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

FORM 10-Q

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

For the quarterly period ended June 30, 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 of Incorporation)	(I.R.S. Employer Identification Number)

701 Western Avenue, Glendale, California 91201-2397
(Address of principal executive offices) (Zip Code)

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

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

Yes [X] No [_]

Number of shares outstanding of each of the issuer's classes of common stock, as of August 10, 1999:

Common Stock, $0.01 par value, 23,640,606 shares outstanding

PS BUSINESS PARKS, INC.
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PS BUSINESS PARKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	June 30, 1999 (unaudited)	December 31, 1998
ASSETS		
<S>	<C>	<C>
Cash and cash equivalents..............................	$ 13,697,000	$ 6,068,000
Real estate facilities, at cost:		
Land..	186,980,000	176,241,000
Buildings and equipment.............................	596,447,000	536,697,000
	783,427,000	712,938,000
Accumulated depreciation............................	(36,413,000)	(22,517,000)
	747,014,000	690,421,000
Construction in progress...............................	17,113,000	7,716,000
	764,127,000	698,137,000
Receivables..	602,000	242,000
Deferred rent receivables..............................	3,693,000	2,086,000
Intangible assets, net.................................	1,432,000	1,583,000
Other assets...	1,071,000	1,298,000
Total assets.............................	$ 784,622,000	$ 709,414,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accrued and other liabilities..............................	$ 19,392,000	$ 15,953,000
Line of credit...	-	12,500,000
Mortgage notes payable.....................................	46,072,000	38,041,000
Total liabilities................................	65,464,000	66,494,000
Minority interest:		
Preferred units..	12,750,000	-
Common units...	155,686,000	153,015,000
Shareholders' equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, 2,200 shares issued and outstanding at June 30, 1999 (none issued and outstanding at December 31, 1998)..................................	55,000,000	-
Common stock, $0.01 par value, 100,000,000 shares authorized, 23,640,606 shares issued and outstanding at June 30, 1999 (23,635,650 shares issued and outstanding at December 31, 1998)....................	236,000	236,000
Paid-in capital..	481,272,000	482,471,000
Cumulative net income..................................	52,251,000	32,554,000
Cumulative distributions...............................	(38,037,000)	(25,356,000)
Total shareholders' equity.......................	550,722,000	489,905,000
Total liabilities and shareholders' equity...	$ 784,622,000	$ 709,414,000

</TABLE>

See accompanying notes.

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

<TABLE>
<CAPTION>

	For the three months ended June 30,		For the six months ended June 30,	
	1999	1998	1999	1998
Revenues:				
Rental income	$ 30,859,000	$ 21,471,000	$ 59,976,000	$ 35,824,000
Facility management fees from affiliates	116,000	129,000	230,000	331,000
Interest and other income	273,000	311,000	293,000	544,000
	31,248,000	21,911,000	60,499,000	36,699,000
Expenses:				
Cost of operations	8,655,000	6,355,000	17,031,000	10,982,000
Cost of facility management	23,000	12,000	46,000	37,000
Depreciation and amortization	7,314,000	4,256,000	14,047,000	6,556,000
General and administrative	795,000	551,000	1,597,000	996,000
Interest expense	772,000	822,000	1,681,000	1,069,000
	17,559,000	11,996,000	34,402,000	19,640,000
Income before minority interest	13,689,000	9,915,000	26,097,000	17,059,000
Minority interest in income - preferred units	(214,000)	-	(214,000)	-
Minority interest in income - common units	(3,220,000)	(2,869,000)	(6,186,000)	(5,683,000)
Net income	$ 10,255,000	$ 7,046,000	$ 19,697,000	$ 11,376,000
Net income allocation:				
Allocable to preferred shareholders	$ 862,000	$ -	$ 862,000	$ -
Allocable to common shareholders	9,393,000	7,046,000	18,835,000	11,376,000
	$ 10,255,000	$ 7,046,000	$ 19,697,000	$ 11,376,000
Net income per common share:				
Basic	$ 0.40	$ 0.38	$ 0.80	$ 0.76
Diluted	$ 0.40	$ 0.38	$ 0.79	$ 0.76
Weighted average common shares outstanding:				
Basic	23,639,000	18,650,000	23,638,000	14,926,000
Diluted	23,716,000	18,711,000	23,709,000	14,978,000

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</TABLE>

See accompanying notes.

PS BUSINESS PARKS, INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the six months ended June 30, 1999
(Unaudited)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Paid-in Capital
Balances at December 31, 1998	-	$ -	23,635,650	$ 236,000	$ 482,471,000
Issuance of preferred stock, net of issuance costs	2,200	55,000,000	-	-	(2,136,000)
Issuance of common stock	-	-	4,956	-	93,000
Net income	-	-	-	-	-
Distributions paid:					
Preferred stock	-	-	-	-	-
Common stock	-	-	-	-	-
Adjustment to reflect minority interest to underlying ownership interest	-	-	-	-	844,000
Balances at June 30, 1999	2,200	$ 55,000,000	23,640,606	$ 236,000	$ 481,272,000

	Cumulative Net Income	Cumulative Distributions	Shareholders' Equity
Balances at December 31, 1998	$ 32,554,000	$ (25,356,000)	$ 489,905,000
Issuance of preferred stock, net of issuance costs	-	-	52,864,000
Issuance of common stock	-	-	93,000
Net income	19,697,000	-	19,697,000
Distributions paid:			
Preferred stock	-	(862,000)	(862,000)
Common stock	-	(11,819,000)	(11,819,000)
Adjustment to reflect minority interest to underlying ownership interest	-	-	844,000
Balances at June 30, 1999	$ 52,251,000	$ (38,037,000)	$ 550,722,000

See accompanying notes.

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

<TABLE>
<CAPTION>

For the six months ended June 30,

	1999	1998
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 19,697,000	$ 11,376,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	14,047,000	6,556,000
Minority interest in income	6,400,000	5,683,000
Increase in receivables and other assets	(1,740,000)	(468,000)
Increase in accrued and other liabilities	3,442,000	462,000
Total adjustments	22,149,000	12,233,000
Net cash provided by operating activities	41,846,000	23,609,000
Cash flows from investing activities:		
Acquisition of real estate facilities	(42,530,000)	(241,674,000)
Acquisition cost of business combination	-	(424,000)
Capital improvements to real estate facilities	(7,207,000)	(3,175,000)
Construction in progress	(9,397,000)	-
Net cash used in investing activities	(59,134,000)	(245,273,000)
Cash flows from financing activities:		
Borrowings from an affiliate	41,400,000	179,000,000
Repayment of borrowings from an affiliate	(41,400,000)	(182,500,000)
Borrowings from line of credit	14,000,000	-
Repayment of borrowings from line of credit	(26,500,000)	-
Principal payments on mortgage notes payable	(11,688,000)	(85,000)
Net proceeds from the issuance of common stock	93,000	272,112,000
Net proceeds from the issuance of preferred stock	53,119,000	-
Net proceeds from the issuance of preferred operating partnership units	12,495,000	-
Distributions paid to preferred shareholders	(862,000)	-
Distributions paid to common shareholders	(11,819,000)	(9,988,000)
Distributions paid to minority interests - preferred	(214,000)	-
Distributions paid to minority interests - common	(3,707,000)	(4,404,000)
Net cash provided by financing activities	24,917,000	254,135,000
Net increase in cash and cash equivalents	7,629,000	32,471,000
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	$ 13,697,000	$ 36,355,000

</TABLE>

See accompanying notes.

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

<TABLE>
<CAPTION>

	For the six months ended June 30,	
	1999	1998
<S>	<C>	<C>
Supplemental schedule of non-cash investing and financing activities:		
Acquisitions of real estate facilities and associated assets and liabilities in exchange for minority interests and mortgage notes payable:		
Real estate facilities	$ (20,752,000)	$ (33,428,000)
Other assets (deposits on real estate acquisitions)	-	800,000
Accrued and other liabilities	-	1,245,000
Minority interest - common units	1,033,000	1,408,000
Mortgage notes payable	19,719,000	29,975,000
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

Recapitalization in connection with business combination:		
Common stock..	-	(1,511,000)
Paid-in capital...	-	1,511,000
Conversion of operating partnership units into shares of common stock:		
Minority interest - common units...............................	-	(33,023,000)
Common stock..	-	18,000
Paid-in capital...	-	33,005,000
Adjustment to reflect minority interest to underlying ownership interest:		
Minority interest - common units...............................	(844,000)	12,896,000
Paid-in capital...	844,000	(12,896,000)
Adjustment to acquisition cost (see Note 2):		
Real estate facilities..	-	(1,315,000)
Intangible assets...	-	1,315,000

</TABLE>

See accompanying notes.

PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1999
(Unaudited)

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 Partnership") 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 June 30, 1999, PSB and the Operating Partnership collectively owned and operated 120 commercial properties (approximately 11.6 million net rentable square feet) located in 11 states. In addition, the Operating Partnership managed 37 commercial properties (approximately 1.0 million net rentable square feet) on behalf of PSI and affiliated entities.

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 and six months ended June 30, 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 June 30, 1999, PSB owned approximately 73% of the common 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.

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 $678,000 and $268,000 of capitalized interest costs at June 30, 1999 and December 31, 1998, respectively. The Company capitalized $410,000 during the six months ended June 30, 1999. No interest was capitalized during the six months ended June 30, 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 $724,000 and $573,000 at June 30, 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 June 30, 1999, no such indicators of impairment have been identified.

Borrowings from an affiliate

The Company borrowed $41.4 million from PSI during the six months ending June 30, 1999. The notes bore interest at 5.5% (per annum) and were 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 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 common share has been calculated as follows:

<TABLE>
<CAPTION>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	1999	1998	1999	1998
Net income allocable to common shareholders	$ 9,393,000	$ 7,046,000	$18,835,000	$11,376,000
Weighted average common shares outstanding:				
Basic weighted average common shares outstanding.........	23,639,000	18,650,000	23,638,000	14,926,000
Net effect of dilutive stock options - based on treasury stock method using average market price................	77,000	61,000	71,000	52,000
Diluted weighted average common shares outstanding.......	23,716,000	18,711,000	23,709,000	14,978,000
Basic earnings per common share............................	$ 0.40	$ 0.38	$ 0.80	$ 0.76
Diluted earnings per common share..........................	$ 0.40	$ 0.38	$ 0.79	$ 0.76

</TABLE>

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 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.

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:

Acquisition cost:	
Issuance of common stock.........	$46,810,000
Cash............................	424,000
Total acquisition cost.......	$47,234,000

Allocation of acquisition cost:	
Real estate facilities..........	$48,000,000
Other assets....................	452,000
Accrued and other liabilities....	(1,218,000)
Total allocation............	$47,234,000

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 six months ended June 30, 1998 as though the Merger and related exchange of properties have been effective at the beginning of fiscal 1998 is as follows:

	Six months ended June 30, 1998
Revenues..................................	$38,577,000
Net income................................	$12,161,000
Net income per share - basic...............	$ 0.77

Net income per share - diluted............ $ 0.77

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.

4. Real estate facilities

The activity in real estate facilities for the six months ended June 30, 1999 is as follows:

<TABLE>
<CAPTION>

<S>	Land <C>	Buildings <C>	Accumulated Depreciation <C>	Total <C>
Balances at December 31, 1998......	$ 176,241,000	$ 536,697,000	$ (22,517,000)	$ 690,421,000
Property acquisitions.............	10,739,000	52,543,000	-	63,282,000
Capital improvements...............	-	7,207,000	-	7,207,000
Depreciation expense...............	-	-	(13,896,000)	(13,896,000)
Balances at June 30, 1999.........	$ 186,980,000	$ 596,447,000	$ (36,413,000)	$ 747,014,000

</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 June 30, 1999 under these leases are as follows:

1999 (July - December).............	$ 47,610,000
2000...............................	76,872,000
2001...............................	54,328,000
2002...............................	36,147,000
2003...............................	23,565,000
Thereafter.........................	33,820,000
	$ 272,342,000

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amount to $8,216,000 and $3,992,000 for the six months ended June 30, 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 to 95% of funds from operations. In addition, the Company is limited in its ability to incur additional borrowings (the Company is required to maintain unencumbered assets with an aggregate book value equal to or greater than two times the Company's unsecured recourse debt) or sell assets. The Company was in compliance with the covenants of the Credit Facility at June 30, 1999.

7. Mortgage notes payable

<TABLE>
<CAPTION>
Mortgage notes at June 30, 1999 consist of the following:

<S> <C>

7.125% mortgage note, secured by one commercial property, principal and interest payable monthly, due May 2006	8,836,000
8.4% mortgage note, secured by six commercial properties, principal and interest payable monthly, due November 2001	8,595,000
8.19% mortgage note, secured by one commercial property, principal and interest payable monthly, due March 2007	6,752,000
8.125% mortgage note, secured by one commercial property, principal and interest payable monthly, due February 2009	6,420,000
8.125% mortgage note, secured by one commercial property, principal and interest payable monthly, due July 2005	5,376,000
7.28% mortgage note, secured by two commercial properties, principal and interest payable monthly, due February 2003	4,360,000
8% mortgage note, secured by one commercial property, principal and interest payable monthly, due April 2003	2,148,000
8.5% mortgage note, secured by one commercial property, principal and interest payable monthly, due July 2007	1,921,000
8% mortgage note, secured by one commercial property, principal and interest payable monthly, due April 2003	1,664,000
	$46,072,000

</TABLE>

At June 30, 1999, approximate principal maturities of mortgage notes payable are as follows:

1999 (July - December)	$ 482,000
2000	1,045,000
2001	9,280,000
2002	1,018,000
2003	8,017,000
Thereafter	26,230,000
	$ 46,072,000

8. Minority interest - common units

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 June 30, 1999, there were 7,443,356 common units owned by minority interests (7,305,355 were owned by PSI and affiliated entities and 138,001 were owned by unaffiliated third parties). On a fully converted basis, assuming all 7,443,356 minority interest common units were converted into shares of common stock of PSB at June 30, 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.

9. Minority interest - preferred units

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

The Operating Partnership has the right to redeem the preferred units on or after April 23, 2004 at the original capital contribution plus the cumulative priority return to the redemption date to the extent not previously distributed. The preferred units are exchangeable for 8 7/8% Cumulative Preferred Stock, Series B of PS Business Parks, Inc. on or after April 23, 2009 at the option of the Operating Partnership or majority of the holders of the preferred units and have equivalent terms to those of the Cumulative Preferred Stock, Series A as described in Note 11.

10. 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.

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

Holders of the Company's preferred stock will not be entitled to vote on most matters, except under certain conditions. In the event of a cumulative arrearage equal to six quarterly dividends, the holders of the preferred stock will have the right to elect two additional members to serve on the Company's Board of Directors until all events of default have been cured. At June 30, 1999, there were no dividends in arrears.

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

The Company paid distributions to its common and preferred shareholders totaling $11,819,000 ($0.50 per common share) and $862,000 ($0.391845 per depositary share) for the six months ended June 30, 1999, respectively.

12. Recent accounting pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is required to be adopted in years beginning after June 15, 2000. 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.

13. 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.

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.

14. Subsequent events

The Company acquired a commercial property in Sacramento, California (approximately 211,000 net rentable square feet) from an unaffiliated third party on July 29, 1999 for an aggregate cost of approximately $17 million in cash. The Company obtained the funds to acquire the facilities from its existing cash balance which included cash generated from July operations.

Item 2: 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 and six months ended June 30, 1999 and 1998 will reflect significant levels of acquisitions during 1998 and the first six 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.

During the six months ended June 30, 1999, the Company added 711,000 square feet to its portfolio. The cost of these acquisitions was approximately $63 million. These acquisitions increased the Company's presence in existing markets, which the Company believes have characteristics necessary for long-term growth. The Company acquired 306,000 square feet in Texas at an aggregate cost of approximately $23 million and 405,000 square feet in the Northern Virginia/Maryland market at an aggregate cost of approximately $40 million.

Subsequent to June 30, 1999, the Company acquired a commercial property in Sacramento, California (approximately 211,000 net rentable square feet) from an unaffiliated third party for an aggregate cost of approximately $17 million in cash.

Results of Operations: Net income for the three months ended June 30, 1999 was $10,255,000 compared to $7,046,000 for the same period in 1998. Net income allocable to common shareholders (net income less preferred stock dividends) for the three months ended June 30, 1999 was $9,393,000 compared to $7,046,000 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 23,716,000) for the three months ended June 30, 1999 compared to net income per common share on a diluted basis of $0.38 (based on diluted weighted average shares outstanding of 18,711,000) for the same period in 1998, representing an increase of 5.3%. Net income for the six months ended June 30, 1999 was $19,697,000 compared to $11,376,000 for the same period in 1998. Net income allocable to common shareholders (net income less preferred stock dividends) for the six months ended June 30, 1999 was $18,835,000 compared to $11,376,000 for the same period in 1998. Net income per common share on a diluted basis was $0.79 (based on weighted average diluted shares outstanding of 23,709,000) for the six months ended June 30, 1999 compared to net income per common share on a diluted basis of $0.76 (based on diluted weighted average shares outstanding of 14,978,000) for the same period in 1998, representing an increase of 3.9%. 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.

The Company's property operations account for almost all of the net operating income earned by the Company. The following table presents the pre-depreciation operating results of the properties for the three and six months ended June 30, 1999 and 1998:

<TABLE>
<CAPTION>

	Three Months Ended June 30,		
	1999	1998	Change
<S>	<C>	<C>	<C>
Rental income:			
Facilities owned throughout each period (50 facilities, 6.4 million net rentable square feet)...............	$15,645,000	$14,057,000	11.3%
Facilities acquired subsequent to January 1998 (70 facilities, 5.2 million net rentable square feet)....	15,214,000	7,414,000	105.2%
Total rental income..	$30,859,000	$21,471,000	43.7%
Cost of operations (excluding depreciation):			
Facilities owned throughout each period...............	$ 4,785,000	$ 4,613,000	3.7%
Facilities acquired subsequent to January 1998.........	3,870,000	1,742,000	122.2%
Total cost of operations..................................	$ 8,655,000	$ 6,355,000	36.2%
Net operating income (rental income less cost of operations):			
Facilities owned throughout each period...............	$10,860,000	$ 9,444,000	15.0%
Facilities acquired subsequent to January 1998.........	11,344,000	5,672,000	100.0%
Total net operating income................................	$22,204,000	$15,116,000	46.9%

	Six Months Ended June 30,		
	1999	1998	Change
Rental income:			
Facilities owned throughout each period (50 facilities, 6.4 million net rentable square feet)................	$30,878,000	$27,844,000	10.9%
Facilities acquired subsequent to January 1998 (70 facilities, 5.2 million net rentable square feet)....	29,098,000	7,980,000	264.6%
Total rental income..	$59,976,000	$35,824,000	67.4%
Cost of operations (excluding depreciation):			
Facilities owned throughout each period................	$9,327,000	$9,057,000	3.0%
Facilities acquired subsequent to January 1998.........	7,704,000	1,925,000	300.2%
Total cost of operations..................................	$17,031,000	10,982,000	55.1%
Net operating income (rental income less cost of operations):			
Facilities owned throughout each period................	$21,551,000	$18,787,000	14.7%
Facilities acquired subsequent to January 1998.........	21,394,000	6,055,000	253.3%
Total net operating income................................	$42,945,000	$24,842,000	72.9%

</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 June 30, 1999 by major geographic region below:

<TABLE>
<CAPTION>

Region	Square Footage	Percent of Total	Rental Income	Percent of Total	NOI	Percent of Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Southern California.......	3,091,000	26.5%	$ 8,498,000	27.5%	$ 6,246,000	28.1%
Northern California.......	1,106,000	9.5%	2,162,000	7.0%	2,023,000	9.1%
Virginia..................	1,612,000	13.8%	4,300,000	13.9%	2,988,000	13.5%
Maryland..................	1,104,000	9.5%	3,476,000	11.3%	2,382,000	10.7%
Texas.....................	2,796,000	24.0%	7,189,000	23.3%	4,740,000	21.3%
Oregon....................	1,103,000	9.5%	3,987,000	12.9%	3,074,000	13.8%
Other.....................	833,000	7.2%	1,247,000	4.1%	751,000	3.5%
	11,645,000	100.0%	$30,859,000	100.0%	$22,204,000	100.0%

</TABLE>

Rental income and rental income less cost of operations or net operating income ("NOI") prior to depreciation are summarized for the six months ended June 30, 1999 by major geographic region below:

<TABLE>
<CAPTION>

Region	Square Footage	Percent of Total	Rental Income	Percent of Total	NOI	Percent of Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Southern California.......	3,091,000	26.5%	$16,402,000	27.3%	$12,144,000	28.3%
Northern California.......	1,106,000	9.5%	5,432,000	9.1%	4,061,000	9.5%

Virginia.................	1,612,000	13.8%	8,243,000	13.7%	5,838,000	13.6%
Maryland.................	1,104,000	9.5%	6,746,000	11.2%	4,760,000	11.1%
Texas....................	2,796,000	24.0%	12,947,000	21.6%	8,552,000	19.9%
Oregon...................	1,103,000	9.5%	7,336,000	12.2%	5,791,000	13.5%
Other....................	833,000	7.2%	2,870,000	4.9%	1,799,000	4.1%
	11,645,000	100.0%	$59,976,000	100.0%	$42,945,000	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 income on a straight-line basis. The "Same Park" facilities now represent approximately 62% of the square footage of the Company's portfolio at June 30, 1999.

"Same Park" Facilities (62 Properties)

<TABLE>
<CAPTION>

	Three months ended June 30,		
	1999	1998	Change
<S>	<C>	<C>	<C>
Rental income (1)...	$17,839,000	$16,434,000	8.5%
Cost of operations..	5,673,000	5,479,000	3.5%
Net operating income..................................	$12,166,000	$10,955,000	11.1%
Gross margin (2)..	68.2%	66.7%	1.5%
Weighted average for period:			
Occupancy...	97.3%	94.1%	3.2%
Annualized realized rent per sq. ft.(3)................	$10.19	$9.70	5.1%

....

	Six months ended June 30,		
	1999	1998 (4)	Change
Rental income (1)...	$35,328,000	$32,608,000	8.3%
Cost of operations..	11,048,000	10,714,000	3.1%
Net operating income..................................	$24,280,000	$21,894,000	10.9%
Gross margin (2)..	68.7%	67.1%	

1.6%

Weighted average for period:			
Occupancy...	96.7%	93.7%	3.0%
Annualized realized rent per sq. ft.(3)................	$10.14	$9.66	5.0%

</TABLE>

- ------------------

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

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

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

(4) Operations for the six months ended June 30, 1998 represent the historical operations of the 62 properties; however, the Company did not own all of the properties throughout the 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.

The following tables summarize the "Same Park" operating results by major geographic region for the three months ended June 30, 1999 and 1998:

<TABLE>
<CAPTION>

<S>	Revenues 1999 <C>	Revenues 1998 <C>	Percent Increase <C>	NOI 1999 <C>	NOI 1998 <C>	Percent Increase <C>
Southern California.......	$ 7,852,000	$ 7,065,000	11.1%	$ 5,655,000	$ 4,787,000	18.1%
Northern California.......	2,054,000	1,944,000	5.7%	1,539,000	1,317,000	16.9%
Texas.....................	1,888,000	1,675,000	12.7%	1,017,000	964,000	5.5%
Virginia..................	2,200,000	2,113,000	4.1%	1,417,000	1,393,000	1.7%
Maryland..................	2,243,000	2,065,000	8.6%	1,470,000	1,453,000	1.2%
Arizona...................	695,000	671,000	3.6%	434,000	450,000	(3.6%)
Other.....................	907,000	901,000	0.7%	634,000	591,000	7.3%
	$17,839,000	$16,434,000	8.5%	$12,166,000	$10,955,000	11.1%

</TABLE>

The following tables summarize the "Same Park" operating results by major geographic region for the six months ended June 30, 1999 and 1998:

<TABLE>
<CAPTION>

<S>	Revenues 1999 <C>	Revenues 1998 <C>	Percent Increase <C>	NOI 1999 <C>	NOI 1998 <C>	Percent Increase <C>
Southern California.......	$15,554,000	$14,053,000	10.7%	$11,285,000	$ 9,653,000	16.9%
Northern California.......	4,040,000	3,765,000	7.3%	2,996,000	2,697,000	11.1%
Texas.....................	3,620,000	3,268,000	10.8%	1,961,000	1,750,000	12.1%

Virginia..................	4,428,000	4,221,000	4.9%	2,906,000	2,776,000	4.7%
Maryland..................	4,502,000	4,181,000	7.7%	3,060,000	2,998,000	2.1%
Arizona...................	1,389,000	1,336,000	4.0%	887,000	881,000	0.7%
Other.....................	1,795,000	1,784,000	0.6%	1,185,000	1,139,000	4.0%
	$35,328,000	$32,608,000	8.3%	$24,280,000	$21,894,000	10.9%

</TABLE>

The growth in the strong Southern California market was accentuated by increasing occupancies in the New York Common portfolio acquired in December 1997 which rose from 92.6% in the second quarter of 1998 to 97.7% for the same period in 1999 and 91.4% in the first half of 1998 to 98.3% for the same period in 1999. The performance of the Texas facilities reflects improvements in the Austin and San Antonio facilities as well as 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 June 30, 1999, $93,000 in net operating income was recognized from facility management operations compared to $117,000 for the same period in 1998. During the six months ended June 30, 1999, $184,000 in net operating income was recognized from facility management operations compared to $294,000 for the same period in 1998. Facility management fees have decreased due to the Company's acquisition of properties previously managed.

Interest and Other Income: Interest and other income primarily reflect earnings on cash balances. Interest income was $273,000 for the three months ended June 30, 1999 compared to $311,000 for the same period in 1998. Interest income was $293,000 for the six months ended June 30, 1999 compared to $544,000 for the same period in 1998. The decrease is attributable to decreased average cash balances. Average cash balances for the three months ended June 30, 1999 were approximately $21.8 million compared to $24.9 million for the same period in 1998. Average cash balances for the six months ended June 30, 1999 were approximately $11.7 million compared to $21.8 million for the same period in 1998.

Cost of Operations: Cost of operations for the three months ended June 30, 1999 was $8,655,000 compared to $6,355,000 for the same period in 1998. Cost of operations for the six months ended June 30, 1999 was $17,031,000 compared to $10,982,000 for the same period in 1998. Cost of operations for the three months ended June 30, 1999 consists primarily of property taxes ($2,672,000), property maintenance ($1,335,000), utilities ($1,212,000) and direct payroll ($1,089,000). Cost of operations for the six months ended June 30, 1999 consists primarily of property taxes ($5,273,000), property maintenance ($2,590,000), utilities ($2,402,000) and direct payroll ($2,177,000). The increases are due primarily to the growth in the total square footage of the Company's portfolio of properties. Cost of operations as a percentage or rental income decreased from 29.6% to 28.0% and from 30.6% to 28.4% for the three and six months ended June 30, 1999 compared to the same period in 1998, respectively, as a result of economies of scale achieved through the acquisition of properties in existing markets partially offset by an increase in property tax expense.

Depreciation and Amortization Expense: Depreciation and amortization expense for the three months ended June 30, 1999 was $7,314,000 compared to $4,256,000 for the same period in 1998. Depreciation and amortization expense for the six months ended June 30, 1999 was $14,047,000 compared to $6,556,000 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 $795,000 for the three months ended June 30, 1999 compared to $551,000 for the same period in 1998. General and administrative expense was $1,597,000 for the six months ended June 30, 1999 compared to $996,000 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 June 30, 1999 and 1998 were $95,000 and $196,000, respectively. Abandoned transaction costs were $28,000 and $4,000 for the three months ended June 30, 1999 and 1998, respectively. Acquisition expenses for the six months ended June 30, 1999 and 1998 were $185,000 and $278,000, respectively. Abandoned transaction costs were $30,000 and $4,000 for the six months ended June 30, 1999 and 1998, respectively.

Interest Expense: Interest expense was $772,000 for the three months

ended June 30, 1999 compared to $822,000 for the same period in 1998. The increase is attributable to mortgage notes assumed in connection with the acquisition of real estate facilities ($807,000 in interest expense) and temporary financing in connection with acquisitions ($190,000) net of $225,000 of interest expense capitalized to ongoing construction projects for the three months ended June 30, 1999. Interest expense was $1,681,000 for the six months ended June 30, 1999 compared to $1,069,000 for the same period in 1998. The increase is attributable to mortgage notes assumed in connection with the acquisition of real estate facilities ($1,500,000 in interest expense) and temporary financing in connection with acquisitions ($591,000) net of $410,000 of interest expense capitalized to ongoing construction projects for the six months ended June 30, 1999.

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 June 30, 1999 was $3,434,000 ($214,000 allocated to preferred unitholders and $3,220,000 allocated to common unitholders) compared to $2,869,000 ($2,869,000 allocated to common unitholders) for the same period in 1998. Minority interest in income for the six months ended June 30, 1999 was $6,400,000 ($214,000 allocated to preferred unitholders and $6,186,000 allocated to common unitholders) compared to $5,683,000 ($5,683,000 allocated to common unitholders) for the same period in 1998. The increase in minority interest in income is due to improved operating results, the issuance of additional common units in connection with the acquisition of real estate facilities and the private placement of preferred units.

Liquidity and Capital Resources

Net cash provided by operating activities for the six months ended June 30, 1999 and 1998 was $41,846,000 and $23,609,000, 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>

	Six months ended June 30,	
	1999	1998
<S>	<C>	<C>
Net income	$ 19,697,000	$ 11,376,000
Depreciation and amortization	14,047,000	6,556,000
Minority interest in income	6,400,000	5,683,000
Change in working capital	1,702,000	(6,000)
Net cash provided by operating activities	41,846,000	23,609,000
Maintenance capital expenditures	(1,422,000)	(1,197,000)
Tenant improvements	(2,665,000)	(1,334,000)
Capitalized lease commissions	(878,000)	(644,000)
Funds available for distributions to shareholders, minority interests, acquisitions and other corporate purposes	36,881,000	20,434,000
Cash distributions to shareholders and minority interests	(16,602,000)	(14,392,000)
Excess funds available for acquisitions and other corporate purposes	$ 20,279,000	$ 6,042,000

</TABLE>

The Company's capital structure is characterized by a low level of leverage. As of June 30, 1999, the Company had nine fixed rate mortgage notes payable totaling $46,072,000 which represented 6% of its total capitalization (based on book value, including minority interests and debt). The weighted average interest rate for the mortgage notes is 7.92%.

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 Funds from Operations ("FFO") to combined fixed charges and preferred distributions ratio of 3.0 to 1.0. As of June 30, 1999 and for the six months then ended, the leverage ratio was 13% and the FFO to combined fixed charges and preferred distributions coverage ratio was 12.7 to 1.0.

In April 1999, the Company completed a private placement of preferred OP units and a public offering of depositary shares representing fractional interests in perpetual preferred stock resulting in net proceeds totaling $65.6 million. The net proceeds from the placement of preferred OP units, completed

April 23, 1999 were approximately $12.5 million 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 $53.1 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 pay off borrowings from an affiliate and a portion was used to repay a mortgage note payable of approximately $11 million. The remaining proceeds have been 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>

	Six months ended June 30,	
	1999	1998
<S>	<C>	<C>
Net income allocable to common shareholders	$ 18,835,000	$ 11,376,000
Depreciation and amortization	14,047,000	6,556,000
Minority interest in income - common units	6,186,000	5,683,000
Less effects of straight-line rents	(1,607,000)	-
Consolidated FFO allocable to common shareholders and common unitholders	37,461,000	23,615,000
FFO allocated to minority interest - common units	(9,010,000)	(7,888,000)
FFO allocated to common shareholders	$ 28,451,000	$ 15,727,000

</TABLE>

Capital Expenditures: During the first half of 1999, the Company incurred a total of $5.0 million in maintenance capital expenditures, tenant improvements and capitalized lease commissions. In addition, the Company made $1.7 million of renovation expenditures. On a recurring annual basis, the Company expects $0.90 to $1.20 per square foot in recurring maintenance capital expenditures, tenant improvements and capitalized lease commissions. During the remainder of 1999, the Company expects to make an additional $1.3 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 August 2, 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 quarterly dividend of $0.578125 per share on the 2,200,000 depositary shares each representing 1/1,000 of a share of 9 1/4% Cumulative Preferred Stock, Series A. Distributions are payable on September 30, 1999 to shareholders of record as of the close of business on September 15, 1999.

Impact of Year 2000

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 two phases in its process with respect to each of its systems; i) assessment, whereby the Company and PSI evaluates whether the system is Y2K compliant and identifies the plan of action with respect to remediating any Y2K issues identified and ii) implementation, whereby the Company and PSI completes the plan of action prepared in the assessment phase and verifies that Y2K compliance has been achieved.

Implementations have been completed for PSI's critical applications that impact the Company, including its general ledger and related systems, that are believed to have Y2K issues. Contingency plans have been developed for use in case the assessment did not identify all such Y2K issues, or if the implementation were subsequently determined to not fully remediate Y2K issues that were identified. 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, have been evaluated. 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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

To limit the Company's exposure to market risk, the Company principally finances its operations and growth with permanent equity capital consisting either of common or preferred stock. At June 30, 1999, the Company's debt as a percentage of shareholders' equity (based on book values) was 8.4%.

The Company's market risk sensitive instruments include mortgage notes payable which totaled $46,072,000 at June 30, 1999. Substantially all of the Company's mortgage notes payable bear interest at fixed rates. See Note 7 of the Notes to Condensed Consolidated Financial Statements for terms, valuations and approximate principal maturities of the mortgage notes payable as of June 30, 1999. Based on borrowing rates currently available to the Company, the carrying amount of debt approximates fair value.

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 4. Submission of Matters to a Vote of Security Holders

The Company held an annual meeting of shareholders on May 10, 1999. Proxies for the annual meeting were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934. The annual meeting involved the following matters:

1. Election of Directors

Name	Number of Shares of Common Stock: Voted For	Withheld
Ronald L. Havner, Jr.	18,234,020	12,962
Harvey Lenkin	18,234,020	12,962
Vern O. Curtis	18,234,520	12,462
Arthur M. Friedman	18,234,520	12,462
James H. Kropp	18,234,520	12,462
Alan K. Pribble	18,234,520	12,462
Jack D. Steele	18,234,420	12,562

2. Approval of amendments to the Company's articles of incorporation to increase the ownership limitation applicable to the Company's Common Stock from 2% to 7% of the outstanding Common Stock - approval of this proposal required the affirmative vote of the holders of a majority of the Company's outstanding shares of Common Stock, and this proposal was approved by the following vote:

<TABLE>
<CAPTION>
<S> <C> <C> <C> <C>

	For	Against	Abstain	No Vote
Common Stock	17,512,080	18,676	32,070	684,156

</TABLE>

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

2.1 Amended and Restated Agreement and Plan of Reorganization among Registrant, American Office Park Properties, Inc. ("AOPP") and Public Storage, Inc. ("PSI") dated as of December 17, 1997. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.

3.1 Restated Articles of Incorporation. Filed with Registrant's Registration Statement No. 333-78627 and incorporated herein by reference.

3.2 Restated Bylaws. Filed with Registrant's Current Report on Form 8-K dated March 17, 1998 and incorporated herein by reference.

10.1 Amended Management Agreement between Storage Equities, Inc. and Public Storage Commercial Properties Group, Inc. dated as of February 21, 1995. Filed with PSI's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference.

10.2 Registrant's 1997 Stock Option and Incentive Plan. Filed with Registrant's Registration Statement No. 333-48313 and incorporated herein by reference.

10.3 Agreement of Limited Partnership of PS Business Parks, L.P. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 and incorporated herein by reference.

10.4 Merger and Contribution Agreement dated as of December 23, 1997 among Acquiport Two Corporation, Acquiport Three Corporation, New York State Common Retirement Fund, American Office Park Properties, L.P., AOPP and AOPP Acquisition Corp. Three. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.

10.5 Agreement Among Shareholders and Company dated as of December 23, 1997 among Acquiport Two Corporation, AOPP, American Office Park Properties, L.P. and PSI. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.

10.6 Amendment to Agreement Among Shareholders and Company dated as of January 21, 1998 among Acquiport Two Corporation, AOPP, American Office Park Properties, L.P. and PSI. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.

10.7 Non-Competition Agreement dated as of December 23, 1997 among PSI, AOPP, American Office Park Properties, L.P. and Acquiport Two Corporation. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.

10.8 Employment Agreement between AOPP and Ronald L. Havner, Jr. dated as of December 23, 1997. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.

10.9 Employment Agreement between AOPP and Mary Jayne Howard dated as of December 23, 1997. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.

10.10 Employment Agreement between Registrant and J. Michael Lynch dated as of May 20, 1998. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 and incorporated herein by reference.

10.11 Common Stock Purchase Agreement dated as of January 23, 1998 among AOPP and the Investors signatory thereto. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.

10.12 Registration Rights Agreement dated as of January 30, 1998 among AOPP and the Investors signatory thereto. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.

10.13 Registration Rights Agreement dated as of March 17, 1998 between Registrant and Acquiport Two Corporation ("Acquiport Registration Rights Agreement"). Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 and incorporated herein by reference.

10.14 Letter dated May 20, 1998 relating to Acquiport Registration Rights Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 and incorporated herein by reference.

10.15 Revolving Credit Agreement dated August 6, 1998 among PS Business Parks, L.P., Wells Fargo Bank, National Association, as Agent, and the Lenders named therein. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 and incorporated herein by reference.

10.16 Form of Indemnity Agreement. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 and incorporated herein by reference.

10.17 Cost Sharing and Administrative Services Agreement dated as of November 16, 1995 by and among PSCC, Inc. and the owners listed therein. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 and incorporated herein by reference.

10.18 Amendment to Cost Sharing and Administrative Services Agreement dated as of January 2, 1997 by and among PSCC, Inc. and the owners listed therein. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 and incorporated herein by reference.

10.19 Accounts Payable and Payroll Disbursement Services Agreement dated as of January 2, 1997 by and between PSCC, Inc. and American Office Park Properties, L.P. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 and incorporated herein by reference.

10.20 Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. Relating to 8 7/8% Series B Cumulative Redeemable Preferred Units, dated as of April 23, 1999. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999 and incorporated herein by reference.

10.21 Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. Relating to 9 1/4% Series A Cumulative Redeemable Preferred Units, dated as of April 30, 1999. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999 and incorporated herein by reference.

11 Statement re: Computation of Earnings per Share. Filed herewith.

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

27 Financial Data Schedule. Filed herewith.

(b) Reports on Form 8-K

The Registrant filed a Current Report on Form 8-K dated April 28, 1999, pursuant to Item 5, which filed certain exhibits relating to the Registrant's public offering of Depositary Shares Each Representing 1/1000 of a Share of 9 1/4 Cumulative Preferred Stock, Series A.

SIGNATURES

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

Dated: August 10, 1999

PS BUSINESS PARKS, INC.

By: /s/ Jack Corrigan

Jack Corrigan
Vice President and
Chief Financial Officer

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	1999	1998	1999	1998
Basic and Diluted Earnings Per Share:				
Net income allocable to common shareholders............	$ 9,393,000	$ 7,046,000	$18,835,000	$11,376,000
Weighted average common shares outstanding:				
Basic weighted average common shares outstanding.....	23,639,000	18,650,000	23,638,000	14,926,000
Net effect of dilutive stock options - based on treasury stock method using average market price.....	77,000	61,000	71,000	52,000
Diluted weighted average common shares outstanding...	23,716,000	18,711,000	23,709,000	14,978,000
Basic earnings per common share.........................	$ 0.40	$ 0.38	$ 0.80	$ 0.76
Diluted earnings per common share.......................	$ 0.40	$ 0.38	$ 0.79	$ 0.76

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

<TABLE>
<CAPTION>

<S>	Six Months Ended June 30, 1999 <C>	1998 <C>
Net income	$ 19,697,000	$ 11,376,000
Minority interest	6,400,000	5,683,000
Interest expense	1,681,000	1,069,000
Total earnings available to cover fixed charges	$ 27,778,000	$ 18,128,000
Total fixed charges - interest expense (1)	$ 2,091,000	$ 1,069,000
Total preferred distributions	$ 1,076,000	$ -
Total combined fixed charges and preferred distributions	$ 3,167,000	$ 1,069,000
Ratio of earnings to fixed charges	13.28	16.96
Ratio of earnings to combined fixed charges and preferred distributions	8.77	16.96

</TABLE>

<TABLE>
<CAPTION>

<S>	Years Ended December 31, 1998 <C>	1997 <C>	1996 <C>	1995 <C>	1994 <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	-	-	-
Total earnings available to cover fixed charges	$ 42,969,000	$ 12,403,000	$ 519,000	$ 1,192,000	$ 1,245,000
Total fixed charges - interest expense (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>

	Six Months Ended June 30, 1999	1998

<S>	<C>	<C>
FFO...	$ 37,461,000	$ 23,615,000
Interest expense....................................	1,681,000	1,069,000
Minority interest in income - preferred units.........	214,000	-
Preferred dividends.................................	862,000	-
Adjusted FFO available to cover fixed charges......	$ 40,218,000	$ 24,684,000
Total fixed charges - interest expense (1)...........	$ 2,091,000	$ 1,069,000
Total preferred distributions........................	$ 1,076,000	$ -
Total combined fixed charges and preferred distributions..	$ 3,167,000	$ 1,069,000
Ratio of FFO to fixed charges........................	19.23	23.09
Ratio of FFO to combined fixed charges and preferred distributions..	12.70	23.09

</TABLE>

<TABLE>
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	Years Ended December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
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
Total fixed charges - interest expense (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.

Exhibit 12

<TABLE> <S> <C>

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

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