

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 September 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 November 10, 1999:

Common Stock, \$0.01 par value, 23,645,461 shares outstanding

PS BUSINESS PARKS, INC.

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PS BUSINESS PARKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	September 30, 1999 ----- (unaudited)	December 31, 1998 -----
ASSETS -----		
<S>	<C>	<C>
Cash and cash equivalents.....	\$ 118,988,000	\$ 6,068,000
Real estate facilities, at cost:		
Land.....	192,352,000	176,241,000
Buildings and equipment.....	623,585,000	536,697,000
	-----	-----
Accumulated depreciation.....	815,937,000 (43,932,000)	712,938,000 (22,517,000)
	-----	-----
Construction in progress.....	772,005,000 7,137,000	690,421,000 7,716,000
	-----	-----
	779,142,000	698,137,000
Receivables.....	295,000	242,000
Deferred rent receivables.....	4,630,000	2,086,000
Intangible assets, net.....	1,357,000	1,583,000
Other assets.....	1,975,000	1,298,000
	-----	-----
Total assets.....	\$ 906,387,000	\$ 709,414,000
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Accrued and other liabilities.....	\$ 19,210,000	\$ 15,953,000
Line of credit.....	-	12,500,000
Mortgage notes payable.....	45,828,000	38,041,000
	-----	-----
Total liabilities.....	65,038,000	66,494,000
Minority interests:		
Preferred units.....	132,750,000	-
Common units.....	156,210,000	153,015,000
Shareholders' equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, 2,200 shares issued and outstanding at September 30, 1999 (none issued and outstanding at December 31, 1998).....	55,000,000	-
Common stock, \$0.01 par value, 100,000,000 shares authorized, 23,645,461 shares issued and outstanding at September 30, 1999 (23,635,650 shares issued and outstanding at December 31, 1998).....	236,000	236,000
Paid-in capital.....	479,466,000	482,471,000
Cumulative net income.....	62,906,000	32,554,000
Cumulative distributions.....	(45,219,000)	(25,356,000)
	-----	-----
Total shareholders' equity.....	552,389,000	489,905,000
	-----	-----
Total liabilities and shareholders' equity...	\$ 906,387,000	\$ 709,414,000
	=====	=====

</TABLE>

See accompanying notes.

<TABLE>
<CAPTION>

months 30, ----- 1998 ----- <S>	For the three months ended September 30, ----- 1999		For the nine ended September ----- 1999	
	<C>	<C>	<C>	<C>
Revenues:				
Rental income..... 61,459,000	\$ 32,568,000	\$ 25,635,000	\$ 92,544,000	\$
Facility management fees from affiliates..... 440,000	121,000	109,000	351,000	
Interest and other income..... 1,077,000	592,000	533,000	885,000	
----- 62,976,000	33,281,000	26,277,000	93,780,000	-----
Expenses:				
Cost of operations..... 18,361,000	8,920,000	7,379,000	25,951,000	
Cost of facility management..... 49,000	24,000	12,000	70,000	
Depreciation and amortization..... 11,421,000	7,594,000	4,865,000	21,641,000	
General and administrative..... 1,589,000	742,000	593,000	2,339,000	
Interest expense..... 1,736,000	977,000	667,000	2,658,000	
----- 33,156,000	18,257,000	13,516,000	52,659,000	-----
Income before minority interest..... 29,820,000	15,024,000	12,761,000	41,121,000	
Minority interest in income - preferred units.. -	(1,022,000)	-	(1,236,000)	
Minority interest in income - common units..... (8,696,000)	(3,347,000)	(3,013,000)	(9,533,000)	
----- Net income..... 21,124,000	\$ 10,655,000	\$ 9,748,000	\$ 30,352,000	\$
=====	=====	=====	=====	
Net income allocation:				
Allocable to preferred shareholders..... -	\$ 1,272,000	\$ -	\$ 2,134,000	\$
Allocable to common shareholders..... 21,124,000	9,383,000	9,748,000	28,218,000	
----- 21,124,000	\$ 10,655,000	\$ 9,748,000	\$ 30,352,000	\$
=====	=====	=====	=====	
Net income per common share:				
Basic..... 1.18	\$ 0.40	\$ 0.41	\$ 1.19	\$
-----	-----	-----	-----	
Diluted..... 1.17	\$ 0.40	\$ 0.41	\$ 1.19	\$
-----	-----	-----	-----	
Weighted average common shares outstanding:				
Basic..... 17,920,000	23,641,000	23,636,000	23,639,000	
-----	-----	-----	-----	
Diluted..... 17,990,000	23,724,000	23,696,000	23,713,000	
-----	-----	-----	-----	

</TABLE>

See accompanying notes.

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

<TABLE>
<CAPTION>

	Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Balances at December 31, 1998.....	-	\$ -	23,635,650	\$ 236,000
Issuance of preferred stock, net of issuance costs.....	2,200	55,000,000	-	-
Issuance of common stock.....	-	-	9,811	-
Net income.....	-	-	-	-
Distributions paid:				
Preferred stock.....	-	-	-	-
Common stock.....	-	-	-	-
Adjustment to reflect minority interest to underlying ownership interest.....	-	-	-	-
Balances at September 30, 1999.....	2,200	\$ 55,000,000	23,645,461	\$ 236,000

</TABLE>

<TABLE>
<CAPTION>

Shareholders'	Paid-in Capital	Cumulative	Cumulative	Equity
		Net Income	Distributions	
<S>	<C>	<C>	<C>	<C>
Balances at December 31, 1998..... 489,905,000	\$ 482,471,000	\$ 32,554,000	\$ (25,356,000)	\$
Issuance of preferred stock, net of issuance costs..... 53,086,000	(1,914,000)	-	-	
Issuance of common stock..... 161,000	161,000	-	-	
Net income..... 30,352,000	-	30,352,000	-	
Distributions paid:				
Preferred stock..... (2,134,000)	-	-	(2,134,000)	
Common stock..... (17,729,000)	-	-	(17,729,000)	
Adjustment to reflect minority interest to underlying ownership interest..... (1,252,000)	(1,252,000)	-	-	
Balances at September 30, 1999..... 552,389,000	\$ 479,466,000	\$ 62,906,000	\$ (45,219,000)	\$

</TABLE>

See accompanying notes.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

	For the nine months ended September 30,	
	1999	1998
-		
<S>	<C>	<C>
Cash flows from operating activities:		
Net income.....	\$ 30,352,000	\$ 21,124,000
Adjustments to reconcile net income to net cash provided by operating activities:.....		
Depreciation and amortization expense.....	21,641,000	11,421,000
Minority interest in income.....	10,769,000	8,696,000
Increase in receivables and other assets.....	(3,274,000)	(2,620,000)
Increase in accrued and other liabilities.....	3,257,000	3,221,000
	32,393,000	20,718,000
Total adjustments.....		
Net cash provided by operating activities.....	62,745,000	41,842,000
-		
Cash flows from investing activities:		
Acquisition of real estate facilities.....	(59,555,000)	(252,649,000)
Acquisition cost of business combination.....	-	(424,000)
Capital improvements to real estate facilities.....	(10,546,000)	(6,030,000)
Construction in progress.....	(11,567,000)	-
	(81,668,000)	(259,103,000)
Net cash used in investing activities.....		
-		
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.....	(11,932,000)	(343,000)
Net proceeds from the issuance of common stock.....	161,000	272,112,000
Net proceeds from the issuance of preferred stock.....	53,086,000	-
Net proceeds from the issuance of preferred operating partnership units.....	129,695,000	-
Distributions paid to preferred shareholders.....	(2,134,000)	-
Distributions paid to common shareholders.....	(17,729,000)	(15,897,000)
Distributions paid to minority interests - preferred.....	(1,236,000)	-
Distributions paid to minority interests - common.....	(5,568,000)	(6,248,000)
	131,843,000	246,124,000
Net cash provided by financing activities.....		
-		
Net increase in cash and cash equivalents.....	112,920,000	28,863,000
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.....	\$ 118,988,000	\$ 32,747,000

</TABLE>

See accompanying notes.

<TABLE>
<CAPTION>

	1999	1998
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)	\$ (33,584,000)
Other assets (deposits on real estate acquisitions).....	-	800,000
Accrued and other liabilities.....	-	1,245,000
Minority interest - common units.....	1,033,000	1,564,000
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
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.....	1,252,000	12,736,000
Paid-in capital.....	(1,252,000)	(12,736,000)
Adjustment to acquisition cost (see Note 2):		
Real estate facilities.....	-	(1,315,000)
Intangible assets.....	-	1,315,000
Capitalization of developed projects:		
Real estate facilities.....	12,146,000	-
Construction in progress.....	(12,146,000)	-

</TABLE>

See accompanying notes.

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PS BUSINESS PARKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 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 Commission 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 September 30, 1999, PSB and the Operating Partnership collectively owned and operated 123 commercial properties (approximately 12.0 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 nine months ended September 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 September 30, 1999, PSB owned approximately 72.5% 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.

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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 repairs 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 \$852,000 and \$268,000 of capitalized interest costs at September 30, 1999 and December 31, 1998, respectively. The Company capitalized \$584,000 during the nine months ended September 30, 1999. No interest was capitalized during the nine months ended September 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 properties is included in the cost of acquisition of such properties. 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 \$799,000 and \$573,000 at September 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 September 30, 1999, no such indicators of impairment have been identified.

Borrowings from an affiliate

The Company borrowed \$41.4 million from PSI during the nine months ending September 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 and development costs

Internal acquisition and development 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 organizational 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>

Ended	For the Three Months Ended		For the Nine Months	
	September 30,		September	
30,	-----		-----	
1998	1999	1998	1999	
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net income allocable to common shareholders	\$ 9,383,000	\$ 9,748,000	\$ 28,218,000	\$
21,124,000	=====	=====	=====	
=====				

Weighted average common shares outstanding:				
Basic weighted average common shares outstanding.....	23,641,000	23,636,000	23,639,000	
17,920,000				
Net effect of dilutive stock options - based on treasury stock method using average market price.....	83,000	60,000	74,000	
70,000				
-----				---
Diluted weighted average common shares outstanding.....	23,724,000	23,696,000	23,713,000	
17,990,000				
=====				
Basic earnings per common share.....	\$ 0.40	\$ 0.41	\$ 1.19	\$
1.18				
=====				
Diluted earnings per common share.....	\$ 0.40	\$ 0.41	\$ 1.19	\$
1.17				
=====				

</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 0.8641 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

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

Nine months ended
September 30, 1998

Revenues.....	\$64,853,000
Net income.....	\$21,908,000
Net income per share - basic.....	\$ 1.18
Net income per share - diluted.....	\$ 1.18

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 nine months ended September 30, 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.....	13,770,000	66,537,000	-	80,307,000
Developed projects.....	2,341,000	9,805,000	-	12,146,000
Capital improvements.....	-	10,546,000	-	10,546,000
Depreciation expense.....	-	-	(21,415,000)	(21,415,000)
	-----	-----	-----	-----
Balances at September 30, 1999.....	\$ 192,352,000	\$ 623,585,000	\$ (43,932,000)	\$ 772,005,000
	=====	=====	=====	=====

</TABLE>

5. Leasing activity

The Company leases space in its real estate facilities to tenants under non-cancelable leases generally ranging from one to ten years. Future minimum rental revenues excluding recovery of expenses as of September 30, 1999 under these leases are as follows:

1999 (October - December).....	\$ 25,623,000
2000.....	88,247,000
2001.....	63,685,000
2002.....	42,843,000
2003.....	28,028,000
Thereafter.....	51,406,000

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amount to \$12,369,000 and \$7,051,000 for the nine months ended September 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 extended its unsecured line of credit (the "Credit Facility") with Wells Fargo Bank. The Credit Facility has a borrowing limit of \$100 million and a revised expiration date of August 6, 2002. The expiration date may be extended by one year on each anniversary of the Credit Facility. Interest on outstanding borrowings is payable monthly. At the option of the Company, the rate of interest charged is equal to (i) the prime rate or (ii) a rate ranging from the London Interbank Offered Rate ("LIBOR") plus 0.75% to LIBOR plus 1.35% depending on the Company's credit ratings and coverage ratios, as defined (currently LIBOR plus 1.00%). In addition, the Company is required to pay an annual commitment fee of 0.25%.

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 1.75 to 1.0, respectively, (iii) maintain a minimum total shareholders' equity (as defined) and (iv) limit distributions to 95% of funds from operations. In addition, the Company is limited in its ability to incur additional borrowings (the Company is required to maintain unencumbered assets with an aggregate book value equal to or greater than two times the Company's unsecured recourse debt) or sell assets. The Company was in compliance with the covenants of the Credit Facility at September 30, 1999.

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7. Mortgage notes payable

<TABLE>
<CAPTION>

Mortgage notes at September 30, 1999 consist of the following:

<u><S></u>	<u><C></u>
7.125% mortgage note, secured by one commercial property, principal and interest payable monthly, due May 2006.....	8,794,000
8.4% mortgage note, secured by six commercial properties, principal and interest payable monthly, due November 1999.....	8,554,000
8.19% mortgage note, secured by one commercial property, principal and interest payable monthly, due March 2007.....	6,710,000
8.125% mortgage note, secured by one commercial property, principal and interest payable monthly, due February 2009.....	6,396,000
8.125% mortgage note, secured by one commercial property, principal and interest payable monthly, due July 2005.....	5,352,000
7.28% mortgage note, secured by two commercial properties, principal and interest payable monthly, due February 2003.....	4,332,000
8% mortgage note, secured by one commercial property, principal and interest payable monthly, due April 2003.....	2,128,000
8.5% mortgage note, secured by one commercial property, principal and interest payable monthly, due July 2007.....	1,910,000
8% mortgage note, secured by one commercial property, principal and interest payable monthly, due April 2003.....	1,652,000

	\$45,828,000
	=====

</TABLE>

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

1999 (October - December).....	\$	8,762,000
2000.....		872,000
2001.....		942,000
2002.....		1,018,000
2003.....		8,004,000
Thereafter.....		26,230,000

	\$	45,828,000
		=====

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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 September 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 September 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.

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

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

The Operating Partnership has the right to redeem the preferred units on or after the fifth anniversary of the issuance date at the original capital contribution plus the cumulative priority return to the redemption date to the extent not previously distributed. The preferred units are exchangeable for Cumulative Redeemable Preferred Stock of the respective series of PS Business Parks, Inc. on or after the tenth anniversary of the date of issuance at the option of the Operating Partnership or majority of the holders of the preferred units. The Preferred Stock will have the same distribution rate and par value as the respective units and will have equivalent terms to those described in Note 11.

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

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 September 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 depository share, plus any accrued and unpaid dividends.

The Company paid distributions to its common and preferred shareholders totaling \$17,729,000 (\$0.75 per common share) and \$2,134,000 (\$0.969965 per depository share), respectively, for the nine months ended September 30, 1999.

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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.

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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 nine months ended September 30, 1999 and 1998 will reflect significant levels of acquisitions during 1998 and the first nine 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 nine months ended September 30, 1999, the Company added 922,000 square feet to its portfolio. The cost of these acquisitions was approximately \$80 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, 405,000 square feet in the Northern Virginia/Maryland market at an aggregate cost of approximately \$40 million and 211,000 square feet in Northern California for approximately \$17 million.

Results of Operations: Net income for the three months ended September 30, 1999 was \$10,655,000 compared to \$9,748,000 for the same period in 1998. Net income allocable to common shareholders (net income less preferred stock dividends) for the three months ended September 30, 1999 was \$9,383,000 compared to \$9,748,000 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 23,724,000) for the three months ended September 30, 1999 compared to net income

per common share on a diluted basis of \$0.41 (based on weighted average diluted shares outstanding of 23,696,000) for the same period in 1998. Net income for the nine months ended September 30, 1999 was \$30,352,000 compared to \$21,124,000 for the same period in 1998. Net income allocable to common shareholders (net income less preferred stock dividends) for the nine months ended September 30, 1999 was \$28,218,000 compared to \$21,124,000 for the same period in 1998. Net income per common share on a diluted basis was \$1.19 (based on weighted average diluted shares outstanding of 23,713,000) for the nine months ended September 30, 1999 compared to net income per common share on a diluted basis of \$1.17 (based on weighted average diluted shares outstanding of 17,990,000) for the same period in 1998. The increases in net income 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.

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

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Change
	1999	1998	
<S>	<C>	<C>	<C>
Rental income:			
Facilities owned throughout each period (50 facilities, 6.4 million net rentable square feet)..	\$16,353,000	\$15,208,000	7.5%
Facilities acquired subsequent to January 1998 (73 facilities, 5.5 million net rentable square feet)..	16,215,000	10,427,000	55.5%
Total rental income.....	\$32,568,000	\$25,635,000	27.0%
Cost of operations (excluding depreciation):			
Facilities owned throughout each period.....	\$4,671,000	\$4,773,000	(2.1%)
Facilities acquired subsequent to January 1998.....	4,249,000	2,606,000	63.0%
Total cost of operations.....	\$8,920,000	7,379,000	20.9%
Net operating income (rental income less cost of operations):			
Facilities owned throughout each period.....	\$11,682,000	\$10,435,000	12.0%
Facilities acquired subsequent to January 1998.....	11,966,000	7,821,000	53.0%
Total net operating income.....	\$23,648,000	\$18,256,000	29.5%

</TABLE>

<TABLE>
<CAPTION>

	Nine Months Ended September 30,		Change
	1999	1998	
<S>	<C>	<C>	<C>
Rental income:			
Facilities owned throughout each period (50 facilities, 6.4 million net rentable square feet)..	\$ 47,231,000	\$ 43,152,000	9.5%
Facilities acquired subsequent to January 1998 (73 facilities, 5.5 million net rentable square feet)..	45,313,000	18,307,000	147.5%
Total rental income.....	\$ 92,544,000	\$ 61,459,000	50.6%
Cost of operations (excluding depreciation):			
Facilities owned throughout each period.....	\$ 13,998,000	\$ 13,830,000	1.2%
Facilities acquired subsequent to January 1998.....	11,953,000	4,531,000	163.8%
Total cost of operations.....	\$ 25,951,000	18,361,000	41.3%
Net operating income (rental income less cost of operations):			
Facilities owned throughout each period.....	\$ 33,233,000	\$ 29,322,000	13.3%
Facilities acquired subsequent to January 1998.....	33,360,000	13,776,000	142.2%
Total net operating income.....	\$ 66,593,000	\$ 43,098,000	54.5%

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

<TABLE>
<CAPTION>

Percent	Region	Square Footage	Percent of Total	Rental Income	Percent of Total	NOI	of
Total							
<S>		<C>	<C>	<C>	<C>	<C>	<C>
Southern California.....		3,091,000	25.8%	\$8,761,000	26.9%	\$6,494,000	
27.5%							
Northern California.....		1,317,000	11.0%	3,398,000	10.4%	2,582,000	
10.9%							
Virginia.....		1,612,000	13.4%	5,254,000	16.1%	3,771,000	
15.9%							
Maryland.....		1,104,000	9.2%	3,469,000	10.7%	2,568,000	
10.9%							
Texas.....		2,857,000	23.8%	6,497,000	19.9%	4,367,000	
18.5%							
Oregon.....		1,172,000	9.8%	3,700,000	11.4%	2,899,000	
12.3%							
Other.....		833,000	7.0%	1,489,000	4.6%	967,000	
4.0%							
-----		-----	-----	-----	-----	-----	-----
100.0%		11,986,000	100.0%	\$32,568,000	100.0%	\$23,648,000	
=====		=====	=====	=====	=====	=====	=====

</TABLE>

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

<TABLE>
<CAPTION>

Percent	Region	Square Footage	Percent of Total	Rental Income	Percent of Total	NOI	of
Total							
<S>		<C>	<C>	<C>	<C>	<C>	<C>
Southern California.....		3,091,000	25.8%	\$25,163,000	27.2%	\$18,638,000	
28.0%							
Northern California.....		1,317,000	11.0%	8,830,000	9.5%	6,643,000	
10.0%							
Virginia.....		1,612,000	13.4%	13,497,000	14.6%	9,609,000	
14.4%							
Maryland.....		1,104,000	9.2%	10,215,000	11.0%	7,328,000	
11.0%							
Texas.....		2,857,000	23.8%	19,444,000	21.0%	12,919,000	
19.4%							
Oregon.....		1,172,000	9.8%	11,036,000	11.9%	8,690,000	
13.0%							
Other.....		833,000	7.0%	4,359,000	4.8%	2,766,000	
4.2%							
-----		-----	-----	-----	-----	-----	-----
100.0%		11,986,000	100.0%	\$92,544,000	100.0%	\$66,593,000	
=====		=====	=====	=====	=====	=====	=====

</TABLE>

Supplemental Property Data and Trends: In order to evaluate the performance of the Company's overall portfolio, management analyzes the operating performance of a consistent group of 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 60% of the square footage of the Company's portfolio at September 30, 1999.

"Same Park" Facilities (62 Properties)

<TABLE>
<CAPTION>

	Three months ended September 30,		
	1999	1998	
Change			--
<S>	<C>	<C>	<C>
Rental income (1).....	\$ 18,697,000	\$ 17,216,000	
8.6%			
Cost of operations.....	5,896,000	5,869,000	
0.5%			
Net operating income.....	\$ 12,801,000	\$ 11,347,000	
12.8%			
Gross margin (2).....	68.5%	65.9%	
2.6%			
Weighted average for period:			
Occupancy.....	96.7%	95.3%	
1.4%			
Annualized realized rent per sq. ft.(3).....	\$ 10.74	\$10.03	
7.1%			

</TABLE>

<TABLE>
<CAPTION>

	Nine months ended September 30,		
	1999	1998 (4)	
Change			--
<S>	<C>	<C>	<C>
Rental income (1).....	\$ 54,025,000	\$ 49,824,000	
8.4%			
Cost of operations.....	16,944,000	16,583,000	
2.2%			
Net operating income.....	\$ 37,081,000	\$ 33,241,000	
11.6%			
Gross margin (2).....	68.6%	66.7%	
1.9%			
Weighted average for period:			
Occupancy.....	96.7%	94.4%	
2.3%			
Annualized realized rent per sq. ft.(3).....	\$ 10.34	\$ 9.77	
5.8%			

</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 nine months ended September 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 September 30, 1999 and 1998:

<TABLE>
<CAPTION>

Percent Increase	Revenues 1999	Revenues 1998	Percent Increase	NOI 1999	NOI 1998
<S>	<C>	<C>	<C>	<C>	<C>
Southern California..... 17.0%	\$8,449,000	\$7,439,000	13.6%	\$6,061,000	\$5,180,000
Northern California..... 12.4%	2,101,000	1,945,000	8.0%	1,544,000	1,374,000
Texas..... 8.6%	1,829,000	1,714,000	6.7%	943,000	868,000
Virginia..... 11.4%	2,360,000	2,204,000	7.1%	1,608,000	1,443,000
Maryland..... 5.4%	2,291,000	2,318,000	(1.2%)	1,611,000	1,529,000
Arizona..... 20.5%	732,000	693,000	5.6%	465,000	386,000
Other..... 0.4%	935,000	903,000	3.5%	569,000	567,000
-----	-----	-----	-----	-----	-----
12.8%	\$18,697,000	\$17,216,000	8.6%	\$12,801,000	\$11,347,000
=====	=====	=====	=====	=====	=====

</TABLE>

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

<TABLE>
<CAPTION>

Percent Increase	Revenues 1999	Revenues 1998	Percent Increase	NOI 1999	NOI 1998
<S>	<C>	<C>	<C>	<C>	<C>
Southern California..... 16.8%	\$24,023,000	\$21,451,000	12.0%	\$17,382,000	\$14,884,000
Northern California..... 11.8%	6,139,000	5,711,000	7.5%	4,511,000	4,034,000
Texas..... 14.0%	5,451,000	4,982,000	9.4%	2,939,000	2,579,000
Virginia..... 7.3%	6,789,000	6,447,000	5.3%	4,525,000	4,218,000
Maryland..... 3.5%	6,795,000	6,504,000	4.5%	4,719,000	4,559,000
Arizona..... 4.5%	2,097,000	2,029,000	3.4%	1,311,000	1,255,000
Other..... (1.1%)	2,731,000	2,700,000	1.1%	1,694,000	1,712,000
-----	-----	-----	-----	-----	-----
11.6%	\$54,025,000	\$49,824,000	8.4%	\$37,081,000	\$33,241,000
=====	=====	=====	=====	=====	=====

</TABLE>

The growth in the strong Southern California market was accentuated by increasing occupancies in the New York Common portfolio acquired in December 1997. 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 September 30, 1999, \$97,000 in net operating income was recognized from facility management operations compared to \$97,000 for the same period in 1998. During the nine months ended September 30, 1999, \$281,000 in net operating income was recognized from facility management operations compared to \$391,000 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 and other income were \$592,000 for the three months ended September 30, 1999 compared to \$533,000 for the same period in 1998. Interest and other income were \$885,000 for the nine months ended September 30, 1999 compared to \$1,077,000 for the same period in 1998. Average cash balances for the three months ended September 30, 1999 were approximately \$47 million compared to \$41 million for the same period in 1998. Average cash balances for the nine months ended September 30, 1999 were approximately \$24 million compared to \$28 million for the same period in 1998.

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Cost of Operations: Cost of operations for the three months ended September 30, 1999 was \$8,920,000 compared to \$7,379,000 for the same period in 1998. Cost of operations for the nine months ended September 30, 1999 was \$25,951,000 compared to \$18,361,000 for the same period in 1998. Cost of operations for the three months ended September 30, 1999 consists primarily of property taxes (\$2,889,000), property maintenance (\$1,171,000), utilities (\$1,403,000) and direct payroll (\$1,065,000). Cost of operations for the nine months ended September 30, 1999 consists primarily of property taxes (\$8,163,000), property maintenance (\$3,761,000), utilities (\$3,805,000) and direct payroll (\$3,242,000). 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 of rental income decreased from 28.8% to 27.4% and from 29.9% to 28.0% for the three and nine months ended September 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 September 30, 1999 were \$7,594,000 compared to \$4,865,000 for the same period in 1998. Depreciation and amortization expense for the nine months ended September 30, 1999 were \$21,641,000 compared to \$11,421,000 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 \$742,000 for the three months ended September 30, 1999 compared to \$593,000 for the same period in 1998. General and administrative expense was \$2,339,000 for the nine months ended September 30, 1999 compared to \$1,589,000 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 September 30, 1999 and 1998 were \$139,000 and \$279,000, respectively. Abandoned transaction costs were none and \$11,000 for the three months ended September 30, 1999 and 1998, respectively. Acquisition expenses for the nine months ended September 30, 1999 and 1998 were \$324,000 and \$557,000, respectively. Abandoned transaction costs were \$30,000 and \$15,000 for the nine months ended September 30, 1999 and 1998, respectively.

Interest Expense: Interest expense was \$977,000 for the three months ended September 30, 1999 compared to \$667,000 for the same period in 1998. The increase is attributable to mortgage notes assumed in connection with the acquisition of real estate facilities (\$785,000 in interest expense) and line of credit costs (\$366,000) net of \$174,000 of interest expense capitalized to ongoing construction projects for the three months ended September 30, 1999. Interest expense was \$2,658,000 for the nine months ended September 30, 1999 compared to \$1,736,000 for the same period in 1998. The increase is attributable to mortgage notes assumed in connection with the acquisition of real estate facilities (\$2,285,000 in interest expense) and line of credit costs and other short term borrowings (\$957,000) net of \$584,000 of interest expense capitalized to ongoing construction projects for the nine months ended September 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 September 30, 1999 was \$4,369,000 (\$1,022,000 allocated to preferred unitholders and \$3,347,000 allocated to common unitholders) compared to \$3,013,000 allocated to common unitholders for the same period in 1998. Minority interest in income for the nine months ended September 30, 1999 was \$10,769,000 (\$1,236,000 allocated to preferred unitholders and \$9,533,000 allocated to common unitholders) compared to \$8,696,000 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 nine months ended September 30, 1999 and 1998 was \$62,745,000 and \$41,842,000, 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 to acquire property interests.

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<TABLE>
<CAPTION>

	Nine months ended September 30,	
	1999	1998
<S>	<C>	<C>
Net income.....	\$ 30,352,000	\$ 21,124,000
Depreciation and amortization.....	21,641,000	11,421,000
Minority interest in income.....	10,769,000	8,696,000
Change in working capital.....	(17,000)	601,000
Net cash provided by operating activities.....	62,745,000	41,842,000
Maintenance capital expenditures.....	(2,153,000)	(2,117,000)
Tenant improvements.....	(3,857,000)	(2,588,000)
Capitalized lease commissions.....	(1,479,000)	(1,325,000)
Funds available for distributions to shareholders, minority interests, acquisitions and other corporate purposes.....	55,256,000	35,812,000
Cash distributions to shareholders and minority interests.....	(26,667,000)	(22,145,000)
Excess funds available for acquisitions and other corporate purposes	\$ 28,589,000	\$ 13,667,000

</TABLE>

The Company's capital structure is characterized by a low level of leverage. As of September 30, 1999, the Company had nine fixed rate mortgage notes payable totaling \$45,828,000 which represented 5% of its total capitalization (based on book value, including minority interests and debt). The weighted average interest rate for the mortgage notes is 7.92%.

The Company extended its unsecured line of credit (the "Credit Facility") with Wells Fargo Bank. The Credit Facility has a borrowing limit of \$100 million and a revised expiration date of August 6, 2002. 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 0.75% to LIBOR plus 1.35% depending on the Company's credit ratings and interest coverage ratios, as defined (currently LIBOR plus 1.00%). In addition, the Company is required to pay an annual commitment fee of 0.25%.

The Company expects to fund its growth strategies with permanent capital, including issuances of common and preferred stock and internally generated retained cash flows. 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 September 30, 1999 and for the nine months then ended, the leverage ratio was 22% and the FFO to combined fixed charges and preferred distributions coverage ratio was 9.5 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.

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

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

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 provide 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>

	Nine months ended September 30,	
	1999	1998
	-----	-----
<S>	<C>	<C>
Net income allocable to common shareholders.....	\$ 28,218,000	\$ 21,124,000
Depreciation and amortization.....	21,641,000	11,421,000
Minority interest in income - common units.....	9,533,000	8,696,000
Less effects of straight-line rents.....	(2,544,000)	(924,000)
	-----	-----
Consolidated FFO allocable to common shareholders and common unitholders.....	56,848,000	40,317,000
FFO allocated to minority interest - common units.....	(13,179,000)	(11,757,000)
	-----	-----
FFO allocated to common shareholders.....	\$ 43,669,000	\$ 28,560,000
	=====	=====

</TABLE>

Capital Expenditures: During the nine months ended September 30, 1999, the Company incurred a total of \$7.5 million in maintenance capital expenditures, tenant improvements and capitalized lease commissions. In addition, the Company made \$2.6 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 \$400,000 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 November 9, 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 December 31, 1999 to shareholders of record as of the close of business on December 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 evaluate whether the system is Y2K compliant and identify the plan of action with respect to remediating any Y2K issues identified and ii) implementation, whereby the Company and PSI complete the plan of action prepared in the assessment phase and verify 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. Based upon its evaluation, the Company has no reason to believe that lack of compliance or failure of required solutions 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 Y2K compliant. 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 Y2K 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 expect to achieve Y2K compliance 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 of either common or preferred stock. At September 30, 1999, the Company's debt as a percentage of shareholders' equity (based on book values) was 8.3%.

The Company's market risk sensitive instruments include mortgage notes payable which totaled \$45,828,000 at September 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 September 30, 1999. Based on borrowing rates currently available to the Company,

the carrying amount of debt approximates fair value.

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PART II. OTHER INFORMATION

Item 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) Exhibits

- 2.1 Amended and Restated Agreement and Plan of Reorganization among Registrant, American Office Park Properties, Inc. ("AOPP") and Public Storage, Inc. ("PSI") dated as of December 17, 1997. Filed with Registrant's Registration Statement No. 333-45405 and incorporated herein by reference.
- 3.1 Restated Articles of Incorporation. Filed with Registrant's Registration Statement No. 333-78627 and incorporated herein by reference.
- 3.2 Certificate of Determination of Preferences of 8 3/4% Series C Cumulative Redeemable Preferred Stock of PS Business Parks, Inc. Filed herewith.
- 3.3 Certificate of Determination of Preferences of 8 7/8% Series X Cumulative Redeemable Preferred Stock of PS Business Parks, Inc. Filed herewith.
- 3.4 Amendment to Certificate of Determination of Preferences of 8 7/8% Series X Cumulative Redeemable Preferred Stock of PS Business Parks, Inc. Filed herewith.
- 3.5 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.

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- 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 First Amendment to Revolving Credit Agreement dated as of August 19, 1999 among PS Business Parks, L.P., Wells Fargo Bank, National Association, as Agent, and the Lenders named therein. Filed herewith.
- 10.17 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.
- 10.18 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.
- 10.19 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.
- 10.20 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.
- 10.21 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.
- 10.22 Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. Relating to 9 1/4% Series A Cumulative Redeemable Preferred Units, dated as of April 30, 1999. Filed with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999 and incorporated herein by reference.

- 10.23 Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. Relating to 83/4% Series C Cumulative Redeemable Preferred Units, dated as of September 3, 1999. Filed herewith.
- 10.24 Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. Relating to 8 7/8% Series X Cumulative Redeemable Preferred Units, dated as of September 7, 1999. Filed herewith.
- 10.25 Amendment to Agreement of Limited Partnership of PS Business Parks, L.P. Relating to Additional 8 7/8% Series X Cumulative Redeemable Preferred Units, dated as of September 23, 1999. Filed herewith.
- 11 Statement re: Computation of Earnings per Share. Filed herewith.
- 12 Statement re: Computation of Ratio of Earnings to Fixed Charges. Filed herewith.
- 27 Financial Data Schedule. Filed herewith.

(b) Reports on Form 8-K

None.

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SIGNATURES

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

Dated: November 10, 1999

PS BUSINESS PARKS, INC.

By: /s/ Jack Corrigan

Jack Corrigan
Vice President and
Chief Financial Officer

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CERTIFICATE OF DETERMINATION OF PREFERENCES
OF
8 3/4% SERIES C CUMULATIVE REDEEMABLE
PREFERRED STOCK
OF
PS BUSINESS PARKS, INC.

[As filed in the office of the Secretary of State of the State of California on September 3, 1999]

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

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

SECOND: The Board of Directors of the Corporation did duly adopt the resolutions attached hereto as Exhibit A and incorporated herein by reference authorizing and providing for the creation of a series of preferred shares to be known as "8 3/4% Series C Cumulative Redeemable Preferred Stock" consisting of 3,200,000 shares, none of the shares of such series having been issued.

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

IN WITNESS WHEREOF, the undersigned have executed this certificate this 3rd day of September, 1999.

/s/ David Goldberg

David Goldberg, Vice President

/s/ Jack E. Corrigan

Jack E. Corrigan, Secretary

EXHIBIT A

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

ESTABLISHING A SERIES OF 8 3/4% SERIES C
CUMULATIVE REDEEMABLE PREFERRED STOCK

RESOLVED that pursuant to the authority conferred upon the Board of Directors by Article III of the Restated Articles of Incorporation of this Corporation, there is hereby established a series of the authorized preferred shares of this Corporation having a par value of \$.01 per share, which series shall be designated "8 3/4% Series C Cumulative Redeemable Preferred Stock," shall consist of 3,200,000 shares and shall have the following rights, preferences and privileges:

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

Corporation's 9 1/4% Cumulative Preferred Stock, Series A and 8 7/8% Series B Cumulative Redeemable Preferred Stock). For purposes of the preceding sentence, "capital stock" means any equity securities (including Common Shares and Preferred Stock), shares, participation or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable for equity securities) or options to purchase any of the foregoing.

2. Distribution Rights. (a) Payment of Distributions. Subject to the rights of holders of Parity Preferred Stock as to the payment of distributions, holders of Series C Preferred Stock shall be entitled to receive the Series C Priority Return, when, as and if declared by the Board of Directors of the Corporation, out of funds legally available for the payment of distributions. Such distributions shall be cumulative, shall accrue from the original date of issuance of the Series C Preferred Stock and will be payable (A) quarterly in arrears, on March 1, June 1, September 1 and December 1 of each year commencing on the first such date following the date of issuance of such stock and, (B) in the event of a redemption, on the redemption date (each a "Series C Preferred Stock Distribution Payment Date"). If any Series C Preferred Stock Distribution Payment Date is not a Business Day (as defined herein), then payment of the distribution to be made on such date shall be made on the Business Day immediately preceding such Series C Preferred Stock Distribution Payment Date in each case with the same force and effect as if made on such date. Distributions on the Series C Preferred Stock will be made to the holders of record of the Series C Preferred Stock on the relevant record dates to be fixed by the Board of Directors of the Corporation, which record dates shall in no event be more than 45 days or less than 15 days prior to the relevant Series C Preferred Stock Distribution Payment Date (each a "Distribution Record Date").

For purposes of this Certificate of Determination, the following terms shall have the meanings set forth herein: (i) "Liquidation Preference" shall mean, with respect to the Series C Preferred Stock, \$25.00 per share of Series C Preferred Stock, plus the amount of any accumulated and unpaid Series C Priority Return (as hereinafter defined) with respect to such share, whether or not declared, minus any distributions in excess of the Series C Priority Return that has occurred with respect to such Series C Preferred Units, to the date of payment; (ii) "Series C Priority Return" shall mean an amount equal to 8 3/4% per annum of the Liquidation Preference per share of Series C Preferred Stock, commencing on the date of issuance of such share of Series C Preferred Stock, determined on the basis of a 360-day year of twelve 30-day months (and for any period shorter than a full quarterly period for which distributions are computed, the amount of the distribution payable will be computed based on the ratio of the actual number of days elapsed in such period to ninety (90) days), cumulative to the extent not distributed on any Series C Preferred Stock Distribution Payment Date plus the per share amount accrued on each share of Series C Preferred Stock on the date of issuance of such shares in exchange of Series C Preferred Units of PS Business Parks, L.P. corresponding to the accrued and unpaid priority return on such Preferred Units, if any; and (iii) "Business Day" shall mean each day, other than a Saturday or a Sunday, which is not a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close.

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

(c) Distributions Cumulative. Distributions on the Series C Preferred Stock will accrue whether or not the terms and provisions of any agreement of the Corporation, including any agreement relating to its indebtedness at any time prohibits the current payment of distributions, whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such distributions and whether or not such distributions are authorized or declared. Accrued but unpaid distributions on the Series C Preferred Stock will accumulate as of the Series C Preferred Stock Distribution Payment Date on which they first become payable. Distributions on account of arrears for any past distribution periods may be declared and paid at any time, without reference to a regular Series C Preferred Stock Distribution Payment Date to holders of record of the Series C Preferred Stock on the record date fixed by the Board of Directors 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. (i) So long as any Series C Preferred Stock is outstanding, no distribution of cash or other property shall be authorized, declared, paid or set apart for payment on or with respect to any class or series of Common Shares or any class or series of other stock of the Corporation ranking junior as to the payment of distributions or rights upon voluntary or involuntary dissolution, liquidation or winding-up of the Corporation to the Series C Preferred Stock (such Common Shares or other junior stock, collectively, "Junior Stock"), nor shall any cash or other property be

set aside for or applied to the purchase, redemption or other acquisition for consideration of any Series C Preferred Stock, any Parity Preferred Stock or any Junior Stock, unless, in each case, all distributions accumulated on all Series C Preferred Stock and all classes and series of outstanding Parity Preferred Stock have been paid in full. The foregoing sentence shall not prohibit (i) distributions payable solely in Junior Stock, and (ii) the conversion of Series C Preferred Stock, Junior Stock or Parity Preferred Stock into stock of the Corporation ranking junior to the Series C Preferred Stock as to distributions.

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

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

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

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

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

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

4. Optional Redemption. (a) Right of Optional Redemption. The Series C Preferred Stock may not be redeemed prior to September 3, 2004. On or after such date, the Corporation shall have the right to redeem the Series C Preferred Stock, in whole (but not in part), at any time, upon not less than 30 nor more than 60 days' written notice, at a redemption price, payable in cash, equal to the Liquidation Preference (the "Series C Redemption Price").

(b) Limitation on Redemption. The redemption price of the Series C

Preferred Stock will be payable solely to the extent such payment would be permitted as a distribution under the California Corporations Code.

(c) Procedures for Redemption. (i) Notice of redemption will be (i) faxed, and (ii) mailed by the Corporation, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series C Preferred Stock to be redeemed at their respective addresses as they appear on the transfer records of the Corporation. No failure to give or defect in such notice shall affect the validity of the proceedings for the redemption of any Series C Preferred Stock except as to the holder to whom such notice was defective or not given. In addition to any information required by law or by the applicable rules of any exchange upon which the Series C Preferred Stock may be listed or admitted to trading, each such notice shall state: (i) the redemption date, (ii) the redemption price, (iii) the number of shares of Series C Preferred Stock to be redeemed, (iv) the place or places where such shares of Series C Preferred Stock are to be surrendered for payment of the redemption price, (v) that distributions on the Series C Preferred Stock to be redeemed will cease to accumulate on such redemption date and (vi) that payment of the redemption price and any accumulated and unpaid distributions will be made upon presentation and surrender of such Series C Preferred Stock.

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

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

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

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

appointment of a new Director for the unexpired term of such former Director, such appointment to be made by the remaining Director elected as aforesaid.

(c) Certain Voting Rights. So long as any Series C Preferred Stock or Series C Preferred Units exchangeable into Series C Preferred Stock remain outstanding, the Corporation shall not, without the affirmative vote of the holders of a majority of the Series C Preferred Stock outstanding at the time (i) designate or create, or increase the authorized or issued amount of, any class or series of shares ranking prior to the Series C Preferred Stock with respect to payment of distributions or rights upon liquidation, dissolution or winding-up or reclassify any authorized shares of the Corporation into any such shares, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such shares, (ii) designate or create, or increase the authorized or issued amount of, any Parity Preferred Stock or reclassify any authorized shares of the Corporation into any such shares, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such shares, but only to the extent such Parity Preferred Stock is issued to an Affiliate of the Corporation on terms that differ from the terms of such series of Parity Preferred Stock issued to the public or non-Affiliates of the Corporation, or (iii) either (A) consolidate, merge into or with, or convey, transfer or lease its assets substantially as an entirety, to any corporation or other entity, or (B) amend, alter or repeal the provisions of the Corporation's Charter (including this Certificate of Determination) or By-laws, whether by merger, consolidation or otherwise, in each case that would materially and adversely affect the powers, special rights, preferences, privileges or voting power of the Series C Preferred Stock or the holders thereof; provided, however, that with respect to the occurrence of a merger, consolidation or a sale or lease of all of the Corporation's assets as an entirety, so long as (a) the Corporation is the surviving entity and the Series C Preferred Stock remains outstanding with the terms thereof unchanged, or (b) the resulting, surviving or transferee entity is a corporation organized under the laws of any state and substitutes the Series C Preferred Stock for other preferred stock having substantially the same terms and same rights as the Series C Preferred Stock, including with respect to distributions, voting rights and rights upon liquidation, dissolution or winding-up, then the occurrence of any such event shall not be deemed materially and adversely affect such rights, privileges or voting powers of the holders of the Series C Preferred Stock; and provided, further, that any increase in the amount of authorized Preferred Stock or the creation or issuance of any other class or series of Preferred Stock, or any increase in an amount of authorized shares of each class or series, in each case ranking either (a) junior to the Series C Preferred Stock with respect to payment of distributions and the distribution of assets upon liquidation, dissolution or winding-up, or (b) on a parity with the Series C Preferred Stock with respect to payment of distributions or the distribution of assets upon liquidation, dissolution or winding-up to the extent such Preferred Stock is not issued to an Affiliate of the Corporation on terms that differ from the terms of any Parity Preferred Stock issued to the public or non-Affiliates of the Corporation, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

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

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

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

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

CERTIFICATE OF DETERMINATION OF PREFERENCES
OF
8 7/8% SERIES X CUMULATIVE REDEEMABLE
PREFERRED STOCK
OF
PS BUSINESS PARKS, INC.

[As filed in the office of the Secretary of State of the
State of California on September 7, 1999]

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

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

SECOND: The Board of Directors of the Corporation did duly adopt the
resolutions attached hereto as Exhibit A and incorporated herein by reference
authorizing and providing for the creation of a series of preferred shares to be
known as "8 7/8% Series X Cumulative Redeemable Preferred Stock" consisting of
1,200,000 shares, none of the shares of such series having been issued.

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

IN WITNESS WHEREOF, the undersigned have executed this certificate this
7th day of September, 1999.

/s/ David Goldberg

David Goldberg, Vice President

/s/ Jack E. Corrigan

Jack E. Corrigan, Secretary

EXHIBIT A

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

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

RESOLVED that pursuant to the authority conferred upon the Board of
Directors by Article III of the Restated Articles of Incorporation of this
Corporation, there is hereby established a series of the authorized preferred
shares of this Corporation having a par value of \$.01 per share, which series
shall be designated "8 7/8% Series X Cumulative Redeemable Preferred Stock,"
shall consist of 1,200,000 shares and shall have the following rights,
preferences and privileges:

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

Corporation's 9 1/4% Cumulative Preferred Stock, Series A, 8-7/8% Series B Cumulative Redeemable Preferred Stock, and 8 3/4% Series C Cumulative Redeemable Preferred Stock). For purposes of the preceding sentence, "capital stock" means any equity securities (including Common Shares and Preferred Stock), shares, participation or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable for equity securities) or options to purchase any of the foregoing.

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

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

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

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

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

distributions payable solely in Junior Stock, and (ii) the conversion of Series X Preferred Stock, Junior Stock or Parity Preferred Stock into stock of the Corporation ranking junior to the Series X Preferred Stock as to distributions.

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

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

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

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

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

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

4. Redemption. (a) Right of Optional Redemption. The Series X Preferred Stock may not be redeemed prior to September 7, 2004. On or after such date, the Corporation shall have the right to redeem the Series X Preferred Stock, in whole (but not in part), at any time, upon not less than 30 nor more than 60 days' written notice, at a redemption price, payable in cash, equal to the Liquidation Preference (the "Series X Redemption Price").

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

(c) Procedures for Redemption. (i) Notice of redemption will be (i) faxed, and (ii) mailed by the Corporation, postage prepaid, not less than 30 nor

more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series X Preferred Stock to be redeemed at their respective addresses as they appear on the transfer records of the Corporation. No failure to give or defect in such notice shall affect the validity of the proceedings for the redemption of any Series X Preferred Stock except as to the holder to whom such notice was defective or not given. In addition to any information required by law or by the applicable rules of any exchange upon which the Series X Preferred Stock may be listed or admitted to trading, each such notice shall state: (i) the redemption date, (ii) the redemption price, (iii) the number of shares of Series X Preferred Stock to be redeemed, (iv) the place or places where such shares of Series X Preferred Stock are to be surrendered for payment of the redemption price, (v) that distributions on the Series X Preferred Stock to be redeemed will cease to accumulate on such redemption date and (vi) that payment of the redemption price and any accumulated and unpaid distributions will be made upon presentation and surrender of such Series X Preferred Stock.

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

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

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

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

(c) Certain Voting Rights. So long as any Series X Preferred Stock or Series X Preferred Units exchangeable into Series X Preferred Stock remain

outstanding, the Corporation shall not, without the affirmative vote of the holders of a majority of the Series X Preferred Stock outstanding at the time (i) designate or create, or increase the authorized or issued amount of, any class or series of shares ranking prior to the Series X Preferred Stock with respect to payment of distributions or rights upon liquidation, dissolution or winding-up or reclassify any authorized shares of the Corporation into any such shares, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such shares, (ii) designate or create, or increase the authorized or issued amount of, any Parity Preferred Stock or reclassify any authorized shares of the Corporation into any such shares, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such shares, but only to the extent such Parity Preferred Stock is issued to an Affiliate of the Corporation on terms that differ from the terms of any Parity Preferred Stock issued to the public or non-Affiliates of the Corporation, or (iii) either (A) consolidate, merge into or with, or convey, transfer or lease its assets substantially as an entirety, to any corporation or other entity, or (B) amend, alter or repeal the provisions of the Corporation's Charter (including this Certificate of Determination) or By-laws, whether by merger, consolidation or otherwise, in each case that would materially and adversely affect the powers, special rights, preferences, privileges or voting power of the Series X Preferred Stock or the holders thereof; provided, however, that with respect to the occurrence of a merger, consolidation or a sale or lease of all of the Corporation's assets as an entirety, so long as (a) the Corporation is the surviving entity and the Series X Preferred Stock remains outstanding with the terms thereof unchanged, or (b) the resulting, surviving or transferee entity is a corporation organized under the laws of any state and substitutes the Series X Preferred Stock for other preferred stock having substantially the same terms and same rights as the Series X Preferred Stock, including with respect to distributions, voting rights and rights upon liquidation, dissolution or winding-up, then the occurrence of any such event shall not be deemed to materially and adversely affect such rights, privileges or voting powers of the holders of the Series X Preferred Stock; and provided, further, that any increase in the amount of authorized Preferred Stock or the creation or issuance of any other class or series of Preferred Stock, or any increase in an amount of authorized shares of each class or series, in each case ranking either (a) junior to the Series X Preferred Stock with respect to payment of distributions and the distribution of assets upon liquidation, dissolution or winding-up, or (b) on a parity with the Series X Preferred Stock with respect to payment of distributions or the distribution of assets upon liquidation, dissolution or winding-up to the extent such Preferred Stock is not issued to an Affiliate of the Corporation on terms that differ from the terms of any Parity Preferred Stock issued to the public or non-Affiliates of the Corporation, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

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

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

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

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

AMENDMENT TO
CERTIFICATE OF DETERMINATION OF PREFERENCES
OF
8-7/8% SERIES X CUMULATIVE REDEEMABLE
PREFERRED STOCK
OF
PS BUSINESS PARKS, INC.

[As filed in the office of the Secretary of State of the
State of California on September 24, 1999]

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

FIRST: Pursuant to and in accordance with the provisions of Section 401
of the California Corporations Code and the Restated Articles of Incorporation
of the Corporation, the Board of Directors of the Corporation has duly adopted
the resolution attached hereto as Exhibit A and incorporated herein by reference
authorizing and increasing the authorized number of shares of the Corporation's
8-7/8% Series X Cumulative Redeemable Preferred Stock from 1,200,000 to
1,600,000, for a net increase of 400,000 shares.

SECOND: None of the shares of the Corporation's 8-7/8% Series X
Cumulative Redeemable Preferred Stock has been issued.

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

IN WITNESS WHEREOF, the undersigned have executed this certificate this
23rd day of September, 1999.

/s/ DAVID GOLDBERG

David Goldberg, Vice President

/s/ JACK E. CORRIGAN

Jack E. Corrigan, Secretary

EXHIBIT A

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

INCREASING THE AUTHORIZED NUMBER OF
SHARES OF 8-7/8% SERIES X
CUMULATIVE REDEEMABLE PREFERRED STOCK

RESOLVED: That pursuant to the authority conferred upon the Board of
Directors by Article III of the Restated Articles of Incorporation of this
Corporation and the resolutions creating the corporation's 8-7/8% Series X
Cumulative Redeemable Preferred Stock, the number of shares constituting the
corporation's 8-7/8% Series X Cumulative Redeemable Preferred Stock is increased
from 1,200,000 shares to 1,600,000 shares.

FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT

dated as of August 19, 1999

among

PS BUSINESS PARKS, L.P.,

THE LENDERS LISTED HEREIN,

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Agent

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FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT

THIS FIRST AMENDMENT TO REVOLVING CREDIT AGREEMENT (this "Amendment") dated as of August 19, 1999 among PS BUSINESS PARKS, L.P., a California limited partnership (the "Borrower"), the lenders listed on the signature pages hereof ("Lenders"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, as agent and representative for the Lenders (in such capacity, the "Agent").

WHEREAS, Borrower, the Agent and the lenders listed on the signature

pages thereof entered into that certain Revolving Credit Agreement ("Original Agreement") dated as of August 6, 1998;

WHEREAS, Borrower, the Lenders and the Agent wish to extend the Maturity Date to August 6, 2002 and make certain other amendments to the Original Agreement. The Original Agreement, as modified by this Amendment may be referred to herein as the "Credit Agreement";

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the Borrower, the Lenders and the Agent agree as follows:

ARTICLE I.

THE AMENDMENTS

SECTION 1.1. Definitions. The following terms shall be added to, or shall be substituted in lieu of the corresponding terms in, Section 1.1 of the Original Agreement:

"Applicable Margin" means, with respect to each Loan, the respective percentages per annum determined, at any time, based on the range into which Borrower's Credit Rating then falls, in accordance with the table set forth below. Any change in Borrower's Credit Rating causing it to move to a different range on the table shall effect an immediate change in the Applicable Margin (including existing Loans). Promptly after learning of a change in the Borrower's Credit Rating, Agent shall give notice of such change to the Lenders and include in such notice the new Applicable Margin and the effective date of such change. In the event that more than one (1) different Credit Rating has been assigned, the lower of the Credit Ratings will prevail.

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GRID A:

<TABLE>
<CAPTION>

<S>	Range of Borrower's Credit Rating ----- <C>	Applicable Margin for Base Rate Loans (% per annum) ----- <C>	Applicable Margin for LIBOR Loans (% per annum) ----- <C>
Level I	A-/A3 or better	0.0	0.75
Level II	BBB+/Baa1	0.0	0.80
Level III	BBB/Baa2	0.0	0.95
Level IV	BBB-/Baa3	0.0	1.00
Level V	Unrated or Below Investment Grade	0.0	See Grid B

GRID B:

<TABLE>
<CAPTION>

<S>	Leverage ----- <C>	Applicable Margin for Base Rate Loans (% per annum) ----- <C>	Applicable Margin for LIBOR Loans (% per annum) ----- <C>
Level I	Less than or Equal to 25%	0.0	1.05
Level II	> 25% Less than or Equal to 35%	0.0	1.10
Level III	> 35% Less than or Equal to 45%	0.0	1.20
Level IV	> 45%	0.0	1.35

"Equity Offering Net Proceeds" means, cumulatively, the Net cash proceeds received and the value of assets acquired (net of Debt incurred or assumed in connection therewith) through the issuance of Capital Stock of any Borrower Party after the Amendment Date, excluding any amounts attributable to mandatorily redeemable preferred stock (other than preferred stock redeemable solely with common stock). "Net" means net of underwriters' discounts, commission and other reasonable out-of-pocket expenses actually paid to any Person (other than any Borrower Party or any Affiliate thereof).

"Fee Letter" means that certain letter dated August 19, 1999 between the Borrower and the Agent.

"Fixed Charges" means, for any Fiscal Quarter, and without duplication, Interest Expense for such Fiscal Quarter, plus scheduled principal amortization payments (other than balloon payments) on Debt of the Borrower Parties and the Consolidated Entities during such Fiscal Quarter, plus the Capital Expenditure Reserve, plus all dividends and other distributions paid during such Fiscal Quarter to holders of preferred stock or preferred partnership units of the Borrower Parties and the Consolidated Entities.

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"Liquidated Cost" shall have the meaning set forth in Section 5.12.

"Maturity Date" means at any time, the then-applicable maturity date specified hereunder. The initial Maturity Date shall be August 6, 2002, although such date may be extended by the Lenders as provided in Section 2.5.2 hereof.

"Revolving Loan Note" means a Note made by the Borrower payable to the order of a particular Lender, in the amount of such Lender's Revolving Commitment, which note is substantially in the form of Exhibit A-1, as amended (including any amendments and restatements thereof) from time to time.

SECTION 1.2. Extension Fee. Section 2.4.2 of the Original Agreement is hereby deleted in its entirety.

SECTION 1.3. Extension. Section 2.5.2 of the Original Agreement is hereby deleted in its entirety and the following shall be substituted in lieu thereof:

2.5.2. Extension. Borrowers may request extensions of the Maturity Date by making such request to Agent ("Extension Notice") in writing at least ninety (90) days prior to each anniversary of the Closing Date (commencing with the anniversary falling on August 6, 2000). The Agent and the Lenders have no obligation to extend the Maturity Date and the Maturity Date shall not be extended unless (i) the Borrower is in full compliance with all of the terms, conditions and covenants of this Agreement at the time of request and on the applicable anniversary Date, (ii) all of the Lenders and the Agent have agreed to do so in writing, (iii) Borrower shall, on or prior to the applicable anniversary, have executed and delivered to the Agent an extension agreement in the form provided by Agent, and (iv) Borrower shall, on or prior to the applicable anniversary, provided all Lenders shall have approved the request, have remitted to the Agent any extension fee, and have satisfied any other conditions to extension, agreed to between Borrower and the Agent. If Borrower's request for extension is approved and the other foregoing conditions are met, then (i) the extension of the Maturity Date shall be for a period of one (1) year and (ii) such extension shall be effective as of the applicable anniversary. The Agent and the Lenders shall have a period of forty-five (45) days from receipt of written notice of Borrowers' intention to extend the Maturity Date to approve such extension, in their sole and absolute discretion. If Borrower has not received written notice of the Lenders' intention to extend the Maturity Date within such forty-five (45) day period, then the extension request shall be deemed to be not approved. If an extension is granted, Borrower may request subsequent one (1) year extensions subject to the same criteria and procedures established in this Section 2.5.2. As an example, in order to extend the initial Maturity Date, Borrower must notify Agent at least ninety (90) days prior to August 6, 2000. If approved, the Maturity Date would then be extended from August 6, 2002 to August 6, 2003. In the event that Borrower's initial request for extension is not granted, any subsequent request for extension is not granted, or Borrower does not request an extension pursuant to this Section 2.5.2, then, commencing on the Maturity Date, Borrower shall no longer be able to obtain Loans hereunder and all outstanding Loans shall become all due and payable.

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SECTION 1.4. Financial Information. Section 4.5.1 of the Original Agreement is hereby amended by deleting the dates "December 31, 1996" and "December 31, 1997" and substituting in lieu thereof the dates "December 31, 1997" and "December 31, 1998" respectively. Section 4.5.2 of the Original Agreement is hereby amended by deleting the words "September 30, 1997 and March 31, 1998" and substituting in lieu thereof the words "June 30, 1999".

SECTION 1.5. [Intentionally Deleted].

SECTION 1.6. Minimum Tangible Net Worth. Section 6.4.3 of the Original Agreement is hereby deleted in its entirety and the following shall be substituted in lieu thereof:

6.4.3. Minimum Tangible Net Worth. Tangible Net Worth of Borrower and Guarantor shall not be less than, at any time: (i) \$675,000,000 plus (ii) ninety percent (90%) of Equity Offering Net Proceeds.

SECTION 1.7. Fixed Charge Coverage. Section 6.4.6 of the Original Agreement is hereby deleted in its entirety and the following shall be substituted in lieu thereof:

6.4.6. Fixed Charge Coverage. At any time, the ratio of EBITDA to Fixed Charges for the most recently completed Fiscal Quarter shall not be less than 1.75:1.0.

SECTION 1.8. Financial Statements and Other Reports. Sections 5.1.2 through 5.1.5 of the Original Agreement are hereby deleted in their entirety and the following shall be substituted in lieu thereof:

5.1.2. As soon as practicable and in any event within fifty (50) days after the end of each of the first three (3) Fiscal Quarters during each Fiscal Year a consolidated balance sheet of the Borrower Parties as of the end of such quarter and the related consolidated statements of income, stockholders' equity and cash flow for such quarter and the portion of the Fiscal Year ended at the end of such quarter, setting forth in each case in comparative form the consolidated figures for the corresponding periods of the prior Fiscal Year, all in reasonable detail and certified by the Guarantor's chief financial officer as fairly presenting the consolidated financial condition of the Borrower Parties as of the dates indicated and the consolidated results of operations and cash flows for the periods indicated, subject to normal year-end adjustments and made in accordance with GAAP.

5.1.3. Within ninety-five (95) days after the end of each Fiscal Quarter ending December 31 and within fifty (50) days after the end of each other Fiscal Quarter, a certificate of the senior vice-president, corporate finance, chief financial officer, controller or treasurer of the Guarantor substantially in the form of Exhibit F (a "Compliance Certificate"), (a) duly

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completed setting forth the calculations required to establish Availability and compliance with Section 6.4 on the date of such financial statements and (b) stating that, to the best knowledge of such officer, after making such inquiry and other investigation as such officer deems reasonable under the circumstances, no Default exists or, if a Default does exist, the nature thereof and the action that the Borrower proposes to take with respect thereto;

5.1.4. Within ninety-five (95) days after the end of each Fiscal Quarter ending December 31 and within fifty (50) days after the end of each other Fiscal Quarter, a report showing Available Financing as of the end of such Fiscal Quarter.

5.1.5. An Unencumbered Pool report which includes for each Unencumbered Asset, the Property NOI for such Fiscal Quarter with reasonable detail as to all Property Expenses, Capital Expenditures incurred, and average Occupancy Rate during the Fiscal Quarter. This portion of the report shall be submitted to the Agent within ninety-five (95) days after the end of each Fiscal Quarter ending December 31 and within fifty (50) days after the end of each other Fiscal Quarter.

SECTION 1.9. Environmental Matters. Section 5.12.1 of the Original Agreement is hereby deleted in its entirety and the following shall be substituted in lieu thereof:

5.12.1. Promptly upon discovery of any violation or alleged violation of Environmental Requirements with respect to any Real Property of any Borrower Party, the Borrower shall attempt in good faith as soon as practicable to determine the cost to remediate such violation of Environmental Requirements and the Borrower shall thereupon notify the Agent in writing of the Borrower's reasonable, good faith estimate of the cost to remediate such violation or alleged violation. Such good faith estimate of the cost of remediation (exclusive of costs and expenses of investigation), as revised from time to time pursuant hereto, shall be deemed to be the "Liquidated Cost" of such violation or alleged violation of Environmental Requirements. From time to time thereafter, not less than ninety-five (95) days after the end of each Fiscal Quarter ending December 31 and not less than fifty (50) days after the end of each other Fiscal Quarter, the Borrower shall review and update all Liquidated Costs and shall deliver a written report to the Agent setting forth, in reasonable detail, each Liquidated Cost in excess of One Million Dollars (\$1,000,000), the basis for the determination of the Liquidated Cost, and the Borrower's plans with respect to such violation or alleged violation of Environmental Requirements.

ARTICLE II.

CONDITIONS TO EFFECTIVENESS OF THIS AMENDMENT

The closing hereunder shall occur on the date when each of the following conditions is satisfied (or waived by the Agent and the Lenders) (the "Amendment Date"), each document to be dated the Amendment Date unless otherwise indicated:

(a) the Borrower shall have executed and delivered to the Agent duly executed original Notes for the account of each Lender dated as of the Closing Date complying with the provisions of Section 2.3 of the Credit Agreement;

(b) the Borrower, the Agent and each of the Lenders shall have executed and delivered to the Borrower and the Agent a duly executed original of this Amendment;

(c) Guarantor shall have executed and delivered to the Agent a duly executed consent to this Amendment reaffirming Guarantor's obligations under the Guaranty;

(d) the Agent shall have received all documents the Agent may reasonably request relating to the existence of the Borrower and Guarantor, the authority for and the validity of this Amendment and the other Loan Documents, and any other matters relevant hereto, all in form and substance satisfactory to the Agent. Such documentation shall include, without limitation, the agreement of limited partnership of the Borrower, as well as the certificate of limited partnership of the Borrower, both as amended, modified or supplemented to the Amendment Date, certified to be true, correct and complete by a senior officer of the Borrower as of a date not more than ten (10) days prior to the Amendment Date, as well as the articles of incorporation and bylaws of Guarantor, as amended, modified or supplemented to the Amendment Date, certified to be true, correct and complete by a senior officer of Guarantor as of a date not more than ten (10) days prior to the Amendment Date;

(e) the Borrower and Guarantor shall have taken all actions required to authorize the execution and delivery of this Amendment and the other Loan Documents and the performance thereof by the Borrower and Guarantor, as the case may be;

(f) the Agent shall have received, for its and any other Lender's account and the account of Gibson, Dunn & Crutcher LLP, all fees due and payable pursuant to the Lender Fee Letter on or before the Amendment Date;

(g) the Borrower shall have executed and delivered to the Agent a duly executed original of the Fee Letter;

(h) no Default or Event of Default shall have occurred; and

(i) each of the Notes executed by Borrower in connection with the Original Agreement shall have been surrendered by the relevant Lender to the Agent for cancellation and return to the Borrower simultaneously with the Closing (it being acknowledged and agreed by the Lenders that the Notes originally executed by Borrower as of the Closing Date in connection with the Original Agreement (which are being replaced as of the Amendment Date by amended and restated notes) shall be deemed canceled, paid in full and of no further force and effect as of the Amendment Date.

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ARTICLE III.

REPRESENTATIONS OF BORROWER

The Borrower hereby represents and warrants to the Agent and each of the Lenders the following:

(a) All of the representations and warranties contained in the Original Agreement are true and correct on and as of the date hereof and will be true and correct after giving effect to this Amendment; the foregoing representation and warranty is not intended to modify Section 7.1.4 of the Credit Agreement.

(b) No event which constitutes a Default or an Event of Default under the Original Agreement, as amended hereby, has occurred and is continuing, or would result from the execution and delivery of this Amendment.

(c) The Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Original Agreement, as amended hereby, and under the Notes; and all such action has been duly authorized by all necessary proceeding on its part. Each of the Original Agreement, this Amendment and the Notes has been duly and validly executed and delivered by the Borrower and constitutes the valid and legally binding obligation of the Borrower enforceable in accordance with its terms, except as limited by moratorium, bankruptcy, reorganization, insolvency or other laws affecting creditor's rights generally or by the exercise of judicial discretion in accordance with general principles of equity.

ARTICLE IV.

MISCELLANEOUS

SECTION 4.1 Capitalized Terms The capitalized terms used herein which

are defined in the Original Agreement and not otherwise defined herein shall have the meanings specified therein.

SECTION 4.2 Ratification The Original Agreement, as hereby amended, is in all respects ratified and confirmed, and all other rights and powers created thereby or thereunder shall be and remain in full force and effect.

SECTION 4.3 Counterparts This Amendment may be executed in several counterparts, and each counterpart, when so executed and delivered, shall constitute an original instrument, and all such separate counterparts shall constitute one and the same instrument.

SECTION 4.4 Governing Law THIS AMENDMENT AND THE OTHER LOAN DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA EXCEPT TO THE EXTENT PREEMPTED BY FEDERAL LAW (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICTS OF LAW).

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

Borrower:

PS BUSINESS PARKS, L.P.,
a California limited partnership

By: PS BUSINESS PARKS, INC.,
a California corporation,
General Partner

By: /s/ Ronald L. Havner

Name: Ronald L. Havner
Title: President

Address: PS BUSINESS PARKS, L.P.
701 Western Avenue
Glendale, California 91201
Attn: Chief Financial Officer
Telephone: (818) 244-8080
Telecopier: (818) 244-9267

Agent:

Wells Fargo Bank, National Association

By: /s/ Sharon Fisher

Name: Sharon Fisher
Title: Vice President

Address: Wells Fargo Bank,
National Association
2030 Main Street, 8th Floor
Irvine, California 92614
Attention: Office Manager
Telephone: (949) 251-4300
Telecopier: (949) 851-9728

Lender:

Wells Fargo Bank, National Association

By: /s/ Sharon Fisher

Name: Sharon Fisher
Title: Vice President

Address: Wells Fargo Bank,
National Association
2030 Main Street, 8th Floor
Irvine, California 92614
Attention: Office Manager
Telephone: (949) 251-4300
Telecopier: (949) 851-9728

LIBOR LENDING OFFICE:
Wells Fargo Bank, National Association
2120 East Park Place, Suite 100

El Segundo, California 90245
Attention: Anne Colvin
Telephone: (310) 335-9458
Telecopier: (310) 615-1014

CONSENT OF GUARANTOR

The undersigned, PS BUSINESS PARKS, INC., a California corporation ("Guarantor"), (i) hereby consents to the foregoing First Amendment to Revolving Credit Agreement dated as of August 19, 1999 (the "First Amendment") among PS BUSINESS PARKS, L.P., a California limited partnership ("Borrower"), the lenders listed therein (the "Lenders") and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Agent (in such capacity, the "Agent"), and (ii) hereby reaffirms its obligations under that certain General Continuing Repayment Guaranty dated as of August 6, 1998 made by Guarantor in favor of the Lenders and the Agent pursuant to which, among other things, Guarantor guarantees the payment and performance of Borrower's obligations under the Revolving Credit Agreement dated as of August 6, 1998 among Borrower, the Lenders and the Agent, as amended by the First Amendment.

PS BUSINESS PARKS, INC.,
a California corporation

By: /s/ Ronald L. Havner

Name: Ronald L. Havner
Title: President

PS BUSINESS PARKS, L.P.
AMENDMENT TO AGREEMENT OF LIMITED
PARTNERSHIP RELATING TO
8 3/4% SERIES C CUMULATIVE REDEEMABLE
PREFERRED UNITS

This Amendment to the Agreement of Limited Partnership of PS Business Parks, L.P., a California limited partnership (the "Partnership"), dated as of the 3rd day of September, 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, as amended by that certain Amendment to Agreement of Limited Partnership Relating to 8 3/4% Series B Cumulative Redeemable Preferred Units, dated as of April 23, 1999 and an Amendment to Agreement of Limited Partnership Relating to 9 1/4% Series A Cumulative Redeemable Preferred Units, dated as of April 30, 1999 and as may be further amended by an Amendment Relating to Series X Cumulative Redeemable Preferred Units which is expected to be generally in a form similar to the Amendment dated as of April 23, 1999 and may be entered into at or about the time hereof (collectively, the "Partnership Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Partnership Agreement. Section references are (unless otherwise specified) references to sections in this Amendment.

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

WHEREAS, Operating Partnership and Company intend to issue certain Series X Preferred Units and to authorize issuance of the accompanying Series X Preferred Shares, respectively, either soon before or after the date hereof, which Series X Preferred Units and Series X Preferred Shares, when and if issued, shall rank in parity with or junior to the Series C Preferred Units and Series C Preferred Shares with respect to distributions and rights upon voluntary or involuntary liquidation winding-up or dissolution of the Partnership;

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 C Preferred Units, \$25.00 per Series C 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 C 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 C Preferred Units (as hereinafter defined) with respect to distributions and rights upon voluntary or involuntary liquidation winding-up or dissolution of the Partnership, including the 9 1/4% Series A Cumulative Redeemable Preferred Units and the 8 3/4% Series B Cumulative Redeemable Preferred Units. For purposes of this Amendment, the Series X Preferred Units shall be considered Parity Preferred Units and shall not be considered "Junior Units" as defined in Section 3(d)(i) below, notwithstanding the differing allocation provisions set forth in Section 4 herein.

(c) "Priority Return" means an amount equal to 8 3/4% per annum of the Liquidation Preference per Series C Preferred Unit, commencing on the date of issuance of such Series C Preferred Unit, determined on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly period for which distributions are computed, the amount of the distributions payable will be based on the ratio of the actual number of days elapsed in such

period to ninety (90) days, cumulative to the extent not distributed for any given distribution period pursuant to Section 3, hereof, commencing on the date of the issuance of such Series C Preferred Unit.

(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 3/4% Series C Cumulative Redeemable Preferred Units" (the "Series C Preferred Units") is hereby established. The number of Series C Preferred Units shall be 3,200,000. The Holders of Series C 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 C Preferred Units shall be entitled to receive, when, as and if declared by the Partnership acting through the General Partner, the Priority Return. Such Priority Return shall be cumulative, shall accrue from the original date of issuance of the Series C Preferred Units and, notwithstanding Section 5.1 of the Partnership Agreement, will be payable (i) quarterly in arrears on March 1, June 1, September 1 and December 1 of each year commencing on December 1, 1999, and (ii) in the event of (A) a redemption of Series C Preferred Units, or (B) an exchange of Series C Preferred Units into Series C Preferred Stock, on the redemption date or the exchange date, as applicable (each a "Series C Preferred Unit Distribution Payment Date"). The amount of the distribution payable for any period will be computed on the basis of a 360-day year of twelve 30-day months and for any period shorter than a full quarterly period for which distributions are computed, the amount of the distribution payable will be computed based on the ratio of the actual number of days elapsed in such period to ninety (90) days. If any date on which distributions are to be made on the Series C 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 C Preferred Units will be made to the holders of record of the Series C 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 C Preferred Unit Distribution Payment Date (the "Series C Preferred Unit Partnership Record Date").

(b) Prohibition on Distribution. No distributions on Series C 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 C Preferred Units will accrue, whether or not declared, 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 C Preferred Units will accumulate as of the Series C 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 C Preferred Unit Distribution Payment Date to holders of record of the Series C 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 C 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 C 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 C Preferred Units, any Parity Preferred Units or any Junior Units, unless, in each case, all distributions accumulated on all Series C 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 C Preferred Units as to distributions and rights upon involuntary or voluntary liquidation, dissolution or winding up of the Partnership or (z) the redemption of Partnership Interests corresponding to Series C Preferred Stock, Parity Preferred Stock or Junior Stock to be purchased by the General Partner pursuant to the Articles of Incorporation of the General Partner with respect to the General Partner's common stock and comparable provisions in the Articles of Incorporation with respect to other classes or series of capital stock of the General Partner to preserve the General Partner's status as a real estate investment trust, provided that such redemption shall be upon the same terms as the corresponding purchase pursuant to the Articles of Incorporation.

(ii) So long as distributions have not been paid in full (or a sum sufficient for such full payment is not irrevocably deposited in trust for payment) upon the Series C Preferred Units, all distributions authorized and declared on the Series C 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 C 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 C 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 C Preferred Units shall not be entitled to any distributions, whether payable in cash, other property or otherwise, in excess of the full cumulative distributions described herein.

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

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

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

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

Section 5. Optional Redemption. (a) Right of Optional Redemption. Except as otherwise provided herein, the Series C 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 C Preferred Units, in whole (and not in part), at any time, upon not less than 30 nor more than 60 days written notice, at a redemption price, payable in cash, equal to the Liquidation Preference (the "Series C 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 C 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 C Preferred Units.

(b) Procedures for Redemption. (i) Notice of redemption will be (A) faxed, and (B) mailed by the Partnership, by certified mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series C 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 C 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 C 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 C Preferred Units shall be delivered for payment of the Redemption Price, (q) that distributions on the Series C 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 C Preferred Units as set forth in Section 5(b)(ii) below.

(ii) If the Partnership gives a notice of redemption in respect of Series C 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 C 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 C Preferred Units shall also, by 12:00 noon, New York City time, on the redemption date, deliver into escrow with the Escrow Agent an executed Redemption Agreement and an executed Amendment to the Agreement of Limited Partnership evidencing the Redemption. Upon delivery of all of the above-described items by both parties, Escrow Agent shall release the Redemption Price to the holders of the Series C 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 C Preferred Units called for redemption, unless the Partnership defaults in the payment thereof. If any date fixed for redemption of Series C 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 C 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 C 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 C Preferred Unit shall be treated as one Partnership Unit.) If and for so long as the General Partner holds any Series C Preferred Units, the General Partner shall not have any voting rights with respect to such Series C Preferred Units and such Series C Preferred Units shall not be counted in determining the number of such units outstanding for the purpose of determining whether the holders of such units have granted any approval called for hereunder.

(b) Certain Voting Rights. So long as any Series C Preferred Units remain outstanding, the Partnership shall not, without the affirmative vote of the holders of at least a majority of the Series C Preferred Units outstanding at the time:

(i) authorize or create, or increase the authorized or issued amount of, any class or series of Partnership Interests ranking senior to the Series C 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 such series of 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 materially and adversely affect the powers, special rights, preferences, privileges or voting power of the Series C 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 C 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 C Preferred Units for other interests in such entity having substantially the same terms and rights as the Series C 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 C 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 C 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 C 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.

In addition to the foregoing, the Partnership will not (x) enter into any contract, mortgage, loan or other agreement that prohibits or restricts, or has the effect of prohibiting or restricting, the ability of a holder of the Preferred Units to exercise its rights set forth herein to effect in full an exchange or redemption pursuant to Section 8, below, except with the written consent of such holder; or (y) amend, alter, or repeal or waive Sections 7.6 or 11.3(f) of the Partnership Agreement without the affirmative vote of at least a majority of the Series C Preferred Units outstanding at the time.

Section 7. Transfer Restrictions. The holders of Series C Preferred Units shall be subject to all of the provisions of Section 11 of the Partnership Agreement except Section 11.3(b), as modified by this Section 7. The General Partner shall not unreasonably withhold consent to a transfer required by Section 11.3 (a). Subject to the consent of the General Partner, which shall not be unreasonably withheld or delayed, the Series C Preferred Units may be transferred to a maximum of five (5) persons. At no time shall the number of holders of the Series C Preferred Units exceed five.

Section 8. Exchange Rights. (a) Right to Exchange. (i) Series C 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 3/4% Series C Cumulative Redeemable Preferred Stock of the General Partner (the "Series C Preferred Stock") at an exchange rate of one share of Series C Preferred Stock for one Series C Preferred Unit, subject to adjustment as described below (the "Series C Exchange Price"); provided that the Series C 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 C Preferred Units (acting as a whole) for Series C Preferred Stock if (x) at any time full distributions shall not have been timely made on any Series C Preferred Unit with respect to six (6) prior quarterly distribution periods, whether or not consecutive; provided, however, that a distribution in respect of Series C Preferred Units shall be considered timely made if made within two (2) Business Days after the applicable Series C 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 or (y) upon receipt by a holder or holders of Series C Preferred Units of (1) notice from the General Partner that the General Partner or a Subsidiary of the General Partner has become aware of facts that will or likely will cause the Partnership to become 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 C 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. In addition to and not in limitation of the foregoing, the Series C Preferred Units may be exchanged for Series C Preferred Stock, in whole (and not in part), at the option of the holders of a majority of the Series C 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 C Preferred Units shall deliver to the General Partner either (i) a private letter ruling addressed to such holder of Series C 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 since the date of Closing or the publication of a Revenue Ruling since the date of Closing in either case to the effect that an exchange of the Series C Preferred Units at such earlier time would not cause the Series C 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 C 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 C 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 C Preferred Units (acting as a whole) for Series C 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 either (x) the General Partner has provided notice to the holders of the Series C Preferred Units pursuant to Section 4(e) of the Contribution Agreement by and among the Contributor, LLC, the General Partner and the Partnership or (y) (i) such holders conclude based on results or projected results that there exists (in the reasonable judgment of such holders) an imminent and substantial risk that the Series C Preferred Units represent or will represent more than 18.0% of the total profits of or capital interests in the Partnership for a taxable year, (ii) such holders deliver to the General Partner an opinion of nationally recognized independent counsel, reasonably acceptable to the General Partner, to the effect that there is a substantial risk that its interest in the Partnership does not or will not satisfy the 18.0% limit, and (iii) the General Partner agrees with the conclusions referred to in clauses (i) and (ii) of this sentence, such agreement not to be unreasonably withheld.

(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 C Preferred Units for cash in an amount equal to the Liquidation Preference per Series C Preferred Unit. The General Partner may exercise its option to redeem the Series C Preferred Units for cash pursuant to this Section 8(a)(ii) by giving each holder of record of Series C 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 C Preferred Units are to be surrendered for payment of the redemption price, (D) that distributions on the Series C 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 C Preferred Units and (F) the aggregate number of Series C Preferred Units to be redeemed.

(iii) If an exchange of Series C 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 C Preferred Stock the General Partner shall give written notice thereof to each holder of record of Series C 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 C Preferred Units shall be entitled to exchange, pursuant to the provisions of Section 8(b) a number of Series C 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 C 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 of the ownership limitation of the General Partner set forth in such Article IV of the Articles of Incorporation of the General Partner; and (2) to the extent such holder can so represent and covenant without obtaining information from its owners, the holder's ownership of tenants of the Partnership and its affiliates.

To the extent the General Partner would not be able to pay the cash set forth above in exchange for the Excess Units, and to the extent consistent with the Articles of Incorporation, the General Partner agrees that it will grant to the holders of the Series C Preferred Units exceptions to the Beneficial Ownership Limit and Constructive Ownership Limit set forth in the Series C

Certificate of Determination sufficient to allow such holders to exchange all of

their Series C Preferred Units for Series C Preferred Stock, provided such holders furnish to the General Partner representations acceptable to the General Partner in its sole and absolute discretion which assure the General Partner that such exceptions will not jeopardize the General Partner's tax status as a REIT for purposes of federal and applicable state law.

Notwithstanding any provision of the Agreement to the contrary, no Series C Limited Partner shall be entitled to effect an exchange of Series C Preferred Units for Series C Preferred Stock to the extent that ownership or right to acquire such shares would cause the Partner or any other Person or, in the opinion of counsel selected by the General Partner, may cause the Partner or any other Person, to violate the restrictions on ownership and transfer of Series C Preferred Stock set forth in the Articles of Incorporation. To the extent any such attempted exchange for Series C Preferred Stock would be in violation of the previous sentence, it shall be void ab initio and such Series C Limited Partner shall not acquire any rights or economic interest in the Series C Preferred Stock otherwise issuable upon such exchange.

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

(iii) Fractional shares of Series C 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 C 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 C Preferred Stock, and (b) distributions to all holders of Series C 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 C 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 C 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 C 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 C Preferred Stock or fraction thereof into which one Series C 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 addition, so long as a Series C Limited Partner or any of its permitted successors or assigns, hold any Series C Preferred Units, as the case may be, the General Partner shall not, without the affirmative vote of the holders of at least a majority of the Series C Preferred Units outstanding at the time: (a) designate or create, or increase the authorized or issued amount of, any class or series of shares ranking senior to the Series C Preferred Stock with respect to the payment of distributions or rights upon liquidation, dissolution or winding-up or reclassify any authorized shares of the General Partner into any such shares, or create, authorize or issue any obligations or securities convertible into or evidencing the right to purchase any such shares; or (b) amend, alter or repeal the provisions of the Charter or bylaws of the General Partner, whether by merger, consolidation or otherwise, that would materially and adversely affect the powers, special rights, preferences, privileges or voting power of the Series C Preferred Stock or the holders thereof; provided, however,, that any increase in the amount of authorized Preferred Shares or the creation or issuance of any other series or class of Preferred Shares, or any increase in the amount of authorized shares of each class or series, in each case ranking either (1) junior to the Series C Preferred Stock with respect to the payment of distributions and the distribution of assets upon liquidation, dissolution or winding-up, or (2) on a parity with the Series C Preferred Stock with respect to the payment of distributions and the distribution of assets upon liquidation, dissolution or winding-up shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers. 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 C 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 C Preferred Units.

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

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

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

PS BUSINESS PARKS, INC.

By: /s/ Jack Corrigan

Jack Corrigan
Vice President and
Chief Financial Officer

PS BUSINESS PARKS, L.P.

AMENDMENT TO AGREEMENT OF LIMITED
PARTNERSHIP RELATING TO
8 7/8% SERIES X CUMULATIVE REDEEMABLE
PREFERRED UNITS

This Amendment to the Agreement of Limited Partnership of PS Business Parks, L.P. a California limited partnership (the "Partnership"), dated as of the 7th day of September, 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, as amended (collectively, the "Partnership Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Partnership Agreement. Section references are (unless otherwise specified) references to sections in this Amendment.

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

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

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

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

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

(a) "Liquidation Preference" means, with respect to the Series X Preferred Units, \$25.00 per Series X 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 X Preferred Units to the date of payment.

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

(c) "Priority Return" means an amount equal to 8 7/8% per annum of the Liquidation Preference per Series X Preferred Unit, commencing on the date of issuance of such Series X 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 X 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 X Cumulative Redeemable Preferred Units" (the "Series X Preferred Units") is hereby established. The number of Series X Preferred Units shall be 1,200,000. The Holders of Series X 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 X 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 X Preferred Units and, notwithstanding Section 5.1 of the Partnership Agreement, will be payable (i) quarterly in arrears on March 31, June 30, September 30 and December 31 of each year commencing on September 30, 1999, and (ii) in the event of a redemption of Series X Preferred Units (each a "Series X Preferred Unit Distribution Payment Date"). If any date on which distributions are to be made on the Series X 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 X Preferred Units will be made to the holders of record of the Series X 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 X Preferred Unit Distribution Payment Date (the "Series X Preferred Unit Partnership Record Date").

(b) Prohibition on Distribution. No distributions on Series X 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 X 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 X Preferred Units will accumulate as of the Series X 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 X Preferred Unit Distribution Payment Date to holders of record of the Series X 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 X 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 X 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 X Preferred Units, any Parity Preferred Units or any Junior Units, unless, in each case, all distributions accumulated on all Series X Preferred Units and all classes and series of outstanding Parity Preferred Units have been paid in full. The foregoing sentence shall not prohibit (x) distributions payable solely in Junior Units, (y) the conversion of Junior Units or Parity Preferred Units into Partnership Interests ranking junior to the Series X Preferred Units or (z) the redemption of Partnership Interests corresponding to Series X Preferred Stock, Parity Preferred Stock or Junior Stock to be purchased by the General Partner pursuant to the Articles of Incorporation with respect to the General Partner's common stock and comparable Articles of Incorporation provisions with respect to other classes or series of capital stock of the General Partner to preserve the General Partner's status as a real estate investment trust, provided that such redemption shall be upon the same terms as the corresponding purchase pursuant to the Articles of Incorporation.

(ii) So long as distributions have not been paid in full (or a sum sufficient for such full payment is not irrevocably deposited in trust for payment) upon the Series X Preferred Units, all distributions authorized and declared on the Series X 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 X 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 X 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 X Preferred Units shall not be entitled to any distributions, whether payable in cash, other property or otherwise in excess of the full cumulative distributions described herein.

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

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

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

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

Section 5. Optional Redemption. (a) Right of Optional Redemption. Except as otherwise provided in this Amendment, the Series X 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 X 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 X 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 X 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 X Preferred Units. The Series X Redemption Price will not be payable out of proceeds from a loan obtained by the Partnership solely for the purpose of payment of said Series X Redemption Price.

(b) Procedures for Redemption. (i) Notice of redemption will be (A) faxed, and (B) mailed by the Partnership, by certified mail, postage prepaid, not less than 10 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series X 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 X 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 X 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 X Preferred Units shall be delivered for payment of the Redemption Price, (q) that distributions on the Series X 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 X Preferred Units as set forth in Section 5(b)(ii) below.

(ii) If the Partnership gives a notice of redemption in respect of Series X 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 X 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 X Preferred Units shall also, by 12:00 noon, New York City time, on the redemption date, deliver into escrow with the Escrow Agent an executed Redemption Agreement and an executed Amendment to the Agreement of Limited Partnership evidencing the Redemption. Upon delivery of all of the above-described items by both parties, Escrow Agent shall release the Redemption Price to the holders of the Series X 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 X Preferred Units called for redemption, unless the

Partnership defaults in the payment thereof. If any date fixed for redemption of Series X 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 X 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 X 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 X Preferred Unit shall be treated as one Partnership Unit.)

(b) Certain Voting Rights. So long as any Series X Preferred Units remain outstanding, the Partnership shall not, without the affirmative vote of the holders of at least a majority of the Series X Preferred Units outstanding at the time: (i) authorize or create, or increase the authorized or issued amount of, any class or series of Partnership Interests ranking senior to the Series X Preferred Units with respect to payment of distributions or rights upon liquidation, dissolution or winding-up or reclassify any Partnership Interests into any such Partnership Interest, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such Partnership Interests (for this purpose, partnership interests that rank in parity with the Series A, B and C Preferred Units or other series with equivalent parity, shall not be treated as ranking senior to, and shall be treated as in parity with, the Series X Preferred Units and any other series that rank in parity with the Series X Preferred Units); (ii) designate or create, or increase the authorized or issued amount of, any Parity Preferred Units or reclassify any authorized Partnership Interests into any such Parity Preferred Units, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such shares, but only to the extent such Parity Preferred Units are issued to an Affiliate of the Partnership on terms that differ from the terms of any Parity Preferred Units issued to the public or non-Affiliates of the Partnership (for purposes of this Section 6(b)(ii), an issuance to the General Partner shall not be treated as an issuance to an Affiliate of the Partnership to the extent the issuance of such Partnership Interests was to allow the General Partner to issue corresponding preferred stock to persons who are not Affiliates); or (iii) either (A) exchange shares, consolidate, merge into or with, or convey, transfer or lease its assets substantially as an entirety to, any corporation or other entity or (B) amend, alter or repeal the provisions of the Partnership Agreement, whether by merger, consolidation or otherwise, that would adversely affect the powers, special rights, preferences, privileges or voting power of the Series X 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 X 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 X Preferred Units for other interests in such entity having substantially the same terms and rights as the Series X 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 X 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 X 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 X Preferred Units with respect to payment of distributions or the distribution of assets upon liquidation, dissolution or winding-up, to the extent such Partnership Interests are not issued to an Affiliate of the Partnership (an issuance to the General Partner shall not be treated as an issuance to an Affiliate of the Partnership to the extent the issuance of such Partnership Interests was to allow the General Partner to issue corresponding preferred stock to persons who are not Affiliates of the Partnership) such issuance shall not be deemed to adversely affect such rights, preferences, privileges or voting powers. Notwithstanding anything to the contrary contained in this Section 6, if holders of a majority of the Series X 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 X Preferred Units having substantially the same terms and rights as the Series X 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 X 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 X Preferred Units shall be the acceleration of the exchange date relating to the Series X Preferred Units, as set forth in Section 8 of this Amendment. In the event of any conflict between the provisions of Section 4.2 of the Partnership Agreement and the provisions of this Section 6, the provisions of this Section 6 shall control.

Section 7. Transfer Restrictions. (a) The holders of Series X 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 X Preferred Units may be transferred to a maximum of five (5) persons. At no time shall the number of holders of the Series X Preferred Units exceed five.

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

Section 8. Exchange Rights. (a) Right to Exchange. (i) Series X 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 X Cumulative Redeemable Preferred Stock of the General Partner (the "Series X Preferred Stock") at an exchange rate of one share of Series X Preferred Stock for one Series X Preferred Unit, subject to adjustment as described below (the "Series X Exchange Price"); provided that the Series X 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 X Preferred Units (acting as a whole) for Series X Preferred Stock if (x) at any time full distributions shall not have been timely made on any Series X Preferred Unit with respect to six (6) prior quarterly distribution periods, whether or not consecutive; provided, however, that a distribution in respect of Series X Preferred Units shall be considered timely made if made within two (2) Business Days after the applicable Series X 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 X 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 X 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 X 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 X Preferred Units will be exchangeable only to the extent necessary to reduce the holdings of the holders of the Series X 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 X Preferred Units may be exchanged for Series X Preferred Stock, in whole (and not in part), at the option of the holders of a majority of the Series X 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 X Preferred Units shall deliver to the General Partner either (i) a private letter ruling addressed to such holder of Series X 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 X Preferred Units at such earlier time would not cause the Series X 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 X 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 X Preferred Units may be exchanged in whole (and not in part) (regardless of whether held by Salomon Smith Barney Tax Advantaged Exchange Fund II, LLC ("Subscriber") at the option of the holders of a majority of the Series X Preferred Units (acting as a whole) for Series X Preferred Stock (but only if the exchange in whole may be accomplished consistently with the ownership limitations set forth under the Article IV of the Charter of the General Partner, taking into account exceptions thereto) if at any time (i) the Partnership or the General Partner breach any of the covenants set forth in the Tax Representations Certificate delivered in connection with the Private Placement Purchase Agreement, dated as of September 7, 1999, among Subscriber, the Partnership and the General Partner, (ii) the Partnership reasonably

determines that the assets and income of the Partnership for a taxable year after 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 X 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 X 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 X Preferred Units for cash in an amount equal to the Liquidation Preference per Series X Preferred Unit. The General Partner may exercise its option to redeem the Series X Preferred Units for cash pursuant to this Section 8(a)(ii) by giving each holder of record of Series X 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 X Preferred Units are to be surrendered for payment of the redemption price, (D) that distributions on the Series X 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 X Preferred Units and (F) the aggregate number of Series X Preferred Units to be redeemed.

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

Notwithstanding any provision of this Agreement to the contrary, no Series X Limited Partner shall be entitled to effect an exchange of Series X Preferred Units for Series X Preferred Stock to the extent that ownership or right to acquire such shares would cause the Partner or any other Person or, in the opinion of counsel selected by the General Partner, may cause the Partner or any other Person to violate the restrictions on ownership and transfer of Series X Preferred Stock set forth in the Articles of Incorporation. To the extent any such attempted exchange for Series X Preferred Stock would be in violation of the previous sentence, it shall be void ab initio and such Series X Limited Partner shall not acquire any rights or economic interest in the Series X Preferred Stock otherwise issuable upon such exchange.

(iv) The redemption of Series X Preferred Units described in Section 8(a)(ii) and (iii) shall be subject to the provisions of Section 5(b)(i) and Section 5(b)(ii); provided, however, that the term "redemption price" in such

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

(iii) Fractional shares of Series X 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 X 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 X Preferred Stock, and (b) distributions to all holders of Series X 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 X 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 X 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 X 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 X Preferred Stock or fraction thereof into which one Series X 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 X 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 X Preferred Units.

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

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

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

PS BUSINESS PARKS, INC.

By: /s/ Jack Corrigan

Jack Corrigan
Vice President and
Chief Financial Officer

PS BUSINESS PARKS, L.P.

AMENDMENT TO AGREEMENT OF LIMITED
PARTNERSHIP RELATING TO
ADDITIONAL 8 7/8% SERIES X CUMULATIVE REDEEMABLE
PREFERRED UNITS

This Amendment to the Agreement of Limited Partnership of PS Business Parks, L.P. a California limited partnership (the "Partnership"), dated as of the 23rd day of September, 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, as amended (collectively, the "Partnership Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Partnership Agreement. Section references are (unless otherwise specified) references to sections in this Amendment.

WHEREAS, pursuant to Section 4.2(a) of the Partnership Agreement, the General Partner caused the Partnership to issue 1,200,000 8 7/8% Series X Cumulative Redeemable Preferred Units pursuant to that certain Amendment to Agreement of Limited Partnership Relating to 8 7/8% Series X Cumulative Redeemable Preferred Units, dated September 7, 1999 (the "Prior Amendment"), with the designations, preferences and relative, participating, optional or other special rights, powers and duties set forth therein;

WHEREAS, pursuant to Section 4.2(a) of the Partnership Agreement the General Partner desires to cause the Partnership to issue additional Series X Cumulative Redeemable Preferred Units, with the same designations, preferences and relative, participating, optional or other special rights, powers and duties of the Series X Preferred Units set forth in the Prior Amendment;

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 and issuance of additional Series X Preferred Units.

NOW, THEREFORE, the Partnership Agreement is hereby amended as follows:

Section 1. Definitions. Capitalized terms not otherwise defined herein shall have their respective meanings set forth in the Partnership Agreement and the Prior Amendment. For purposes of this Amendment, Series X Preferred Units shall mean those certain 8 7/8% Series X Cumulative Redeemable Preferred Units issued on September 7, 1999 together with the additional 8 7/8% Series X Cumulative Redeemable Preferred Units issued as of the date hereof.

Section 2. Number of Series X Preferred Units. The Partnership hereby increases the number of Series X Preferred Units by 400,000 (the "New Units"), thereby causing the total number of Series X Preferred Units to be 1,600,000 (the "Increased Series X Preferred Units"). All terms and conditions established in the Prior Amendment relating to the Series X Preferred Units are hereby ratified and confirmed and shall apply to the Increased Series X Preferred Units. Notwithstanding the foregoing or anything contained herein, the Priority Return distributions relating to the New Units shall accrue from the original date of issuance of the New Units.

Section 3. Exhibit A to Partnership Agreement. In order to duly reflect the issuance of the New 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 4. Inconsistent Provisions. Nothing to the contrary contained in the Partnership Agreement shall limit any of the rights or obligations set forth in this Amendment.

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

PS BUSINESS PARKS, INC.

By: /s/ Jack Corrigan

Jack Corrigan
Vice President and
Chief Financial Officer

PS BUSINESS PARKS, INC.

Exhibit 11: Statement re: Computation of Earnings per Share

Months Ended 30, ----- 1998 ----- <S> Basic and Diluted Earnings Per Share:	For the Three Months Ended September 30, ----- 1999		For the Nine September ----- 1999	
	<C>	<C>	<C>	<C>
Net income allocable to common shareholders..... 21,124,000	\$ 9,383,000	\$ 9,748,000	\$ 28,218,000	\$
=====	=====	=====	=====	=====
Weighted average common shares outstanding:				
Basic weighted average common shares outstanding..... 17,920,000	23,641,000	23,636,000	23,639,000	
Net effect of dilutive stock options - based on treasury stock method using average market price... 70,000	83,000	60,000	74,000	
----- Diluted weighted average common shares outstanding... 17,990,000	23,724,000	23,696,000	23,713,000	
=====	=====	=====	=====	=====
Basic earnings per common share..... 1.18	\$ 0.40	\$ 0.41	\$ 1.19	\$
=====	=====	=====	=====	=====
Diluted earnings per common share..... 1.17	\$ 0.40	\$ 0.41	\$ 1.19	\$
=====	=====	=====	=====	=====

Exhibit 11

PS BUSINESS PARKS, INC.

Exhibit 12: Statement re: Computation of Ratio of Earnings to Fixed Charges

<TABLE>
<CAPTION>

	Nine Months Ended September 30,	
	1999	1998
<S>	<C>	<C>
Net income.....	\$ 30,352,000	\$ 21,124,000
Minority interest.....	10,769,000	8,696,000
Interest expense.....	2,658,000	1,736,000
Total earnings available to cover fixed charges....	\$ 43,779,000	\$ 31,556,000
Total fixed charges - interest expense (1).....	\$ 3,242,000	\$ 1,736,000
Total preferred distributions.....	\$ 3,370,000	\$ -
Total combined fixed charges and preferred distributions.....	\$ 6,612,000	\$ 1,736,000
Ratio of earnings to fixed charges.....	13.50	18.18
Ratio of earnings to combined fixed charges and preferred distributions.....	6.62	18.18

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	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	-	-	-
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>
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	Nine Months Ended September 30,	
	1999	1998
<S>	<C>	<C>
FFO.....	\$ 56,848,000	\$ 40,317,000
Interest expense.....	2,658,000	1,736,000
Minority interest in income - preferred units.....	1,236,000	-
Preferred dividends.....	2,134,000	-
Adjusted FFO available to cover fixed charges.....	\$ 62,876,000	\$ 42,053,000
Total fixed charges - interest expense (1).....	\$ 3,242,000	\$ 1,736,000
Total preferred distributions.....	\$ 3,370,000	\$ -
Total combined fixed charges and preferred distributions.....	\$ 6,612,000	\$ 1,736,000
Ratio of FFO to fixed charges.....	19.39	24.22
Ratio of FFO to combined fixed charges and preferred distributions.....	9.51	24.22

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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.

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

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