and analysis of financial condition and results of operations.....	17 - 23
--	---------

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.....	24
--------------------------------	----

PS BUSINESS PARKS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
 <CAPTION>

	March 31, 1999 ----- (unaudited)	December 31, 1998 -----
ASSETS -----		
<S>	<C>	<C>
Cash and cash equivalents.....	\$ 1,299,000	\$ 6,068,000
Real estate facilities, at cost:		
Land.....	180,245,000	176,241,000
Buildings and equipment.....	559,686,000	536,697,000
	-----	-----
	739,931,000	712,938,000
Accumulated depreciation.....	(29,175,000)	(22,517,000)
	-----	-----
	710,756,000	690,421,000
Construction in progress.....	11,593,000	7,716,000
	-----	-----
	722,349,000	698,137,000
Intangible assets, net.....	1,508,000	1,583,000
Other assets.....	4,458,000	3,626,000
	-----	-----
Total assets.....	\$ 729,614,000	\$ 709,414,000
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Accrued and other liabilities.....	\$ 14,050,000	\$ 15,953,000
Line of credit.....	-	12,500,000
Note payable to affiliate.....	27,700,000	-
Mortgage notes payable.....	39,923,000	38,041,000
	-----	-----
Total liabilities.....	81,673,000	66,494,000
Minority interest.....	154,858,000	153,015,000
Shareholders' equity:		
Preferred Stock, \$0.01 par value, 50,000,000 shares authorized, none outstanding at March 31, 1999 and December 31, 1998.....	-	-
Common stock, \$0.01 par value, 100,000,000 shares authorized, 23,637,410 shares issued and outstanding at March 31, 1999 (23,635,650 shares issued and outstanding at December 31, 1998).....	236,000	236,000
Paid-in capital.....	482,116,000	482,471,000
Cumulative net income.....	41,996,000	32,554,000
Cumulative distributions.....	(31,265,000)	(25,356,000)
	-----	-----
Total shareholders' equity.....	493,083,000	489,905,000
	-----	-----
Total liabilities and shareholders' equity...	\$ 729,614,000	\$ 709,414,000
	=====	=====

</TABLE>

See accompanying notes.

2

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

<TABLE>
 <CAPTION>

	For the three months ended March 31, -----	
	1999	1998
<S>	<C>	<C>
Revenues:		
Rental income.....	\$ 29,117,000	\$ 14,353,000

Facility management fees from affiliates.....	114,000	202,000
Interest income.....	20,000	233,000
	-----	-----
	29,251,000	14,788,000
	-----	-----
Expenses:		
Cost of operations.....	8,376,000	4,627,000
Cost of facility management.....	23,000	25,000
Depreciation and amortization.....	6,733,000	2,300,000
General and administrative.....	802,000	445,000
Interest expense.....	909,000	247,000
	-----	-----
	16,843,000	7,644,000
	-----	-----
Income before minority interest.....	12,408,000	7,144,000
Minority interest in income.....	(2,966,000)	(2,814,000)
	-----	-----
Net income.....	\$ 9,442,000	\$ 4,330,000
	=====	=====
Net income per share:		
Basic.....	\$ 0.40	\$ 0.38
	=====	=====
Diluted.....	\$ 0.40	\$ 0.38
	=====	=====
Weighted average shares outstanding:		
Basic.....	23,637,000	11,314,000
	=====	=====
Diluted.....	23,705,000	11,357,000
	=====	=====

</TABLE>

See accompanying notes.

3

PS BUSINESS PARKS, INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the three months ended March 31, 1999
(Unaudited)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Paid-in Capital	Net
Income	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 1998..... 32,554,000	-	\$ -	23,635,650	\$ 236,000	\$ 482,471,000	\$
Issuance of common stock.....	-	-	1,760	-	40,000	
Net income..... 9,442,000	-	-	-	-	-	-
Distributions paid.....	-	-	-	-	-	-
Adjustment to reflect minority interest to underlying ownership interest.....	-	-	-	-	(395,000)	
	-----	-----	-----	-----	-----	-----
Balances at March 31, 1999..... 41,996,000	-	\$ -	23,637,410	\$ 236,000	\$ 482,116,000	\$
	=====	=====	=====	=====	=====	=====

</TABLE>

<TABLE>

<CAPTION>

	Cumulative Distributions	Total Shareholders' Equity
<S>	<C>	<C>
Balances at December 31, 1998	\$ (25,356,000)	\$489,905,000
Issuance of common stock.....	-	40,000

Net income.....	-	9,442,000
Distributions paid.....	(5,909,000)	(5,909,000)
Adjustment to reflect minority interest to underlying ownership interest.....	-	(395,000)
Balances at March 31, 1999.....	\$ (31,265,000)	\$493,083,000

</TABLE>

See accompanying notes.
4

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

<TABLE>
<CAPTION>

	For the three months ended March 31,	
	1999	1998
<S>	<C>	<C>
Cash flows from operating activities:		
Net income.....	\$ 9,442,000	\$ 4,330,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense.....	6,733,000	2,300,000
Minority interest in income.....	2,966,000	2,814,000
Increase in other assets.....	(832,000)	(521,000)
Increase (decrease) in accrued and other liabilities.....	(1,900,000)	371,000
Total adjustments.....	6,967,000	4,964,000
Net cash provided by operating activities.....	16,409,000	9,294,000
Cash flows from investing activities:		
Acquisition of real estate facilities.....	(22,269,000)	(38,754,000)
Acquisition cost of business combination.....	-	(424,000)
Capital improvements to real estate facilities.....	(2,204,000)	(857,000)
Construction in progress.....	(3,877,000)	-
Net cash used in investing activities.....	(28,350,000)	(40,035,000)
Cash flows from financing activities:		
Borrowings from an affiliate.....	41,200,000	-
Repayment of borrowings from an affiliate.....	(13,500,000)	(3,500,000)
Borrowings from line of credit.....	14,000,000	-
Repayment of borrowings from line of credit.....	(26,500,000)	-
Principal payments on mortgage notes payable.....	(305,000)	-
Net proceeds from the issuance of common stock.....	40,000	48,251,000
Distributions paid to shareholders.....	(5,909,000)	(4,079,000)
Distributions paid to minority interests.....	(1,854,000)	(2,556,000)
Net cash provided by financing activities.....	7,172,000	38,116,000
Net increase (decrease) in cash and cash equivalents.....	(4,769,000)	7,375,000
Cash and cash equivalents at the beginning of the period.....	6,068,000	3,884,000
Cash and cash equivalents at the end of the period.....	\$ 1,299,000	\$ 11,259,000

</TABLE>

See accompanying notes.
5

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

<TABLE>
<CAPTION>

	For the three months ended March 31,	
	1999	1998
<S>	<C>	<C>
Supplemental schedule of non cash investing and financial activities:		

Acquisitions of real estate facilities and associated assets and liabilities in exchange for minority interests and mortgage notes payable:		
Real estate facilities.....	\$ (2,520,000)	\$ (16,680,000)
Other assets (deposits on real estate acquisitions).....	-	800,000
Accrued and other liabilities.....	-	149,000
Minority interest.....	333,000	1,205,000
Mortgage notes payable.....	2,187,000	14,526,000
Business combination:		
Real estate facilities.....	-	(48,000,000)
Other assets	-	(452,000)
Accrued and other liabilities.....	-	1,218,000
Common stock.....	-	23,000
Paid-in capital.....	-	46,787,000
Conversion of OP units into shares of common stock:		
Minority interest.....	-	(33,023,000)
Common stock.....	-	18,000
Paid-in capital.....	-	33,005,000
Adjustment to reflect minority interest to underlying ownership interest:		
Minority interest.....	395,000	3,799,000
Paid-in capital.....	(395,000)	(3,799,000)
Adjustment to acquisition cost (see Note 2):		
Real estate facilities.....	-	(1,315,000)
Intangible assets.....	-	1,315,000

</TABLE>

See accompanying notes.

6

PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999

1. Organization and description of business

Organization

PS Business Parks, Inc. (PSB or the Company), a California corporation, is the successor to American Office Park Properties, Inc. (AOPP) which merged with and into Public Storage Properties XI, Inc. (PSP 11) on March 17, 1998 (the Merger). The name of the Company was changed to PS Business Parks, Inc. in connection with the Merger. See Note 3 for a description of the Merger and its terms.

Based upon the terms of the Merger, the transaction for financial reporting and accounting purposes has been accounted for as a reverse acquisition whereby AOPP is deemed to have acquired PSP11. However, PSP11 is the continuing legal entity and registrant for both Securities and Exchange filing purposes and income tax reporting purposes. All subsequent references to PSB or the Company for periods prior to March 17, 1998 shall refer to AOPP.

Description of business

PSB is a fully-integrated, self-managed real estate investment trust (REIT) that acquires, owns, operates and develops commercial properties containing commercial and industrial rental space. PSB is the sole general partner of PS Business Parks, L.P. (the "Operating Partnerships) through which the Company conducts most of its activities. From 1986 through 1996, PSB's sole business activity consisted of the management of commercial properties owned primarily by Public Storage, Inc. (PSI) and affiliated entities.

Commencing in 1997, PSB began to own and operate commercial properties for its own behalf. At March 31, 1999, PSB and the Operating Partnership collectively owned and operated 114 commercial properties (approximately 11.3 million net rentable square feet) located in 11 states. In addition, the Operating Partnership managed, on behalf of PSI and affiliated entities, 36 commercial properties (approximately 1.0 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 generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. The preparation of the condensed consolidated financial statements in conformity with generally accepted accounting principles 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 months ended March 31, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999. For further information, refer to the consolidated financial statements and footnotes thereto included in PSB's annual report on Form 10-K for the year ended December 31, 1998.

The condensed consolidated financial statements include the accounts of PSB and the Operating Partnership. At March 31, 1999, PSB owned approximately 73% of the OP units of the Operating Partnership. 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. Historical financial data of PSP11 have not been included in the historical financial statements of PSB.

7

PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999

Cash and cash equivalents

PSB 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.

Real estate facilities

Costs related to the improvements of properties are capitalized. Expenditures for repair and maintenance are charged to expense when 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 incurred during the period of construction of real estate facilities is capitalized. Construction in progress includes \$453,000 and \$268,000 of capitalized interest costs at March 31, 1999 and December 31, 1998, respectively. The Company capitalized \$185,000 during the three months ended March 31, 1999. No interest was capitalized during the three months ended March 31, 1998.

Intangible assets

Intangible assets consist of property management contracts for properties managed, but not owned, by PSB. The intangible assets are being amortized over seven years. As properties managed have been subsequently acquired by PSB, the unamortized basis of intangible assets related to such property is included in the cost of acquisition of such property. In connection with the Merger, PSB acquired 13 properties and included in the cost of such properties is \$1,315,000 (which was net of accumulated amortization of \$194,000) of costs previously classified as intangible assets. Intangible assets are net of accumulated amortization of \$648,000 and \$573,000 at March 31, 1999 and December 31, 1998, respectively.

Evaluation of asset impairment

PSB 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 March 31, 1999, no such indicators of impairment have been identified.

Note payable to affiliate

Note payable to affiliate at March 31, 1999 reflects amounts borrowed from PSI on that date. The note bore interest at 5.5% (per annum). The note was repaid as of April 30, 1999.

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

8

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999

and other such administrative items. Such amounts include amounts incurred by PSI on behalf of PSB, which were subsequently charged to PSB in accordance with the allocation methodology pursuant to the cost allocation and administrative service agreement between PSB and PSI.

Acquisition costs

Internal acquisition costs are expensed as incurred.

Income taxes

During 1997, PSB qualified and intends to continue to qualify as a real estate investment trust (REIT), as defined in Section 856 of the Internal Revenue Code. As a REIT, PSB is not subject to federal income tax to the extent that it distributes at least 95% of its taxable income to its shareholders. 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 1998 and intends to continue to meet such requirements for 1999. 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:

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1999	1998
<S>	<C>	<C>
Net income and net income allocable to common shareholders (same for Basic and Diluted computations).....	\$ 9,442,000	\$ 4,330,000
Weighted average common shares outstanding:		
Basic weighted average common shares outstanding.....	23,637,000	11,314,000
Net effect of dilutive stock options - based on treasury stock method using average market price.....	68,000	43,000
Diluted weighted average common shares outstanding.....	23,705,000	11,357,000
Basic earnings per common share.....	\$ 0.40	\$ 0.38
Diluted earnings per common share.....	\$ 0.40	\$ 0.38

</TABLE>

PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999

Comprehensive Income

Effective January 1, 1998, PSB adopted SFAS No. 130, REPORTING COMPREHENSIVE INCOME. SFAS No. 130 requires a separate statement to report the components of comprehensive income for each period reported. The adoption of SFAS No. 130 did not have an impact on PSB's reporting presentation.

Segment Reporting

Effective January 1, 1998, PSB adopted SFAS No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION. SFAS No. 131 established standards for the way public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. SFAS 131 also establishes standards for related disclosures about products and services, geographic areas, and major

customers. As management views the Company as operating in a single segment as described in Note 1, the adoption of SFAS No. 131 did not affect PSB's disclosure of segment information.

Reclassifications

Certain reclassifications have been made to the financial statements for 1998 in order to conform to the 1999 presentation.

3. Business combination

On March 17, 1998, AOPP merged into PSP11, a publicly traded real estate investment trust and an affiliate of PSI. Upon consummation of the Merger of AOPP into PSP11, the surviving corporation was renamed "PS Business Parks, Inc." (PSB as defined in Note 1). In connection with the Merger:

- * Each outstanding share of PSP11 common stock, which did not elect cash, continued to be owned by current holders. A total of 106,155 PSP11 common shares elected to receive cash of \$20.50 per share.
- * Each share of PSP11 common stock Series B and each share of PSP11 common stock Series C converted into .8641 shares of PSP11 common stock.
- * Each share of AOPP common stock converted into 1.18 shares of PSP11 common stock.
- * Concurrent with the Merger, PSP11 exchanged 11 mini-warehouses and two properties that combine mini-warehouse and commercial space for 11 commercial properties owned by PSI. The fair value of each group of real estate facilities was approximately \$48 million.

The Merger has been accounted for as a reverse merger whereby PSB is treated as the accounting acquirer using the purchase method. This has been determined based upon the following: (i) the former shareholders and unitholders of PSB owned in excess of 80% of the merged companies and (ii) the business focus post-Merger will continue to be that of PSB's which includes the acquisition, ownership and management of commercial properties. Prior to the Merger, PSP11's business focus had been primarily on the ownership and operation of its self-storage facilities which represented approximately 81% of its portfolio.

PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999

Allocations of the total acquisition cost to the net assets acquired were made based upon the fair value of PSP11's assets and liabilities as of the date of the Merger. The acquisition cost and the fair market values of the assets acquired and liabilities assumed in the Merger are summarized as follows:

<TABLE>
<CAPTION>

Acquisition cost:	

<S>	<C>
Issuance of common stock.....	\$46,810,000
Cash.....	424,000

Total acquisition cost.....	\$47,234,000
	=====

</TABLE>
<TABLE>
<CAPTION>

Allocation of acquisition cost:	

<S>	<C>
Real estate facilities.....	\$48,000,000
Other assets.....	452,000
Accrued and other liabilities....	(1,218,000)

Total allocation.....	\$47,234,000
	=====

</TABLE>

The historical operating results of PSP11 prior to the Merger have not been included in PSB's historical operating results. Pro forma data for the three months ended March 31, 1998 as though the Merger and related exchange of properties have been effective at the beginning of fiscal 1998 is as follows:

<TABLE>
<CAPTION>

	Three months ended
	March 31, 1998

<S>	<C>
Revenues.....	\$16,666,000

Net income.....	\$ 5,115,000
Net income per share - basic.....	\$ 0.39
Net income per share - diluted.....	\$ 0.39

</TABLE>

The pro forma data does not purport to be indicative either of the results of operations that would have occurred had the Merger occurred at the beginning of fiscal 1998 or of the future results of PSB.

11

PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999

4. Real estate facilities

The activity in real estate facilities for the three months ended March 31, 1999 is as follows:

<TABLE>

<CAPTION>

	Land	Buildings	Accumulated Depreciation	Total
<S>	----- <C>	----- <C>	----- <C>	----- <C>
Balances at December 31, 1998.....	\$ 176,241,000	\$ 536,697,000	\$ (22,517,000)	\$ 690,421,000
Property acquisitions.....	4,004,000	20,785,000	-	24,789,000
Capital improvements.....	-	2,204,000	-	2,204,000
Depreciation expense.....	-	-	(6,658,000)	(6,658,000)
	-----	-----	-----	-----
Balances at March 31, 1999.....	\$ 180,245,000	\$ 559,686,000	\$ (29,175,000)	\$ 710,756,000
	=====	=====	=====	=====

</TABLE>

5. Leasing activity

The Company leases space in its real estate facilities to tenants under non-cancelable leases generally ranging from one to seven years. Future minimum rental revenues excluding recovery of expenses as of March 31, 1999 under these leases are as follows:

<TABLE>

<S>	<C>
1999 (April - December).....	\$ 69,398,000
2000.....	69,848,000
2001.....	47,851,000
2002.....	30,913,000
2003.....	19,121,000
Thereafter.....	26,721,000

	\$ 263,852,000
	=====

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amount to \$3,441,000 and \$1,359,000 for the three months ended March 31, 1999 and 1998, respectively. These amounts are included as rental income and cost of operations in the accompanying condensed consolidated statements of income.

6. Revolving line of credit

The Company has an 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 5, 2000. 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 0.55% to LIBOR plus 0.95% depending on the Company's credit ratings and coverage ratios, as defined (currently LIBOR plus 0.80%). In addition, the Company is required to pay an annual commitment fee of 0.25%.

Under covenants of the Credit Facility, the Company is required to (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 2.0 to 1.0, respectively, (iii) maintain a minimum total shareholders' equity (as defined) and (iv) limit distributions

12

PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999

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 March 31, 1999.

7. Mortgage notes payable

Mortgage notes at March 31, 1999 consist of the following:

<TABLE>		<C>
<S>		
	7.625% mortgage note, secured by one commercial property with an approximate carrying amount of \$21,507,000, principal and interest payable monthly, repaid May 14, 1999.....	\$11,236,000
	7.125% mortgage note, secured by one commercial property with an approximate carrying amount of \$19,794,000, principal and interest payable monthly, due May 2006.....	8,877,000
	8.4% mortgage note, secured by six commercial properties with approximate carrying amounts totaling \$21,014,000, principal and interest payable monthly, due November 2001.....	8,634,000
	8.125% mortgage note, secured by one commercial property with an approximate carrying amount of \$12,557,000, principal and interest payable monthly, due July 2005.....	5,400,000
	8% mortgage note, secured by one commercial property with an approximate carrying amount of \$5,753,000, principal and interest payable monthly, due April 2003.....	2,168,000
	8.5% mortgage note, secured by one commercial property with an approximate carrying amount of \$3,701,000, principal and interest payable monthly, due July 2007.....	1,932,000
	8% mortgage note, secured by one commercial property with an approximate carrying amount of \$3,576,000, principal and interest payable monthly, due April 2003.....	1,676,000

		\$39,923,000
		=====

</TABLE>

At March 31, 1999, approximate principal maturities of mortgage notes payable are as follows:

<TABLE>		<C>
<S>		
	1999 (April - December).....	\$ 11,675,000
	2000.....	643,000
	2001.....	8,846,000
	2002.....	549,000
	2003.....	3,735,000
	Thereafter.....	14,475,000

		\$ 39,923,000
		=====

</TABLE>

8. Minority interests

The Company presents the accounts of PSB and the Operating Partnership on a consolidated basis. Ownership interest 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 March 31, 1999, there were 7,414,620 OP units owned by minority interests (7,305,355 were owned by PSI and affiliated entities and 109,265 were owned by unaffiliated third parties). On a fully converted basis, assuming all 7,414,620 minority interest OP units were converted into shares of common stock of PSB at March 31, 1999, the minority interests would own

approximately 23.9% 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.

See Note 13 for disclosure of subsequent issuance of Preferred Operating Partnership Units.

9. 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.

14

PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999

10. Shareholders' equity

In addition to common and preferred stock, PSB 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.

On March 31, 1999, PSB paid a quarterly distribution to its common shareholders totaling \$5,909,000 or \$0.25 per common share.

See Note 13 for disclosure of subsequent issuance of preferred stock.

11. 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, 1999. Management anticipates that the adoption of SFAS No. 133 will have no effect on earnings or the financial position of PSB since no derivatives are currently being used.

12. Commitments and contingencies

PSB 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 condensed 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.

15

PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999

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.

PSB currently is neither subject to any other material litigation nor, to management's knowledge, is any material litigation currently threatened against PSB 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.

13. Subsequent events

In April 1999, the Company completed a private placement of preferred OP units and a public offering of depository shares representing fractional interests in perpetual preferred stock resulting in net proceeds totaling \$65.7 million. The net proceeds from the placement of preferred OP units, completed April 23, 1999 were approximately \$12.5 million and 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 \$53.2 million, and 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 repay borrowings from an affiliate and a mortgage note payable of approximately \$11 million. The remaining proceeds will be used for investment in real estate.

16

Management's Discussion and Analysis of Financial Condition and Results of
Operations

General: Private Securities Litigation Reform Act Safe Harbor Statement. In addition to historical information, management's discussion and analysis includes certain forward-looking statements regarding events and financial trends which may affect the Company's future operating results and financial position. Such forward-looking statements are often identified by the words "estimate," "project," "intend," "plan," "expect," "believe," or similar expressions. Such statements are subject to risks and uncertainties that could cause the Company's actual results and financial position to differ materially from that indicated by the forward-looking statement. 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. 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: Comparisons between the three months ended March 31, 1999 and 1998 will reflect significant level of acquisitions during 1998 and the first three months of 1999.

During 1998, the Company added 4.9 million square feet to its portfolio. The cost of these acquisitions was approximately \$378 million. The acquisitions added square footage to each of the Company's existing core markets. The Company acquired 1,687,000 square feet in Texas at an aggregate cost of approximately \$102 million; 1,001,000 square feet in Portland, Oregon at an aggregate cost of approximately \$115 million; 1,442,000 square feet in the Northern Virginia/Maryland market at an aggregate cost of approximately \$108 million; 422,000 square feet in Southern California at an aggregate cost of approximately \$25 million and 307,000 square feet in Northern California at an aggregate cost of approximately \$25 million. In addition, the Company acquired 62,000 square feet in the Merger at an aggregate cost of approximately \$3 million in a market the Company does not consider a core market.

The Company acquired approximately 338,000 square feet of commercial space at an aggregate cost of approximately \$24 million during the first quarter of 1999. These acquisitions increased the Company's presence in existing markets, which the Company believes have characteristics necessary for long-term growth. These acquisitions were comprised of 230,000 square feet adjacent to the Company's existing park in Austin, Texas and 108,000 square feet in Northern Virginia and a 9.2 acre parcel of land in Northern Virginia which the Company may develop into a 136,000 square feet flex building.

Net income for the three months ended March 31, 1999 was \$9,442,000 compared to \$4,330,000 for the same period in 1998. Net income per common share on a diluted basis was \$0.40 (based on weighted average diluted shares outstanding of 23,705,000) for the three months ended March 31, 1999 compared to net income per common share on a diluted basis of \$0.38 (based on diluted weighted average shares outstanding of 11,357,000) for the same period in 1998, representing an increase of 5.3%. The increases in net income and net income per share reflects PSB's significant growth in its asset base through the acquisition of commercial properties and increase in net operating income from the consistent group of properties.

17

Results of Operations: 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 months ended March 31, 1999 and 1998:

	Three Months Ended March 31,		
	1999	1998	Change
	-----	-----	-----
<S>	<C>	<C>	<C>
Rental income:			
Facilities owned throughout each period (50 facilities, 6.4 million net rentable square feet).....	\$15,233,000	\$13,787,000	10.5%
Facilities acquired subsequent to January 1998 (64 facilities, 4.9 million net rentable square feet).....	13,884,000	566,000	2,353.0%
	-----	-----	-----
Total rental income.....	\$29,117,000	\$14,353,000	102.9%
	=====	=====	=====
Cost of operations (excluding depreciation):			
Facilities owned throughout each period.....	\$4,542,000	\$4,444,000	2.2%
Facilities acquired subsequent to January 1998.....	3,834,000	183,000	1,995.1%
	-----	-----	-----
Total cost of operations.....	\$8,376,000	4,627,000	81.0%
	=====	=====	=====
Net operating income (rental income less cost of operations):			
Facilities owned throughout each period.....	\$10,691,000	\$9,343,000	14.4%
Facilities acquired subsequent to January 1998.....	10,050,000	383,000	2,524.0%
	-----	-----	-----
Total net operating income.....	\$20,741,000	\$9,726,000	113.3%
	=====	=====	=====

</TABLE>

Rental income and rental income less cost of operations or net operating income ("NOI") prior to depreciation are summarized for the three months ended March 31, 1999 by major geographic region below:

Region	Square Footage	Percent of Total	Rental Income	Percent of Total	NOI	Percent of Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Southern California	3,085,000	27.4%	\$7,904,000	27.1%	\$5,898,000	28.4%
Northern California	1,105,000	9.8%	3,270,000	11.2%	2,038,000	9.8%
Virginia	1,316,000	11.7%	3,943,000	13.5%	2,850,000	13.7%
Maryland	1,107,000	9.8%	3,270,000	11.2%	2,378,000	11.5%
Texas	2,721,000	24.1%	5,758,000	19.8%	3,812,000	18.4%
Oregon	1,102,000	9.8%	3,349,000	11.5%	2,717,000	13.1%
Other	833,000	7.4%	1,623,000	5.6%	1,048,000	5.1%
	-----	-----	-----	-----	-----	-----
Total	11,269,000	100.0%	\$29,117,000	100.0%	\$20,741,000	100.0%
	=====	=====	=====	=====	=====	=====

</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 62 properties (7.2 million net rentable square feet). These 62 properties in which the Company currently has an ownership interest (herein referred to as the "Same Park" facilities) have been managed by the Company since January 1998. 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. Beginning with this quarter, the Company has added 11 properties operated

throughout 1998 totaling approximately three million square feet to its "Same Park" facilities. These additional properties have been operated for the comparable periods and will provide a more comprehensive analysis of the portfolio's operations. The "Same Park" facilities now represent approximately 64% of the square footage of the Company's portfolio at March 31, 1999.

18

<TABLE>
<CAPTION>

	Three months ended March 31,		
	1999	1998 (1)	Change
<S>	<C>	<C>	<C>
Rental income (2).....	\$17,489,000	\$16,174,000	8.1%
Cost of operations.....	5,378,000	5,236,000	2.7%
Net operating income.....	\$12,111,000	\$10,938,000	10.7%
Gross margin (3).....	69.2%	67.6%	1.6%
Annualized realized rent per occupied square foot (4)..	\$10.10	\$9.56	5.6%
Weighted average occupancy for the period.....	96.4%	94.1%	2.3%

</TABLE>

- (1) Operations for the three months ended March 31, 1998 represent the historical operations of the 62 properties; however, the Company did not own all of the properties throughout all periods presented and therefore such operations are not reflected in the Company's historical operating results. All such properties were owned effective March 17, 1998.
- (2) Rental income does not include the effect of straight line accounting.
- (3) Gross margin is computed by dividing property net operating income by rental income.
- (4) Realized rent per square foot represents the actual revenue earned per occupied square foot.

The following tables summarize the "Same Park" operating results by major geographic region for the three months ended March 31, 1999 and 1998:

<TABLE>
<CAPTION>

	Revenues 1999	Revenues 1998	Percent Increase	NOI 1999	NOI 1998	Percent Increase
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Southern California	\$7,702,000	\$6,988,000	10.2%	\$5,630,000	\$4,866,000	15.7%
Northern California	1,986,000	1,821,000	9.1%	1,457,000	1,380,000	5.6%
Texas	1,732,000	1,593,000	8.7%	944,000	786,000	20.1%
Virginia	2,228,000	2,108,000	5.7%	1,489,000	1,383,000	7.7%
Maryland	2,259,000	2,116,000	6.8%	1,590,000	1,545,000	2.9%
Arizona	694,000	665,000	4.4%	453,000	431,000	5.1%
Other	888,000	883,000	0.6%	548,000	547,000	0.2%
Total	\$17,489,000	\$16,174,000	8.1%	\$12,111,000	\$10,938,000	10.7%

</TABLE>

There was tremendous growth in the strong Southern California market accentuated by rising occupancies in the New York Common portfolio acquired in December 1997 which rose from 90.1% in the first quarter of 1998 to 98.9% for the same period in 1999. Texas benefited from increased occupancy at the Austin facility in addition to economies of scale created by substantial square footage added to the Texas market over the last twelve months.

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 March 31, 1999, \$91,000 in net operating income was recognized from facility management operations compared to \$177,000 for the same period in 1998. Facility management fees have decreased due to the Company's acquisition of properties previously managed.

Interest Income: Interest income reflects earnings on cash balances. Interest income was \$20,000 for the three months ended March 31, 1999 compared to \$233,000 for the same period in 1998. The decrease is attributable to decreased average cash balances. Average cash balances for the three months ended March 31, 1999 were approximately \$1.6 million compared to \$18.6 million for the same period in 1998.

Cost of Operations: Cost of operations for the three months ended March 31, 1999 was \$8,376,000 compared to \$4,627,000 for the same period in 1998. 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

19

rental income decreased from 32.2% to 28.8% as a result of economies of scale achieved through the acquisition of properties in existing markets. Cost of operations for the three months ended March 31, 1999 consists primarily of property taxes (\$2,601,000), property maintenance (\$1,255,000), utilities (\$1,190,000) and direct payroll (\$1,088,000).

Depreciation and Amortization Expense: Depreciation and amortization expense for the three months ended March 31, 1999 was \$6,733,000 compared to \$2,300,000 for the same period in 1998. The increase is due to the acquisition of real estate facilities in 1998 and 1999.

General and Administrative Expense: General and administrative expense was \$802,000 for the three months ended March 31, 1999 compared to \$445,000 for the same period in 1998. The increase is due to the increased size and acquisition activities of the Company. Included in general and administrative costs are acquisition costs and abandoned transaction costs. Acquisition expenses for the three months ended March 31, 1999 and 1998 were \$90,000 and \$82,000, respectively. Abandoned transaction costs were \$2,000 for the three months ended March 31, 1999 and none for the three months ended March 31, 1998.

Interest Expense: Interest expense was \$909,000 for the three months ended March 31, 1999 compared to \$247,000 for the same period in 1998. The increase is attributable to mortgage notes assumed in connection with the acquisition of real estate facilities (\$693,000 in interest expense) and temporary financing in connection with acquisitions (\$401,000) net of \$185,000 of interest expense capitalized to ongoing construction projects.

Minority Interest in Income: Minority interest in income reflects the income allocable to equity interests in the Operating Partnership which are not owned by the Company. Minority interest in income for the three months ended March 31, 1999 was \$2,966,000 compared to \$2,814,000 for the same period in 1998. The increase in minority interest in income is due to improved operating results and the issuance of additional Operating Partnership units in connection with the acquisition of real estate facilities.

Liquidity and Capital Resources

Net cash provided by operating activities for the three months ended March 31, 1999 and 1998 was \$16,409,000 and \$9,294,000, respectively. Management believes that the Company's 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 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 and acquire property interests.

<TABLE>
<CAPTION>

	Three months ended March 31,	
	1999	1998
<S>	<C>	<C>
Net income.....	\$ 9,442,000	\$ 4,330,000
Depreciation and amortization.....	6,733,000	2,300,000
Change in working capital.....	(2,732,000)	(150,000)
Minority interest in income.....	2,966,000	2,814,000
Net cash provided by operating activities.....	16,409,000	9,294,000
Maintenance capital expenditures.....	(209,000)	(247,000)
Tenant improvements.....	(1,234,000)	(333,000)
Capitalized lease commissions.....	(517,000)	(277,000)
Funds available for distributions to shareholders, minority interests, acquisitions and other corporate purposes.....	14,449,000	8,437,000
Cash distributions to shareholders and minority interests.....	(7,763,000)	(6,635,000)
Excess funds available for acquisitions and other corporate purposes	\$ 6,686,000	\$ 1,802,000

</TABLE>

The Company's capital structure is characterized by a low level of leverage. As of March 31, 1999, the Company had seven fixed rate mortgage notes

payable totaling \$39,923,000 and \$27,700,000 in borrowings from PSI, which represented 9.5% of its total capitalization (based on book value, including minority interests and debt). The weighted average interest rate for the mortgage notes is 7.83%. Borrowings from PSI bear interest at 5.5%.

On August 6, 1998, The Company entered into an unsecured line of credit (the "Credit Agreement") with Wells Fargo Bank. The Credit Agreement has a borrowing limit of \$100 million and an expiration date of August 5, 2000. The expiration date may be extended by one year on each anniversary of the Credit Agreement. 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 0.55% to LIBOR plus 0.95% depending on the Company's credit ratings and interest coverage ratios, as defined (currently LIBOR plus 0.80%). 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. 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 or formation of joint ventures. The Company targets a leverage ratio of 40% and a FFO to fixed charges ratio of 3.0 to 1.0. As of March 31, 1999 and for the three months then ended, the leverage ratio was 8.9% and the Funds from Operations ("FFO") to fixed charges coverage ratio was 17.6 to 1.0.

In April 1999, the Company completed a private placement of preferred OP units and a public offering of depository shares representing fractional interests in perpetual preferred stock resulting in net proceeds totaling \$65.7 million. The net proceeds from the placement of preferred OP units, completed April 23, 1999 were approximately \$12.5 million and 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 \$53.2 million, and 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 repay borrowings from an affiliate and a mortgage note payable of approximately \$11 million. The remaining proceeds 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.

FFO for the Company is computed as follows:

<TABLE>
<CAPTION>

	Three months ended March 31,	
	1999	1998
<S>	<C>	<C>
Net income.....	\$ 9,442,000	\$ 4,330,000
Minority interest in income.....	2,966,000	2,814,000
Depreciation and amortization.....	6,733,000	2,300,000
Less effects of straight-line rents.....	(751,000)	-
Subtotal.....	18,390,000	9,444,000
FFO allocated to minority interests.....	(4,404,000)	(3,765,000)
FFO allocated to shareholders.....	\$ 13,986,000	\$ 5,679,000

</TABLE>

Capital Expenditures: During the first quarter of 1999, the Company incurred \$2.0 million in maintenance capital expenditures, tenant improvements and capitalized lease commissions. In addition, the Company made \$0.2 million of renovation expenditures. On a recurring annual basis, the Company expects \$0.90 to \$1.20 per square foot in recurring capital expenditures and during the remainder of 1999 expects to make \$2.8 million in additional expenditures to continue renovation on two properties in Texas.

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 its tax return.

The Board of Directors declared a quarterly dividend of \$0.25 per common share on May 10, 1999. The Board of Directors has established a distribution policy to maximize the retention of cash flow and only distribute the minimum amount required for the Company to maintain its tax status as a REIT. In addition, the Board of Directors declared a prorated dividend of \$0.39184 per share on the 2,200,000 depository shares each representing 1/1000 of a share of 9 1/4% Cumulative Preferred Stock, Series A. Distributions are payable on June 30, 1999 to shareholders of record as of the close of business on June 15, 1999.

The Company utilizes PSI's information systems in connection with a cost sharing and administrative services agreement. The Company and PSI have completed an assessment of all of its hardware and software applications including those affecting the Company to identify susceptibility to what is commonly referred to as the "Y2K Issue" whereby certain computer programs have been using two digits rather than four to define the applicable year. Certain computer programs or hardware with the Y2K Issue have date-sensitive applications or embedded chips that may recognize a date using "00" as the year 1900 rather than the year 2000, resulting in miscalculations or system failure causing disruptions to operations.

The Company in conjunction with PSI has an implementation in process for critical applications, including its general ledger and related systems, that are believed to have Y2K issues. PSI and the Company expect the implementation to be complete by June 1999. Contingency plans have been developed for use in case the implementations are not completed on a timely basis. The Company presently believes that the impact of the Y2K Issue on its system can be mitigated. However, if the plan for ensuring Y2K compliance and the related contingency plans were to fail, be insufficient, or not be implemented on a timely basis, operations of the Company could be materially impacted.

Certain of the Company's other non-computer related systems that may be impacted by the Y2K Issue, such as security systems, are currently being evaluated, and the Company expects the evaluation to be complete by June 1999. The Company expects the implementation of any required solutions to be complete in advance of December 31, 1999. The Company has not fully evaluated the impact of lack of Y2K compliance on these systems, but has no reason to believe that lack of compliance would materially impact its operations.

The Company exchanges electronic data with certain outside vendors in the banking and payroll processing areas. The Company has been advised by these vendors that their systems are or will be Y2K compliant and has requested a Y2K compliance certification from these entities. The Company is not aware of any other vendors, suppliers, or other external agents with a Y2K Issue that would materially impact the Company's results of operations, liquidity, or capital resources. However, the Company has no means of ensuring that external agents will be Y2K compliant, and there can be no assurance that the Company has identified all such external agents. The inability of external agents to complete their Year 2000 compliance process in a timely fashion could materially impact the Company. The effect of non-compliance by external agents is not determinable.

The total cost of PSI's Y2K compliance activities (which primarily consists of the costs of implementing new systems) will be allocated to all entities that use the PSI computer systems. The amount to be allocated to the Company is estimated at approximately \$250,000.

The costs of the projects and the date on which PSI and the Company believe that it will be Y2K compliant are based upon management's best estimates, and were derived utilizing numerous assumptions of future events. There can be no assurance that these estimates will be achieved, and actual results could differ materially from those anticipated. There can be no assurance that PSI and the Company have identified all potential Y2K Issues either within the Company or at external agents. In addition, the impact of the Y2K issue on governmental entities and utility providers and the resultant impact on the Company, as well as disruptions in the general economy, may be material but cannot be reasonably determined or quantified.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

PS Business Parks, L.P. v. Principal Mutual Life Insurance Company, et

al, Circuit Court of Washington County, Oregon (filed April 29, 1999)
- - -

In May 1998, the Company acquired a property in Beaverton, Oregon. An adjacent property is the subject of an environmental remedial investigation. For additional information on the investigation, please refer to the Company's 1998 annual report on Form 10-K under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Factors - Our Business Could Be Subject to Environmental Liabilities."

In April 1999, the Company commenced an action against the sellers of the property seeking indemnification for any damages and expenses that may be incurred by the Company in this matter and for other relief. The Company is not currently able to quantify the extent of such damages and expenses.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are included herein:

(10.1) 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.

- (10.2) 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.
- (11) Statement re: Computation of Earnings per Share
- (12) Statement re: Computation of Ratio of Earnings to Fixed Charges
- (27) Financial Data Schedule
- (b) Reports on Form 8-K

The Registrant filed a Current Report on Form 8-K dated December 31, 1998 (filed January 13, 1999) pursuant to Item 5 which reported the acquisition of properties from various third parties. The Registrant filed a Current Report on Form 8-K/A dated December 31, 1998 amending Form 8-K dated December 31, 1998 (filed February 17, 1999) pursuant to Items 5 and 7 which filed financial statements for those properties.

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: May 14, 1999

PS BUSINESS PARKS, INC.
BY: /s/ Jack Corrigan

Jack Corrigan
Vice President and Chief Financial Officer

PS BUSINESS PARKS, L.P.

AMENDMENT TO AGREEMENT OF LIMITED
PARTNERSHIP RELATING TO
8-7/8% SERIES B 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 April 23, 1999 (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 (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 B Preferred Units, \$25.00 per Series B 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 B 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 on a parity with the Series B Preferred Units (as hereinafter defined) with respect to distributions and rights upon voluntary or involuntary liquidation, winding-up or dissolution of the Partnership.

(c) "Priority Return" means an amount equal to 8-7/8% per annum of the Liquidation Preference per Series B Preferred Unit, commencing on the date of issuance of such Series B 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 B 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 "8-7/8% Series B Cumulative Redeemable Preferred Units" (the "Series B Preferred Units") is hereby established. The number of Series B

Preferred Units shall be 510,000. The Holders of Series B 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 B 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 B 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 June 30, 1999, and (ii) in the event of a redemption of Series B Preferred Units (each a "Series B Preferred Unit Distribution Payment Date"). If any date on which distributions are to be made on the Series B 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 B Preferred Units will be made to the holders of record of the Series B 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 B Preferred Unit Distribution Payment Date (the "Series B Preferred Unit Partnership Record Date").

(b) Prohibition on Distribution. No distributions on Series B 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 B 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 B Preferred Units will accumulate as of the Series B 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 B Preferred Unit Distribution Payment Date to holders of record of the Series B 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 B 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 B 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 B Preferred Units, any Parity Preferred Units or any Junior Units, unless, in each case, all distributions accumulated on all Series B 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, or (y) the conversion of Junior Units or Parity Preferred Units into Partnership Interests ranking junior to the Series B Preferred Units.

(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 B Preferred Units, all distributions authorized and declared on the Series B 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 B 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 B 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 B 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) of the Partnership Agreement is amended to read, in its entirety, as follows:

"(a) General

(i) Except as otherwise set forth in this Agreement, Profit and Loss and items of income, gain, expense, or loss of the Partnership for each

fiscal year of the Partnership shall be allocated among the Partners in accordance with their respective Percentage Interests. The provisions of this Section 6.1 shall be amended appropriately in the event that the General Partner causes the Partnership to issue Units with different preferences or redemption rights.

(ii) Notwithstanding anything to the contrary contained in this Agreement, in any taxable year, the holders of Series B Preferred Units shall be allocated an amount of gross income equal to the Priority Return distributed to such holders for such taxable year. Upon liquidation of the Partnership or the interest of the holders of Series B Preferred Units in the Partnership, an amount of Profit, Loss or items thereof shall be allocated to the holders of Series B 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 Preference."

Section 5. Optional Redemption. (a) Right of Optional Redemption. The Series B 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 B 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 B 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 B 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 B Preferred Units.

(a) 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 B 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 B 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 B 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 B Preferred Units shall be delivered for payment of the Redemption Price, (q) that distributions on the Series B 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 B Preferred Units as set forth in Section 5(b)(ii) below.

(ii) If the Partnership gives a notice of redemption in respect of Series B 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 B 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 B Preferred Units shall also, by 10:00 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 B 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 B Preferred Units called for redemption, unless the Partnership defaults in the payment thereof. If any date fixed for redemption of Series B 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 B 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 B 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 B Preferred Unit shall be treated as one Partnership Unit.)

(b) Certain Voting Rights. So long as any Series B Preferred

Units remain outstanding, the Partnership shall not, without the affirmative vote of the holders of at least a majority of the Series B 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 prior to the Series B 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; (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 B 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 B 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 B Preferred Units for other interests in such entity having substantially the same terms and rights as the Series B 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 B 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 B 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 B 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 materially and 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 B 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 B Preferred Units having substantially the same terms and rights as the Series B 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 B 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 B Preferred Units shall be the acceleration of the exchange date relating to the Series B 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. The holders of Series B 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 B Preferred Units may be transferred to a maximum of five (5) persons. At no time shall the number of holders of the Series B Preferred Units exceed five.

Section 8. Exchange Rights. (a) Right to Exchange. (i) Series B 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 8-7/8% Series B Cumulative Redeemable Preferred Stock of the General Partner (the "Series B Preferred Stock") at an exchange rate of one share of Series B Preferred Stock for one Series B Preferred Unit, subject to adjustment as described below (the "Series B Exchange Price"); provided that the Series B 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 B Preferred Units (acting as a whole) for

Series B Preferred Stock if (x) at any time full distributions shall not have been timely made on any Series B Preferred Unit with respect to six (6) prior quarterly distribution periods, whether or not consecutive; provided, however, that a distribution in respect of Series B Preferred Units shall be considered timely made if made within two (2) Business Days after the applicable Series B 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 B 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 B 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 B 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 B Preferred Units will be exchangeable only to the extent necessary to reduce the holdings of the holders of the Series B 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 B Preferred Units may be exchanged for Series B Preferred Stock, in whole (and not in part), at the option of the holders of a majority of the Series B 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 B Preferred Units shall deliver to the General Partner either (i) a private letter ruling addressed to such holder of Series B 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 B Preferred Units at such earlier time would not cause the Series B 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 B 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 B Preferred Units may be exchanged in whole (and not in part) (regardless of whether held by Contributor) at the option of the holders of a majority of the Series B Preferred Units (acting as a whole) for Series B 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 Paragraphs 4(d) through (h) of the Contribution Agreement, dated as of April 23, 1999, among SSB Tax Advantaged Exchange Fund I, LLC ("Contributor"), the Partnership and the General Partner, (ii) the Partnership reasonably determines that the assets and income of the Partnership for a taxable year after 1999 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 B 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 1999, 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 B 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 B Preferred Units for cash in an amount equal to the Liquidation Preference per Series B Preferred Unit. The General Partner may exercise its option to redeem the Series B Preferred Units for cash pursuant to this Section 8(a)(ii) by giving each holder of record of Series B 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 B Preferred Units are to be surrendered for payment of the redemption price, (D) that distributions on the Series B 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 B Preferred Units and (F) the aggregate number of Series B Preferred Units to be redeemed.

(iii) If an exchange of Series B 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 B Preferred Stock, the General Partner shall give written notice thereof to each holder of record of Series B 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 B Preferred Units shall be entitled to exchange, pursuant to the provisions of Section 8(b) a number of Series B 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 B 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 Charter 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 on the ownership limitation of the General Partner set forth in such Article IV of the Charter 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.

(iv) The redemption of Series B Preferred Units described in Section 8(a)(ii) and (iii) shall be subject to the provisions of Section 5(b)(i) and Section 5(c)(ii); provided, however, that the term "redemption price" in such Section shall be read to mean the Liquidation Preference per Series B 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 B 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 B Preferred Units to be exchanged together with, if applicable, written notice of exchange and a proper assignment of such Series B 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 B 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 B 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 B Preferred Units for shares of Series B Preferred Stock, an amount equal to the accrued and unpaid Priority Return, whether or not declared, to the date of exchange on any Series B Preferred Units tendered for exchange shall (a) accrue on the shares of the Series B Preferred Stock into which such Series B Preferred Units are exchanged, and (b) continue to accrue on such Series B Preferred Units, which shall remain outstanding following such exchange, with the General Partner as the holder of such Series B Preferred Units. Notwithstanding anything to the contrary set forth herein, in no event shall a holder of a Series B Preferred Unit that was validly exchanged into Series B Preferred Stock pursuant to this section (other than the General Partner now holding such Series B 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 B Preferred Stock for which such Series B Preferred Unit was exchanged or redeemed.

(iii) Fractional shares of Series B 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 B 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 B Preferred Stock, and (b)

distributions to all holders of Series B 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 B 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 B 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 B 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 B Preferred Stock or fraction thereof into which one Series B 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 B 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 B Preferred Units.

Section 11. Exhibit A to Partnership Agreement. In order to duly reflect the issuance of the Series B 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

Exhibit 10.2

PS BUSINESS PARKS, L.P.

AMENDMENT TO AGREEMENT OF LIMITED
PARTNERSHIP RELATING TO
9 1/4% SERIES A 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 April 30, 1999 (this "Amendment"), amends the Agreement of Limited Partnership of the Partnership, dated as of March 17, 1998, as amended, by and among PS Business Parks, Inc. (the "General Partner") and each of the limited partners described on Exhibit A to that partnership agreement (the "Partnership Agreement"). Section references are (unless otherwise specified) references to sections in this Amendment.

WHEREAS, the General Partner agreed to issue 2,200,000 Depositary Shares each representing 1/1000th of a share of the General Partner's preferred stock designated as the "9 1/4% Cumulative Preferred Stock, Series A" (the "Depositary Shares") for a price of \$25.00 per Depositary Share;

WHEREAS, Section 4.1(b)(2) of the Partnership Agreement requires the General Partner to contribute to the Partnership the funds raised through the issuance of additional shares of the General Partner in return for additional Partnership Units, and provides that the General Partner's capital

contribution shall be deemed to equal the amount of the gross proceeds of that share issuance (i.e., the net proceeds actually contributed, plus any underwriter's discount or other expenses incurred, with any such discount or expense deemed to have been incurred on behalf of the Partnership);

WHEREAS, Section 4.2(a) of the Partnership Agreement provides generally for the creation and issuance of Partnership Units with such designations, preferences and relative, participating, optional or other special rights, powers and duties, including rights, powers and duties senior to other Partnership Interests, all as shall be determined by the General Partner, without the consent of the Limited Partners, and Section 4.2(b) of the Partnership Agreement specifically contemplates the issuance of Units to the General Partner having designations, preferences and other rights, all such that the economic interests are substantially similar to the designations, preferences and other rights of shares issued by the General Partner, such as the Depositary Shares;

WHEREAS, 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; 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 A Preferred Units, \$25.00 per Series A Preferred Unit (as defined below), 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 A 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 on a parity with the Series A Preferred Units with respect to distributions and rights upon voluntary or involuntary liquidation, winding-up or dissolution of the Partnership. The 8 7/8% Series B Cumulative Redeemable Preferred Units of the Partnership created pursuant to an amendment to the Partnership Agreement dated as of April 23, 1999 (the "Series B Preferred Units") and the Series A Preferred Units are expressly designated as Parity Preferred Units with respect to each other.

(c) "Priority Return" means an amount equal to 9 1/4% per annum of the Liquidation Preference per Series A Preferred Unit, commencing on the date of issuance of such Series A Preferred Unit, determined on the basis of a 360-day year (and twelve 30-day months), cumulative to the extent not distributed on any Series A Preferred Unit Distribution Payment Date (as defined below).

Section 2. Creation of Series A Preferred Units. (a) Designation and Number. Pursuant to Section 4.2(a) of the Partnership Agreement, a series of Partnership Units in the Partnership designated as the "9 1/4% Series A Cumulative Redeemable Preferred Units" (the "Series A Preferred Units") is hereby established effective as of April 30, 1999. The number of Series A Preferred Units shall be 2,200,000. The Holders of Series A Preferred Units shall not have any Percentage Interest (as such term is defined in the Partnership Agreement) in the Partnership.

(b) Capital Contribution. In return for the issuance to the General Partner of the Series A Preferred Units set forth on Exhibit C to this Amendment, the General Partner has contributed to the Partnership the funds raised through the General Partner's issuance of the Depositary Shares (the General Partner's capital contribution shall be deemed to equal the amount of the gross proceeds of that share issuance, i.e., the net proceeds actually contributed, plus any underwriter's discount or other expenses incurred, with any such discount or expense deemed to have been incurred by the General Partner on behalf of the Partnership).

(c) Construction. The Series A Preferred Units have been created and are being issued in conjunction with the General Partner's issuance of the Depositary Shares relating to the General Partner's 9 1/4% Cumulative Preferred Stock, Series A, and as such, the Series A Preferred Units are intended to have designations, preferences and other rights, all such that the economic interests are substantially similar to the designations, preferences

and other rights of the Depositary Shares, and the terms of this Amendment shall be interpreted in a fashion consistent with this intent.

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 A 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 A 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 June 30, 1999, and (ii) in the event of a redemption of Series A Preferred Units (each a "Series A Preferred Unit Distribution Payment Date"). If any date on which distributions are to be made on the Series A 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 A Preferred Units will be made to the holders of record of the Series A 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 A Preferred Unit Distribution Payment Date. Business Day shall be any day other than a Saturday, Sunday or day on which banking institutions in the State of New York or the State of California are authorized or obligated by law to close, or a day which is or is declared a national or a New York or California state holiday.

(b) Prohibition on Distribution. No distributions on Series A 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 A 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 A Preferred Units will accumulate as of the Series A 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 A Preferred Unit Distribution Payment Date to holders of record of the Series A 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 A 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 A 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 A Preferred Units, any Parity Preferred Units or any Junior Units, unless, in each case, all distributions accumulated on all Series A 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, or (y) the conversion of Junior Units or Parity Preferred Units into Partnership Interests ranking junior to the Series A Preferred Units.

(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 A Preferred Units, all distributions authorized and declared on the Series A 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 A 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 A 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 A 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) Notwithstanding anything to the contrary contained in this Agreement, in any taxable year, the holders of Series A Preferred Units and Series B Preferred Units shall be allocated an amount of gross income equal to the Priority Return distributed to such holders for such taxable year. After the Capital Account balances of all Partners other than holders of the Series A 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 Preferred Units until the Capital Account balances of the holders of the Series A Preferred Units have been reduced to zero. Upon liquidation of the Partnership or the interest of the holders of Series A Preferred Units and Series B Preferred Units in the Partnership, an amount of Profit, Loss or items thereof shall be allocated to the holders of Series A Preferred Units and Series B 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 Preference."

Section 5. Optional Redemption. The Series A Preferred Units shall be redeemed at the same time, to the same extent, and applying, except as set forth below, similar procedures, as any redemption by the General Partner of the Depository Shares. The redemption price, payable in cash, shall equal the Liquidation Preference (the "Redemption Price"). The Partnership will deliver into escrow with an escrow agent acceptable to the Partnership and the holders of the Series A Preferred Units being redeemed (the "Escrow Agent") the Redemption Price and an executed Redemption Agreement, in the substantially the form attached as Exhibit A (the "Redemption Agreement"), and an Amendment to the Agreement of Limited Partnership evidencing the Redemption, in the substantially the form attached as Exhibit B. The holders of the Series A Preferred Units to be redeemed will also 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, on the redemption date the Escrow Agent shall release the Redemption Price to the holders of the Series A 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 A Preferred Units called for redemption, unless the Partnership defaults in the payment of the 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 A 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 A Preferred Units.

Section 6. Voting Rights. Holders of the Series A 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 A Preferred Unit shall be treated as one Partnership Unit.

Section 7. Transfer Restrictions. The holders of Series A Preferred Units shall be subject to all of the provisions of Section 11 of the Partnership Agreement.

Section 8. No Conversion Rights. The holders of the Series A 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 9. No Sinking Fund. No sinking fund shall be established for the retirement or redemption of Series A Preferred Units.

Section 10. Exhibit A to Partnership Agreement. In order to duly reflect the issuance of the Series A Preferred Units provided for herein, the Partnership Agreement is hereby further amended pursuant to Section 12.3 of the Partnership Agreement by replacing the current form of Exhibit A to the Partnership Agreement with the form of Exhibit A that is attached to this amendment as Exhibit C.

Section 11. 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 E. Corrigan

Name: Jack E. Corrigan
Title: Chief Financial Officer

PS BUSINESS PARKS, INC.
 Exhibit 11: Statement re: Computation of Earnings per Share

<TABLE>
 <CAPTION>

	For the Three Months Ended March 31,	
Basic and Diluted Earnings Per Share:	1999	1998
<S>	<C>	<C>
Net income and net income allocable to common shareholders (same for Basic and Diluted computations)	\$9,442,000 =====	\$4,330,000 =====
Weighted average common shares outstanding:		
Basic weighted average common shares outstanding.....	23,637,000	11,314,000
Net effect of dilutive stock options - based on treasury stock method using average market price.....	68,000 -----	43,000 -----
Diluted weighted average common shares outstanding...	23,705,000 =====	11,357,000 =====
Basic earnings per common share.....	\$ 0.40 =====	\$ 0.38 =====
Diluted earnings per common share.....	\$ 0.40 =====	\$ 0.38 =====

</TABLE>

Exhibit 11

PS BUSINESS PARKS, INC.
Exhibit 12: Statement re: Computation
of Ratio of Earnings to Fixed Charges

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1999	1998
	(Amounts in thousands, except ratios)	
<S>	<C>	<C>
Net income.....	\$ 9,442,000	\$ 4,330,000
Minority interest.....	2,966,000	2,814,000
Interest expense.....	909,000	247,000
Earnings available to cover fixed charges.....	\$ 13,317,000	\$ 7,391,000
Fixed charges (1).....	\$ 1,094,000	\$ 247,000
Ratio of earnings to fixed charges.....	12.17	29.92

</TABLE>
<TABLE>
<CAPTION>

	Years Ended December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Net income.....	\$ 29,400,000	\$ 3,836,000	\$ 519,000	\$ 1,192,000	\$
1,245,000					
Minority interest.....	11,208,000	8,566,000	-	-	
Interest expense.....	2,361,000	1,000	-	-	
Earnings available to cover fixed charges.....	\$ 42,969,000	\$ 12,403,000	\$ 519,000	\$ 1,192,000	\$
1,245,000					
Fixed charges (1).....	\$ 2,629,000	\$ 1,000	\$ -	\$ -	\$
Ratio of earnings to fixed charges.	16.34	12,403	N/A	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>
<CAPTION>

	Three Months Ended March 31,	
	1999	1998
	(Amounts in thousands, except ratios)	
<S>	<C>	<C>
FFO.....	\$ 18,390,000	\$9,444,000
Interest expense.....	909,000	247,000

Adjusted FFO available to cover fixed charges.....	\$ 19,299,000	\$ 9,691,000
Fixed charges (1).....	\$ 1,094,000	\$ 247,000
Ratio of FFO to fixed charges.....	17.64	39.23

</TABLE>
<TABLE>
<CAPTION>

	Years Ended December 31,				
	1998	1997	1996	1995	1994
FFO.....	\$ 57,430,000	\$ 17,597,000	\$ 303,000	\$ 720,000	\$ 757,000
Interest expense.....	2,361,000	1,000	-	-	-
Adjusted FFO available to cover fixed charges.....	\$ 59,791,000	\$ 17,598,000	\$ 303,000	\$ 720,000	\$ 757,000
Fixed charges (1).....	\$ 2,629,000	\$ 1,000	\$ -	\$ -	\$ -
Ratio of FFO to fixed charges.....	22.74	17,598	N/A	N/A	N/A

</TABLE>

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

<TABLE> <S> <C>

<ARTICLE>	5
<CIK>	0000866368
<NAME>	PS Business Parks, Inc.
<MULTIPLIER>	1
<CURRENCY>	U.S. \$
<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	DEC-31-1999
<PERIOD-START>	JAN-01-1999
<PERIOD-END>	MAR-31-1999
<EXCHANGE-RATE>	1
<CASH>	1,299,000
<SECURITIES>	0
<RECEIVABLES>	0
<ALLOWANCES>	0
<INVENTORY>	0
<CURRENT-ASSETS>	1,299,000
<PP&E>	739,931,000
<DEPRECIATION>	(29,175,000)
<TOTAL-ASSETS>	729,614,000
<CURRENT-LIABILITIES>	14,050,000
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	236,000
<OTHER-SE>	492,847,000
<TOTAL-LIABILITY-AND-EQUITY>	729,614,000
<SALES>	0
<TOTAL-REVENUES>	29,251,000
<CGS>	0
<TOTAL-COSTS>	8,399,000
<OTHER-EXPENSES>	7,535,000
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	909,000
<INCOME-PRETAX>	9,442,000
<INCOME-TAX>	0
<INCOME-CONTINUING>	9,442,000
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	9,442,000
<EPS-PRIMARY>	0.40
<EPS-DILUTED>	0.40

</TABLE>