

**PUBLIC STORAGE
CANADIAN PROPERTIES**

**2005
FIRST QUARTER REPORT**

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

Dated May 4, 2005

Forward Looking Statements

This management's discussion and analysis contains "forward-looking" statements within the meaning of Canadian securities laws, which are based on expectations and estimates. Forward-looking statements may be identified by the use of forward-looking terminology such as "believe", "intend", "may", "will", "expect", "estimate", "anticipate", "continue", "consider", or similar terms, variations of those terms or the negative of those terms. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements contain potential risks and uncertainties, and actual results may therefore differ materially. We undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable law. For a discussion of these risks, see "Risk Factors" in our Annual Information Form. We encourage you to carefully review these risks in order to evaluate an investment in our securities.

Operating Results

Public Storage Canadian Properties ("PSCP" or the "Partnership") reported net income of 1,652,000 or \$0.34 per partnership unit for the three months ended March 31, 2005 compared to \$1,687,000 or \$0.35 per partnership unit for the same period in 2004.

Property Operations

The Partnership recently acquired an existing self-storage facility located adjacent to the Harvest Hills community of Calgary, Alberta. See "Property Acquisitions and Developments" for details regarding the Harvest Hills property.

The Partnership derives substantially all of its income from the ownership of seventeen self-storage facilities. Thirteen facilities are located in the province of Ontario, three facilities are located in the province of British Columbia and one facility was recently acquired in the province of Alberta.

Economic and industry factors, specifically increased competition from newer facilities in the Toronto market, remain unchanged from those described in the Annual Report of the Partnership for the year ended December 31, 2004.

The following table summarizes the pre-depreciation operating results of the Partnership's facilities.

	Three months ended March 31,		
	2005	2004	Change
Rental income	\$ 3,875,000	\$ 3,609,000	7.4%
Less: cost of operations.....	1,373,000	1,171,000	17.3%
Less: management fees paid to an affiliate	233,000	217,000	7.4%
Net operating income ⁽¹⁾	<u>\$ 2,269,000</u>	<u>\$ 2,221,000</u>	2.2%
Gross margin ⁽²⁾	58.6%	61.5%	
Weighted average for period:			
Occupancy.....	86.8%	82.5%	
Realized annual rent per square foot ⁽³⁾	\$14.46	\$14.17	2.0%

(1) Net operating income ("NOI") is equal to rental income less cost of operations and management fees paid to an affiliate before depreciation. This non-GAAP financial measure does not have any standardized meanings prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers.

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

(3) Realized rent per square foot represents the actual rental income earned per occupied square foot. Management believes this is a more relevant measure than posted or scheduled rates as posted rates can be discounted through promotions. Rental income also includes administrative and late fees.

Occupancy levels at the end of each quarter were as follows:

	2005	2004	Change
March 31	87.2%	83.9%	3.3%
June 30		93.0%	N/A
September 30.....		92.2%	N/A
December 31		87.6%	N/A

The improvement in occupancy levels is largely attributable to various pricing, marketing, facility and training initiatives implemented by management during 2004 and 2005 as outlined below:

- Aggressively priced rental rates at locations where competition from newer facilities exists;
- Offered a "\$1 for first month move-in" promotion;
- Invested in capital expenditures (e.g., new roofs, driveway asphalt, painting and gates) and extensive repairs to improve the function and aesthetics of older facilities;
- Invested in new security system enhancements to provide facilities with individually alarmed units and property-wide video surveillance. These security attributes are standard on newer facilities built by competitors but were not available when the Partnership's facilities were built approximately twenty five years ago; and
- Engaged consultants to provide a sales-oriented customer service and training program for property managers.

Rental income by geographic region is summarized as follows:

	Three months ended March 31,		
	2005	2004	Change
Rental income:			
Alberta	\$ 7,000	\$ -	
British Columbia.....	647,000	559,000	15.7%
Ontario	3,221,000	3,050,000	5.6%
	<u>\$ 3,875,000</u>	<u>\$ 3,609,000</u>	7.4%

Rental income reflects the impact of promotional discounts (primarily the \$1 for first month move-in promotion) referred to above. Discounts totaled \$362,000 for the three months ended March 31, 2005 compared to \$328,000 for the same period in the prior year.

Cost of operations by major categories is summarized as follows:

	Three months ended March 31,		
	2005	2004	Change
Property taxes.....	\$ 468,000	\$ 401,000	16.7%
Direct payroll	340,000	292,000	16.4%
Repairs and maintenance	160,000	114,000	40.4%
Utilities.....	121,000	83,000	45.8%
Advertising.....	48,000	56,000	-14.3%
Insurance	48,000	43,000	11.6%
Other	188,000	182,000	3.3%
	<u>1,373,000</u>	<u>1,171,000</u>	17.3%
Management fees paid to an affiliate	<u>233,000</u>	<u>217,000</u>	7.4%
Total expenses.....	<u>\$ 1,606,000</u>	<u>\$ 1,388,000</u>	15.7%

- Property taxes are accrued based upon estimates and historical trends. The increase in property taxes is due to changes in the Ontario Budget that allowed municipalities to increase taxes by a higher percentage starting in 2005. If these estimates are incorrect, the timing of expense recognition will be affected.
- Direct payroll reflects wage rate increases and increased incentives to property personnel related to the increase in rental activity and improved occupancy levels.
- Repairs and maintenance are expensed as incurred and do not include capital improvements to real estate facilities. The increase in repairs and maintenance is due to continued maintenance initiatives to improve the function and aesthetics of older facilities.
- The increase in utilities is due to higher gas and electricity rates.
- Advertising reflects the discontinuance of advertising in local “Super Pages” in Toronto.
- The Partnership pays a management fee to Canadian Mini-Warehouse Properties Limited (“CMP”) equal to 6% of gross rental revenues (as defined in the management agreement).

Depreciation and Amortization

Depreciation and amortization expense was \$495,000 for the three months ended March 31, 2005 compared to \$448,000 and for the same period in the prior year. The increase is due to depreciation on recent capital expenditures.

Administrative

Administrative expense was \$119,000 for the three months ended March 31, 2005 compared to \$92,000 for the same period in the prior year. Administrative expense consists primarily of personnel costs for accounting and other legal and professional fees. The increase is due primarily to an increase in Toronto Stock Exchange fees, public company costs and fees associated with the increased credit facility.

Interest and Other Income

Interest and other income was \$7,000 for the three months ended March 31, 2005 compared to \$6,000 for the same period in the prior year. The increase is attributable to higher interest rates.

Interest Expense

Interest expense was \$10,000 for the three months ended March 31, 2005 compared to nil for the same period in the prior year. Interest expense consists of \$80,000 associated with borrowings from the credit facility less \$70,000 of interest expense capitalized to ongoing construction projects for the three months ended March 31, 2005. No interest expense was capitalized during the three months ended March 31, 2004.

Liquidity and Capital Resources

The Partnership ended the quarter with \$440,000 in cash and cash equivalents as at March 31, 2005. The Partnership generates sufficient cash flows from operations to finance its operations, both on a short-term and long-term basis. In addition, the Partnership has a \$28 million credit facility with a commercial bank for general corporate purposes and to provide short term financing for property acquisitions and developments. Net cash provided by operating activities for the three months ended March 31, 2005 and 2004 was \$2,020,000 and \$2,298,000, respectively.

Capital Improvements

The Partnership allocated a budget of approximately \$1,300,000 toward capital expenditures (e.g., new roofs, driveway asphalt, painting and gates) in 2005 to improve the function and aesthetics of the older facilities. Management believes these improvements are necessary to remain competitive with newer facilities in the marketplace. During the three months ended March 31, 2005, the Partnership incurred \$57,000 in capital improvements relating to these items and expects to incur the remaining unused portion of approximately \$1,006,000 by the end of the year.

Credit Facility

As at March 31, 2005, the Partnership had an outstanding balance of \$19 million on its \$28 million credit facility. The credit facility bears interest at the Banker's Acceptance rate plus an applicable margin ranging from 0.75% to 1.50% and expires on June 30, 2005. The Partnership is in discussions with the financial institution to renew the facility. There is no assurance that the credit facility will be renewed or if renewed on terms satisfactory to the Partnership.

In accordance with the Partnership Agreement, the Partnership is limited in its ability to borrow with a maximum borrowing equal to four times the Partnership's earnings, before interest, taxes and depreciation of the previous four quarters. As at March 31, 2005, the maximum borrowing pursuant to the Partnership's Agreement is approximately \$35 million.

Property Acquisitions and Developments

In December 2003, the Partnership acquired a 2.1 acre property for approximately \$1,715,000 in Surrey, British Columbia for development into a mini-warehouse facility. The total cost to develop this facility (including cost of land) is expected to be approximately \$6,461,000. As at March 31, 2005, \$5,317,000 had been invested in this facility. The facility is expected to open in the second quarter of 2005.

In July 2004, the Partnership acquired a 1.3 acre property for approximately \$2,840,000 in Vancouver, British Columbia for development into a mini-warehouse facility. The total cost to develop this facility (including cost of land) is expected to be approximately \$9,824,000. As at March 31, 2005, \$3,560,000 had been invested in this facility. The facility is expected to open in the second quarter of 2006.

These are the first development properties acquired by the Partnership since 1987 and are being funded by the Partnership's cash reserves and credit facility.

In March 2005, the Partnership acquired an existing self storage facility located adjacent to the Harvest Hills community of Calgary, Alberta for a purchase price of \$9,000,000. The facility consists of one non-climate controlled one-storey building and one climate controlled two-storey building with approximately 73,000 net rentable square feet and 778 units. This is an existing facility which was recently constructed and opened for business in April 2004. The total acquisition cost of this facility including closing costs, rebranding costs and allocated internal costs was \$9,271,000. This is the first existing self storage facility acquired by the Partnership. The cost of purchasing and rebranding the property was funded primarily from the Partnership's credit facility.

In addition to managing the facilities, CMP provides acquisition and construction management services to the Partnership for a fee of 1% of the purchase price and 2% of all construction and development costs.

Distributions

The general partner analyzes the distribution level on a quarterly basis. Among the items considered when determining distribution levels are historical property operations, current cash reserves and obligations of the Partnership, including debt, expected capital expenditures and other factors. The Partnership distributed \$2,170,000 (\$0.45 per unit) and \$2,170,000 (\$0.45 per unit) during the three months ended March 31, 2005 and 2004, respectively. The Partnership also declared a distribution of \$0.45 per partnership unit to be paid on June 30, 2005 to unitholders of record at the close of business on June 15, 2005. The Partnership expects to continue to make quarterly distributions at these levels.

Transaction Update

Management of the Partnership continues to evaluate alternatives related to a reorganization transaction involving the Partnership and the mini-warehouse properties in Canada owned by B. Wayne Hughes and members of his family as previously announced on November 11, 2004.

Funds from Operations (“FFO”) and Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”)

FFO and EBITDA are supplementary performance measures for real estate companies used by investors and analysts. These non-generally accepted accounting principles (“GAAP”) financial measures do not have any standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Many investors and analysts consider FFO and EBITDA to be measures of the performance of real estate companies. FFO is equal to net income computed in accordance with GAAP plus depreciation and amortization. EBITDA is equal to earnings before interest income, interest expense, taxes, depreciation and amortization. FFO and EBITDA do not take into consideration scheduled principal payments on debt, capital improvements, distributions or other obligations of the Partnership. Accordingly, FFO and EBITDA are not substitutes for the Partnership’s cash flow or net income as a measure of the Partnership’s liquidity or operating performance or ability to pay distributions.

The following table calculates FFO and EBITDA for the three months ended March 31, 2005 and 2004:

	Three months ended March 31,		
	2005	2004	Change
Net income.....	\$ 1,652,000	\$ 1,687,000	
Depreciation and amortization.....	495,000	448,000	
FFO.....	<u>\$ 2,147,000</u>	<u>\$ 2,135,000</u>	
Weighted average number of partnership units.....	4,821,430	4,821,430	
FFO per partnership unit.....	\$0.45	\$0.44	2.3%
Net income.....	\$ 1,652,000	\$ 1,687,000	
Depreciation and amortization.....	495,000	448,000	
Interest expense	10,000	-	
Less: interest income	(7,000)	(6,000)	
EBITDA.....	<u>\$ 2,150,000</u>	<u>\$ 2,129,000</u>	
Weighted average number of partnership units.....	4,821,430	4,821,430	
EBITDA per partnership unit	\$0.45	\$0.44	2.3%

Consolidated Balance Sheets

	March 31, 2005 <u>(Unaudited)</u>	December 31, 2004
Assets		
Cash and cash equivalents	\$ 440,000	\$ 275,000
Real estate facilities:		
Buildings and equipment	45,065,000	38,302,000
Land and land improvement	16,039,000	13,460,000
	<u>61,104,000</u>	<u>51,762,000</u>
Less: accumulated depreciation	(24,912,000)	(24,417,000)
	<u>36,192,000</u>	<u>27,345,000</u>
Construction in progress	8,877,000	7,734,000
Rent and other receivables	532,000	244,000
Other assets	747,000	630,000
	<u>\$ 46,788,000</u>	<u>\$ 36,228,000</u>
Liabilities and Partners' Equity		
Accounts payable	\$ 1,031,000	\$ 724,000
Advanced payments from renters	463,000	492,000
Amounts due under credit facility	19,000,000	8,200,000
Partners' equity, 4,993,731 units authorized; 4,821,430 units issued and outstanding	<u>26,294,000</u>	<u>26,812,000</u>
	<u>\$ 46,788,000</u>	<u>\$ 36,228,000</u>

See accompanying notes.

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2005	2004
Revenue:		
Rental income	\$ 3,875,000	\$ 3,609,000
Interest income	7,000	6,000
	<u>3,882,000</u>	<u>3,615,000</u>
Costs and expenses:		
Cost of operations	1,373,000	1,171,000
Management fees paid to an affiliate	233,000	217,000
Depreciation and amortization	495,000	448,000
Administrative	119,000	86,000
Interest expense	10,000	6,000
	<u>2,230,000</u>	<u>1,928,000</u>
Net income	<u>\$ 1,652,000</u>	<u>\$ 1,687,000</u>
Net income per partnership unit		
	<u>\$ 0.34</u>	<u>\$ 0.35</u>
Weighted average partnership units outstanding	<u>4,821,430</u>	<u>4,821,430</u>

See accompanying notes.

Consolidated Statements of Partner's Equity
(Unaudited)

Balance at December 31, 2003	\$ 28,693,000
Net income	6,798,000
Distributions to partners	<u>(8,679,000)</u>
Balance at December 31, 2004	26,812,000
Net income	1,652,000
Distributions to partners	<u>(2,170,000)</u>
Balance at March 31, 2005	<u><u>\$ 26,294,000</u></u>

See accompanying notes.

Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2005	2004
Cash flows provided by operating activities:		
Net income	\$1,652,000	\$1,687,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	495,000	448,000
(Increase) decrease in rent and other receivables	(288,000)	168,000
Increase in other assets	(117,000)	(24,000)
Increase in accounts payable	307,000	12,000
(Decrease) increase in advanced payments from renters	(29,000)	7,000
Total adjustments	368,000	611,000
Net cash provided by operating activities	2,020,000	2,298,000
Cash flows from investing activities:		
Capital improvements to real estate facilities	(71,000)	(157,000)
Acquisition of real estate facility	(9,271,000)	-
Construction of new facilities	(1,143,000)	(84,000)
Net cash used in investing activities	(10,485,000)	(241,000)
Cash flows from financing activities:		
Borrowings from credit facility	10,800,000	-
Distributions to partners	(2,170,000)	(2,170,000)
Net cash provided by (used in) financing activities	8,630,000	(2,170,000)
Net increase (decrease) in cash and cash equivalents	165,000	(113,000)
Cash and cash equivalents, beginning of period	275,000	1,056,000
Cash and cash equivalents, end of period	\$ 440,000	\$ 943,000

See accompanying notes.

Notes to Consolidated Financial Statements

(Unaudited)

March 31, 2005

1. These interim unaudited consolidated financial statements of Public Storage Canadian Properties (“PSCP” or the “Partnership”) should be read in conjunction with the Partnership’s audited financial statements and related notes for the year ended December 31, 2004. The results of operations for the three months ended March 31, 2005 are not necessarily indicative of the results to be expected for the full year.
 2. These interim unaudited consolidated financial statements of the Partnership have not been reviewed by our independent auditors.
 3. In the opinion of management, the accompanying interim unaudited consolidated financial statements reflect all adjustments, consisting of only normal accruals, necessary to present fairly the Partnership’s financial position and results of operations for the respective periods.
 4. The Partnership has a \$28 million credit facility with a commercial bank. The credit facility bear interest at the Banker’s Acceptance rate plus an applicable margin ranging from 0.75% to 1.50% and expires on June 30, 2005. The standby fee ranges from 0.125% to 0.250% based on usage of the facility. The weighted average borrowing rate was 3.43% for the three months ended March 31, 2005.
 5. In March 2005, the Partnership acquired an existing self storage facility located adjacent to the Harvest Hills community of Calgary, Alberta for a purchase price of \$9,000,000. The facility consists of one non-climate controlled one-storey building and one climate controlled two-storey building with approximately 73,000 net rentable square feet and 778 units. This is an existing facility which was recently constructed and opened for business in April 2004. The total acquisition cost of this facility including closing costs, rebranding costs and allocated internal costs was \$9,271,000. This is the first existing self storage facility acquired by the Partnership. The cost of purchasing and rebranding the property was funded primarily from the Partnership’s credit facility.
 6. Due to the size, complexity and nature of the Partnership’s operations, various legal matters are pending. It is not possible at this time to predict with any certainty the outcome of such litigation. Management believes that any settlements related to these matters will not have a material effect on the Partnership’s consolidated financial position or results of operations.
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Public Storage Canadian Properties Partnership Highlights						
	Q104	Q204	Q304	Q404	2004 YTD	Q105
Operations						
Average occupancy	82.5%	89.6%	93.0%	89.81%	88.7%	86.8%
Annualized realized rental rates ⁽¹⁾	\$14.17	\$13.41	\$13.97	\$14.16	\$13.90	\$14.46
Rental income	\$3,609,000	\$3,708,000	\$3,999,000	\$3,926,000	\$15,242,000	\$3,875,000
Pct change from prior year	-6.6%	-1.9%	2.8%	4.8%	-0.2%	7.4%
Net income	\$1,687,000	\$1,531,000	\$1,843,000	\$1,737,000	\$6,798,000	\$1,652,000
Net income per Unit	\$0.35	\$0.32	\$0.38	\$0.36	\$1.41	\$0.34
Pct change from prior year	-12.5%	-13.5%	-7.3%	5.9%	-7.2%	-2.9%
Funds from Operations (FFO) ⁽²⁾	\$2,135,000	\$2,010,000	\$2,336,000	\$2,340,000	\$8,821,000	\$2,147,000
FFO Per Unit	\$0.44	\$0.42	\$0.48	\$0.49	\$1.83	0.45
Pct change from prior year	-12.0%	-10.6%	-5.9%	8.9%	-4.7%	2.3%
EBITDA ⁽²⁾	\$2,129,000	\$2,007,000	\$2,321,000	\$2,336,000	\$8,793,000	\$2,150,000
EBITDA per Unit	\$0.44	\$0.42	\$0.48	\$0.48	\$1.82	\$0.45
Pct change from prior year	-12.0%	-10.6%	-4.0%	6.7%	-5.2%	2.3%
Stock Price						
Close	\$22.69	\$20.80	\$20.10	\$26.00	\$26.00	\$26.00
High	23.00	22.69	\$21.11	26.00	26.00	28.00
Low	20.25	19.65	\$20.00	19.95	19.65	21.25
Distribution per Unit	\$0.45	\$0.45	\$0.45	\$0.45	\$1.80	\$0.45

(1) Realized rent per square foot represents the actual rental revenue earned per occupied square foot.

(2) FFO and EBITDA are supplementary performance measures for real estate companies used by investors and analysts. These non-GAAP financial measures do not have any standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. FFO is equal to net income computed in accordance with GAAP plus depreciation and amortization. EBITDA is equal to earnings before interest income, interest expense, taxes, depreciation and amortization. FFO and EBITDA do not take into consideration scheduled principal payments on debt, capital improvements, distributions or other obligations of the Partnership. Accordingly, FFO and EBITDA are not substitutes for the Partnership's cash flow or net income as a measure of the Partnership's liquidity or operating performance or its ability to pay distributions.

Copies of the Partnership's financial statements, tax reporting information, press releases, annual information form and other information can be obtained from either the Partnership's web site (www.publicstoragecanada.com) or from the System for Electronic Document Analysis and Retrieval ("SEDAR") web site (www.sedar.com). Additionally, the above mentioned information can be obtained from the Partnership by contacting the Partnership's Investor Communication Department at (866) 772-2623, provided the Partnership may require the payment of reasonable charges where the individual requesting the information is not a unitholder of the Partnership.

Web site

www.publicstoragecanada.com

Partnership's Corporate Office
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