

PUBLIC STORAGE CANADIAN PROPERTIES
(A Limited Partnership Governed By
The Limited Partnerships Act of Ontario)

2006
FIRST QUARTER REPORT

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

Dated May 3, 2006

Forward Looking Statements

This discussion of the consolidated financial condition and results of operations of Public Storage Canadian Properties ("PSCP" or the "Partnership") contains forward-looking statements regarding, among other things, the Partnership's beliefs, plans, objectives, strategies, estimates, intentions and expectations, including as they relate to its operating and financial results, capital expenditures, distribution policy and financing strategies and the ability to execute on its operating, development and financing strategies. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "believe", "potential", "expect", "estimate", "would", "could", "intend", "will", "if" and "may". These forward-looking statements are based on a number of assumptions which may prove to be incorrect, including management's current expectations, estimates and assumptions about the markets the Partnership operates in, the Canadian economic environment, interest rates, exchange rates, the Partnership's ability to attract and retain customers and to manage its mini-warehouse assets and operating costs, assumptions respecting the availability and cost of construction materials and labour, there being limited costs, difficulties or delays related to obtaining construction and operating permits or as a result of adverse weather conditions and expectations respecting the useful life of assets of the Partnership. Forward-looking statements involve known and unknown risks, uncertainties and other facts which may cause actual results or developments to differ materially from those contemplated or implied by these statements depending on, among others, such factors as:

- the accuracy of management's assumptions;
- the failure of the Partnership to manage acquisitions;
- delays in "rent - up" of new facilities of the Partnership;
- losses of key personnel may affect the Partnership's ability to operate effectively;
- the leverage of the Partnership;
- restrictive covenants in the Partnership's credit facilities and the Partnership Agreement contain restrictions that limit the Partnership's flexibility in operating the business;
- the Partnership may incur significant environmental costs and liabilities;
- litigation risks;
- property taxes can increase and cause a decline in yields on investments;
- competition has affected the occupancy levels, rental rates and operating expenses of some of the Partnership's facilities;
- the value of the Partnership's properties may be reduced by the general risks of rental real estate ownership including lack of demand for rental spaces or units in a locale, changes in general economic or local conditions, changes in supply of or demand for similar or competing facilities in an area, changes in environmental, real estate, zoning or tax laws, and changes in interest rates;
- rental real estate development (including the development of mini-warehouse facilities) is subject to timing, budgeting and other risks including construction delays or cost overruns that may increase project costs;
- the Partnership does not own the trade-mark "Public Storage";
- the Partnership's properties compete with other properties managed by the General Partner of the Partnership which operate under the trade-mark "Public Storage";
- there may be situations in which conflicts of interest may arise between the General Partner of the Partnership and its respective officers and directors in relation to the interests of the Partnership; and
- the Hughes Family (as defined below) controls the Partnership.

This list is not exhaustive of the factors that may affect any of the Partnership's forward-looking statements. Investors and others should carefully consider these and other factors and not place undue reliance on these forward-looking statements. Further information regarding these and other factors is included in the Partnership's public filings with Canadian securities regulatory authorities including the section titled "Risk Factors" in the Partnership's Annual Information Form. The forward-looking statements contained in this discussion of the consolidated financial condition and results of operations of the Partnership represent the Partnership's views only as of the date hereof. While the Partnership anticipates that subsequent events and developments may cause the Partnership's views to change, the Partnership does not undertake to update any forward-looking statements.

General

Public Storage Canadian Properties is a publicly held limited partnership formed under the *Limited Partnerships Act* (Ontario). The Partnership owns nineteen self-storage facilities. Thirteen facilities are located in Ontario, four facilities are located in British Columbia, one facility is located in Alberta and one facility is located in Québec. In addition, the Partnership owns a parcel of land in Vancouver, British Columbia for development into a self-storage facility.

The facilities are operated under the trade name "Public Storage" and are managed by the General Partner pursuant to a separate property management agreement. The General Partner of the Partnership is Canadian Mini-Warehouse Properties Limited ("CMP" or the "General Partner"). All of the shares of CMP are beneficially owned by B. Wayne Hughes and certain members of his family (collectively, the "Hughes Family"). Entities controlled by the Hughes Family beneficially owned 2,454,328 units of the Partnership ("Units") including the Units owned by CMP, or approximately 50.9% of the outstanding Units as at March 31, 2006.

In March 2006, construction of a new facility located in the city of Montréal, Québec was completed and the facility opened for business. This is the first property owned by the Partnership in the province of Québec. Unitholders may be required to file a Québec tax return. Unitholders should consult their tax advisors.

On April 6, 2006, the holders of Units of the Partnership (the "Unitholders") approved the issuance of up to a maximum of 2,410,715 Units by way of a rights offering (the "Rights Offering"). The Unitholders also approved amendments relating to the provisions of the limited partnership agreement of the Partnership (the "Partnership Agreement") with respect to the limitations on debt financing, the allocation of net income and losses and the appointment of auditors. In addition, Unitholders other than the Hughes Family approved the acquisition of two development properties and one operating mini-warehouse property from entities controlled by the Hughes Family.

Outstanding Securities

As at May 3, 2006, 4,821,430 Units were outstanding and 4,821,430 rights (the "Rights") to purchase an aggregate of 2,410,715 Units at a price of \$20.00 per Unit were outstanding (see "Rights Offering" below).

Critical Accounting Estimates

The Partnership accrues for property tax expenses and other operating expenses each quarter based on historical trends and anticipated disbursements. If these estimates are incorrect, the timing of expense recognition will be affected.

Operating Results

The Partnership reported net income of \$1,528,000 or \$0.32 per Unit for the three months ended March 31, 2006 compared to \$1,652,000 or \$0.34 per Unit for the same period in 2005. The decrease in net income is due primarily to an increase in amortization expense associated with "New Facilities" as defined below.

Property Operations

The Partnership derives substantially all of its income from the ownership of self-storage facilities. 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 net operating income (“NOI”) of the properties for the three months ended March 31, 2006. NOI is equal to rental income less cost of operations and management fees paid to CMP before amortization. This financial measure is not a generally accepted accounting principles (“GAAP”) financial measure and does not have any standardized meanings prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers.

	Three months ended March 31,		
	2006	2005	Change
<u>Rental income:</u>			
“Same Store” facilities (a).....	\$ 4,058,000	\$ 3,868,000	4.9%
“New” facilities (b).....	264,000	7,000	3,671.4%
	<u>4,322,000</u>	<u>3,875,000</u>	11.5%
<u>Cost of operations:</u>			
“Same Store” facilities.....	1,331,000	1,373,000	(3.1%)
“New” facilities.....	217,000	-	
	<u>1,548,000</u>	<u>1,373,000</u>	12.7%
<u>Management fees (c):</u>			
“Same Store” facilities.....	243,000	232,000	4.7%
“New” facilities.....	16,000	1,000	1,500.0%
	<u>259,000</u>	<u>233,000</u>	11.2%
<u>NOI:</u>			
“Same Store” facilities.....	2,484,000	2,263,000	9.8%
“New” facilities.....	31,000	6,000	416.7%
	<u>\$2,515,000</u>	<u>\$2,269,000</u>	10.8%

- (a) “Same Store” facilities are facilities that have been owned and operated at a mature, stabilized occupancy level throughout 2004, 2005 and the three month period ended March 31, 2006. As at March 31, 2006, the “Same Store” facilities consist of sixteen facilities that have been owned and operated by the Partnership since its inception and contain approximately 1,235,000 net rentable square feet and 11,181 units. Management considers the operating performance of the “Same Store” facilities to be a more useful measure of the overall operating performance of the Partnership’s portfolio.
- (b) “New” facilities are properties that have been recently acquired and/or developed by the Partnership. The Partnership reports the performance of “New” facilities separately from the performance of the Partnership’s “Same Store” facilities. Generally, these facilities are still in their initial “fill-up” stage and do not provide a meaningful comparison to prior periods. The Partnership will reclassify these properties to “Same Store” facilities once they have been opened for three years as of January 1 of the earliest period presented. As at March 31, 2006, “New” facilities contain approximately 223,000 net rentable square feet and 2,447 units. For further information regarding “New” facilities, see ““New” Facility Acquisitions and Developments” below.
- (c) Management fees are payable to CMP pursuant to the terms of the amended and restated management agreement between the Partnership and CMP dated as of January 1, 1999 (the “Management Agreement”). Management fees are equal to 6% of Gross Operating Revenues (defined below) of each property, calculated monthly. “Gross Operating Revenue” means all cash receipts (excluding security deposits paid by tenants unless and unit recognized as income by the Partnership) received by or on behalf of the Partnership under each lease of space on the properties.

“Same Store” Facilities

The following table summarizes the pre-amortization operating results of the Partnership’s “Same Store” facilities.

	Three months ended March 31,		
	2006	2005	Change
Rental income	\$4,058,000	\$3,868,000	4.9%
<u>Cost of operations:</u>			
Property taxes.....	\$ 493,000	\$ 468,000	5.3%
Direct payroll	337,000	340,000	(0.9%)
Utilities.....	92,000	121,000	(24.0%)
Repairs and maintenance.....	138,000	160,000	(13.8%)
Advertising.....	47,000	48,000	(2.1%)
Insurance	43,000	48,000	(10.4%)
Other	181,000	188,000	(3.7%)
	<u>\$1,331,000</u>	<u>\$1,373,000</u>	(3.1%)
Management fees	<u>243,000</u>	<u>232,000</u>	4.7%
Net operating income	<u>\$2,484,000</u>	<u>\$2,263,000</u>	9.8%
Gross margin ⁽¹⁾	61.2%	58.5%	
Weighted average for period:			
Occupancy	87.1%	86.8%	
Realized annual rent per square foot ⁽²⁾	\$15.10	\$14.44	4.6%

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

(2) Realized rent per square foot represents the actual revenue 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

Rental income of the Partnership’s “Same Store” facilities by geographic region is summarized as follows:

	Three months ended March 31,		
	2006	2005	Change
<u>Rental income:</u>			
British Columbia.....	\$ 652,000	\$ 647,000	0.8%
Ontario.....	3,406,000	3,221,000	5.7%
	<u>\$ 4,058,000</u>	<u>\$ 3,868,000</u>	4.9%

The increase in rental income, net of discounts, is due to price increases and higher occupancy levels. Discounts totaled \$391,000 for the three months ended March 31, 2006 compared to \$362,000 for the same period in the prior year.

Cost of Operations

Cost of operations of the “Same Store” facilities (excluding management fees) for the three months ended March 31, 2006 was \$1,331,000 compared to \$1,373,000 for the same period in the prior year. Management does not expect that operating expenses will continue to remain at these levels in 2006. See “Forward-Looking Statements” on page 1. The major variances in cost of operations are explained below:

- The 5.3% increase in property taxes was due to an increase in property reassessment values compared to the same period in the prior year. New legislation in Vancouver will impose taxes on parking spaces at commercial properties. Management does not believe this will have a material impact on the results of operations.
- The 24.0% decrease in utilities expense was due to a mild winter season compared to the same period in the prior year. Utility expenses are expected to increase during 2006 due to higher gas and electricity rates.
- The 13.8% decrease in repairs and maintenance was due to various maintenance initiatives implemented in the prior years.
- The 10.4% decrease in insurance expense was due to favorable renewal terms at rates lower than the same period in the prior year.

Amortization

Amortization expense was \$649,000 for the three months ended March 31, 2006 compared to \$495,000 for the same period in the prior year. The increase is due primarily to amortization on “New” facilities.

Administrative

Administrative expense consists primarily of professional fees, accounting personnel, reporting issuer costs and credit facility fees not associated with amounts outstanding. Administrative expense was \$132,000 for the three months ended March 31, 2006 compared to \$119,000 for the same period in the prior year. The increase is due primarily to higher regulatory reporting issuer costs.

Interest and Other Income

Interest and other income include interest received on cash balances. Interest and other income were \$6,000 for the three months ended March 31, 2006 compared to \$7,000 for the same period in the prior year.

Interest Expense

Interest expense was \$212,000 (net of \$151,000 capitalized to construction projects) for the three months ended March 31, 2006 compared to \$10,000 (net of \$70,000 capitalized to construction projects) for the same period in the prior year. The increase in interest expense is due to borrowings under the Partnership’s credit facility to finance the acquisition of the “New” facilities. The Partnership capitalizes certain interest expense incurred during the period a project is being developed and constructed. The weighted average borrowing rate was 4.98% for the three months ended March 31, 2006 compared to 3.43% for the same period in the prior year.

Liquidity and Capital Resources

The Partnership had \$306,000 in cash and cash equivalents as at March 31, 2006. 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 \$36 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 was \$1,843,000 for the three months ended March 31, 2006 compared to \$2,020,000 for the same period in the prior year. The decrease is due primarily to the timing of payments of accounts payable and accrued liabilities.

Capital Improvements

The Partnership budgeted approximately \$1,215,000 in capital expenditures (e.g., new roofs, driveway asphalt, painting and gates) in 2006 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, 2006, the Partnership invested \$22,000 in capital improvements relating to these items and expects to incur the remaining unused portion of the amount it has budgeted for capital expenditures of approximately \$1,193,000 by the end of the year.

Credit Facilities

In June 2005, the Partnership increased its existing \$28 million credit facilities to \$36 million and extended the maturity date to June 30, 2006. The Partnership is in discussions with the financial institution to renew the facilities. There is no assurance that the credit facilities will be renewed or renewed on terms satisfactory to the Partnership. At the Partnership's option, the rate of interest charged is equal to either (i) the Prime Rate plus an applicable margin ranging from 0.000% to 0.250% based on usage of the facility or (ii) a rate equal to the Banker's Acceptance Rate plus an applicable margin ranging from 0.625% to 1.375% based on usage of the facility. In addition, the Partnership is required to pay a facility fee ranging from 0.125% to 0.250% based on the usage of the facility. As at March 31, 2006, the Partnership had an outstanding balance of \$31.5 million on its credit facilities. The remaining availability is approximately \$4.5 million.

Under the terms of its credit facilities, the Partnership is required to (i) maintain a senior funded debt ratio (as defined) of not greater than 4.00 to 1.00 and (ii) maintain a tangible net worth (as defined) of \$22,500,000. As at March 31, 2006, the Partnership was in compliance with the terms of the credit facilities.

Property acquisitions and development costs are funded from the Partnership's cash flows from operations after distributions and from its credit facilities. As at March 31, 2006, remaining costs to be incurred in connection with the Partnership's current development project in Vancouver, British Columbia were approximately \$4.1 million.

On April 6, 2006, the Unitholders passed an extraordinary resolution amending the Partnership Agreement relating to the limitations on debt financing. The total amount of all secured and unsecured debt of the Partnership (the "Borrowing Limit") was raised from four to seven times earnings of the Partnership before interest, taxes, depreciation and amortization for the twelve months ended the immediately preceding financial quarter of the Partnership. Based on the new terms of the Partnership Agreement, the Borrowing Limit will be approximately \$69 million.

"New" Facility Acquisitions and Developments

The Partnership finances its property acquisitions and developments through its existing \$36 million credit facilities described above under "Liquidity and Capital Resources – Credit Facilities". In addition, the Partnership reimburses CMP for out-of-pocket acquisition and construction costs. These costs are capitalized and included in construction in progress.

"New" Facilities

In March 2005, the Partnership, through a wholly-owned subsidiary, acquired an existing self storage facility located adjacent to the Harvest Hills community of Calgary, Alberta. The Partnership acquired the facility from an unaffiliated third party for cash of \$9,000,000. The facility consists of one non-climate controlled one-storey building and one climate controlled two-storey building with approximately 74,000 net rentable square feet and 798 units. This is the first existing self storage facility acquired by the Partnership. The total acquisition cost of this facility including closing costs, rebranding costs and other related costs of acquisition was \$9,276,000. This is an existing facility which was recently constructed and opened for business in April 2004. As at March 31, 2006, this facility was 54.1% occupied.

In April 2005, construction of a new facility located in the Cloverdale area of Surrey, British Columbia was completed and the facility opened for business. The facility is situated on a site which was acquired by the Partnership in December 2003 for \$1,715,000. The total cost to develop this facility (including cost of land) was approximately \$6,328,000. The facility consists of a two-storey climate controlled building with approximately 57,000 net rentable square feet and 699 units. As at March 31, 2006, this facility was 55.8% occupied.

In March 2006, construction of a new facility located in the city of Montréal, Québec was completed and the facility opened for business. The facility was converted from a three-storey general warehouse facility which was acquired by the Partnership in July 2005 for \$5,550,000. The total cost to develop this facility (including purchase price of existing property) was approximately \$8,567,000. The facility consists of a three-storey heated building with approximately 92,000 net rentable square feet and 950 units. As at March 31, 2006, this facility was 2.4% occupied.

Facility under Development

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 \$11,707,000. The facility will consist of a four-storey climate controlled building with approximately 77,000 net rentable square feet and 1,036 units. Estimated costs have increased due to higher steel prices, environmental remediation and holding costs (primarily property taxes and interest expense) associated with delays in receiving regulatory approvals. As at March 31, 2006, \$7,609,000 had been invested in this facility. The facility is expected to open in the third quarter of 2006.

Expectations respecting the cost to develop this facility and the date each will be open are based on various assumptions and are subject to various risks, including with respect to the availability and cost of construction materials and labour and there being limited costs, difficulties or delays related to obtaining construction and operating permits or as a result of adverse weather conditions. See "Forward-Looking Statements" on page 1.

Rights Offering

On April 6, 2006, the Unitholders approved the issuance of up to a maximum of 2,410,715 Units by way of the Rights Offering. The Rights Offering provides the existing Unitholders of the Partnership that are Qualifying Persons (as defined below) with the right to purchase additional Units in the Partnership. Assuming all the Rights are exercised, the Rights Offering is expected to raise net proceeds of approximately \$ 47.4 million, which the Partnership intends to use to reduce amounts outstanding under the Partnership's credit facilities, to finance the acquisition of three properties identified for acquisition by the Partnership (the "Additional Properties"), and to partially finance the development of the Additional Properties as well as the Partnership's existing properties.

Unitholders of record as at the close of business on April 18, 2006 (the "Record Date") received one Right for each Unit held. Rights will be evidenced by fully transferable certificates ("Rights Certificates") which will be issued in registered form.

The Partnership's limited partnership agreement restricts the ownership of Units to persons who are "Qualifying Persons" defined as any person that: (i) is not a non-resident for the purposes of the *Income Tax Act* (Canada) (the "Tax Act"); (ii) is not a person, an interest in which would be a "tax shelter investment" as defined in the Tax Act; and (iii) if a partnership, is a "Canadian partnership" under the Tax Act.

A holder of Rights that is a Qualifying Person (a "Rightsholder") is entitled to subscribe for Units at a price of \$20.00 per Unit for every two Rights held. Rightsholders may only subscribe for whole Units. No fractional Units will be issued.

Unitholders that exercise all of the Rights as evidenced by their Rights Certificates may also subscribe for additional Units that may be available as a result of unexercised Rights. Unitholders should refer to their Rights Certificate and the final prospectus for additional information with respect to subscribing for additional Rights.

The final prospectus was mailed along with the Rights Certificates to registered Unitholders on April 20, 2006. Unitholders may exercise their Rights by forwarding the completed Rights Certificate along with the applicable funds to CIBC Mellon Trust Company ("CIBC Mellon"). CIBC Mellon must receive the Rights Certificates and the required funds by 4:00 pm on June 2, 2006.

The Rights will be listed and posted for trading on the TSX under the symbol PUB.RT. Unitholders may sell their Rights into the marketplace until 12:00 noon on June 2, 2006 and the Rights will expire at 4:00 p.m. that day. The Rights Offering is expected to close on June 2, 2006.

Unitholders requiring additional information with respect to the Rights Offering may refer to the copy of the final prospectus which has been filed on SEDAR at www.sedar.com.

B. Wayne Hughes has indicated to management of the General Partner that the Hughes Family intends to exercise all Rights issued to all entities controlled by the Hughes Family and will also exercise the additional subscription privilege under the Rights Offering to the maximum extent permitted under securities laws.

The maximum number of Units that the Hughes Family may purchase under the Rights Offering depends on the number of Units subscribed for by holders or transferees of Rights under the basic subscription privilege and the additional subscription privilege under the Rights Offering. Assuming that the Hughes Family exercises all Rights issued to the Hughes

Family and also exercises the additional subscription privilege under the Rights Offering to the maximum extent permitted under applicable securities laws, management of the General Partner estimates that at least 91.8% of the maximum number of Units issuable under the Rights Offering or 2,212,803 Units will be subscribed for.

Acquisition of Additional Properties

The Partnership obtained Unitholder approval on April 6, 2006 to authorize the Partnership to use a portion of the proceeds from the Rights Offering to finance the Partnership's acquisition and development of the Additional Properties. The aggregate purchase price and related construction and development costs to develop the Additional Properties are estimated to be \$35,636,000. See "Forward-Looking Statements" on page 1.

As a result of the Unitholders' approval of the acquisition of these properties by the Partnership (the "Property Acquisition"), the Partnership will acquire the Estate Drive Property from the Hughes Family and, to the extent that the Hughes Family has not acquired the remaining two properties, the Partnership will acquire from the Hughes Family the right to acquire these two properties. The Partnership will acquire these properties (or, if applicable, the right to acquire the two properties other than the Estate Drive Property) from the Hughes Family at a purchase price equal to the cost of such properties to the Hughes Family plus interest expense, construction costs and other carrying costs actually incurred by the Hughes Family in respect of such properties.

These three properties will be managed by the General Partner under the terms of the Partnership Agreement and a management agreement between the General Partner and the Partnership, pursuant to which the General Partner will manage these properties (and continue to manage the Partnership's other mini-warehouse properties) for a management fee of 6% of gross revenues from the operation of such properties. The Additional Properties are described below:

Highway 13, Laval, Québec

This property (the "Laval Property") is located at the south east corner of Highway 13 and Notre Dame Blvd. in Laval, Québec. This property encompasses 3.4 acres of vacant land. The acquisition cost of the land is expected to be approximately \$1,550,000. The total cost to develop this property (including the purchase price) into a mini-warehouse self-storage facility is expected to be approximately \$9,426,000. This property is adjacent to a major destination shopping center featuring large retailers. The surrounding area has been significantly developed over the past five years and has a multitude of medium density housing. The high visibility of this property on Highway 13 in Laval, Québec, and easy access from the highway should help attract customers. This facility is expected to open in the second quarter of 2007.

This property will be the Partnership's first significant ground-up construction project in the Montréal market and will require increased attention from management of the General Partner. The current estimate of the total cost to develop this facility has been determined without detailed construction drawings and the actual costs may exceed the current estimate. The current zoning of this property does not specifically permit the owner of this property to operate the property as a storage facility. An application to the City of Laval has been made to change the current zoning of this property to permit its use as a storage facility. The seller is required to obtain all the necessary zoning approvals before the closing of the purchase of this property and the Partnership will not close the purchase until all the zoning approvals have been obtained to the satisfaction of the General Partner. Management's plans and expectations respecting the acquisition and development of the Laval Property are subject to various assumptions and risks. See "Forward-Looking Statements" on page 1.

Estate Drive, Toronto, Ontario

The "Estate Drive Property" is located at 28 Estate Drive in Toronto, Ontario. This property encompasses 5.03 acres of vacant land. The acquisition cost of the land is expected to be approximately \$2,750,000. The total cost to develop this property (including the purchase price) into a mini-warehouse self-storage facility is expected to be approximately \$11,008,000. The Hughes Family paid \$2,750,000 to acquire this property and, as of March 31, 2006, has invested \$10,000 in this property. The Partnership expects to purchase this property from the Hughes family at their cost during the second quarter of 2006. This property is located near Highway 401 at Markham Road and offers excellent visibility to both the east and west bound traffic on Highway 401. The current zoning of this property will allow the Partnership to use it as a self-storage facility. This property is easily accessible and is located in close proximity to several new condominium developments. This facility is expected to open in the fourth quarter of 2006.

This property will be the Partnership's first significant construction project in the Toronto market in many years and will require increased attention from management of the General Partner. The current estimate of the total cost to develop this property has been prepared without information on exact unit mix and architectural drawings and the actual costs may exceed the current estimate. Management's plans and expectations respecting the acquisition and development of the Estate Drive Property are subject to various assumptions and risks. See "Forward-Looking Statements" on page 1.

The table below summarizes certain relevant information in respect of the Laval Property and the Estate Drive Property based on management's current estimates:

Location	Land Area (acres)	Costs			Estimated Rentable Area	
		Land	Development & Construction ⁽¹⁾	Total	Sq. Ft	Spaces
Highway 13, Laval, Québec	3.40	\$1,550,000	\$7,876,000	\$9,426,000	83,500	947
Estate Drive, Toronto, Ontario	5.03	\$2,750,000	\$8,258,000	\$11,008,000	86,000	962

(1) Includes legal, closing and associated expenses.

Côte-de-Liesse, St. Laurent, Québec

This property (the "Côte-de-Liesse Property") is located at 5606 Côte-de-Liesse, St. Laurent, Québec. This property encompasses a mini-warehouse facility that is being operated from three buildings on the property with 216,068 net rentable square feet and 2,381 rentable storage spaces. This is an existing facility operating since 1996 with an average occupancy of 74.6% for the 2005 calendar year. The acquisition cost of this facility is expected to be \$14,000,000 (less the assumption of a mortgage payable of \$5,740,000). The total cost to renovate this facility is expected to be approximately \$1,202,000. This facility is located in a very high profile section of Highway 40 where Highways 15 and 520 meet. The surrounding area has mature residential developments and several high rise condominium and apartment complexes. The Partnership expects to acquire this property late in the second quarter or in the third quarter of 2006. Management of the General Partner believes that this facility can be easily rebranded as a "Public Storage" property. See "Forward-Looking Statements" on page 1.

The purchase of the Côte-de-Liesse Property will require the Partnership to assume a mortgage payable of \$5,740,000, which may be time consuming and potentially costly. This facility is much larger in size than a typical self-storage facility and, therefore, may pose operational challenges in reaching occupancy levels of greater than 80-85%. Furthermore, the age of this facility creates a greater need for maintenance and future capital improvements. Management's plans and expectations respecting the acquisition and renovation of the Côte-de-Liesse Property are subject to various assumptions and risks. See "Forward-Looking Statements" on page 1.

The table below summarizes certain relevant information in respect of the Côte-de-Liesse Property based on management's current estimates:

Location	Land Area (acres)	Costs			Estimated Rentable Area	
		Acquisition Cost	Deferred Maintenance & Refurbishment	Total	Sq. Ft	Spaces
Côte-de-Liesse, St. Laurent, Québec	8.46	\$14,000,000	\$1,202,000	\$15,202,000	216,068	2,381

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) during each of the periods ended March 31, 2006 and 2005, respectively. The Partnership also declared a distribution of \$0.45 per Unit to be paid on June 30, 2006 to Unitholders of record at the close of business on June 15, 2006.

Tax Matters

On April 6, 2006, the Unitholders amended the Partnership Agreement to change the allocation of net income of the Partnership to Unitholders in proportion to distributions received, rather than annually on December 31 of each year.

Director and Management Changes

Roland Cardy has joined the board of directors of CMP. Mr. Cardy is currently the chairman of Primaris Real Estate Investment Trust, a publicly traded REIT that owns and operates regional malls and major shopping centres across Canada. Mr. Cardy is also a Managing Partner and a director of Gorbay Company Limited, a Toronto-based private company that owns and operates multi-family properties. Mr. Cardy previously served as the Senior Managing Director of Raymond James Ltd. and has held numerous positions at the Toronto-Dominion Bank including Vice-Chairman, Investment Banking. Mr. Cardy will replace Mr. McCoy as the chairman of the audit committee, who announced his resignation to pursue other interests.

CMP also announced the appointment of Sara Kim, Esq. as Vice President – Counsel and Assistant Secretary. Ms. Kim was previously with the law firm of Latham & Watkins. She received her law degree from U.C. Berkeley and is a member of the California State Bar Association.

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. Management, investors and analysts consider FFO and EBITDA to be good measures of the performance of real estate companies because they evaluate the cash generating ability of an entity (in the case of FFO) or its assets (in the case of EBITDA), without taking into account the impact of amortization (and interest, in the case of EBITDA), which may vary significantly between real estate companies based on when particular assets were acquired and financed. 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. EBITDA is utilized in determining the debt capacity of the Partnership. 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, 2006 and 2005:

	Three months ended March 31,		
	2006	2005	Change
<u>Calculation of FFO:</u>			
Net income	\$ 1,528,000	\$ 1,652,000	
Amortization	649,000	495,000	
FFO	<u>\$ 2,177,000</u>	<u>\$ 2,147,000</u>	
Weighted average number of Units	4,821,430	4,821,430	
FFO per Unit	\$0.45	\$0.45	0.0%
<u>Calculation of EBITDA:</u>			
Net income	\$ 1,528,000	\$ 1,652,000	
Amortization	649,000	495,000	
Interest expense	212,000	10,000	
Less: interest income	(6,000)	(7,000)	
EBITDA	<u>\$ 2,383,000</u>	<u>\$ 2,150,000</u>	
Weighted average number of Units	4,821,430	4,821,430	
EBITDA per Unit	\$0.49	\$0.45	8.9%

Interim Consolidated Balance Sheets
(Unaudited)

	March 31, 2006	December 31, 2005
<u>Assets</u>		
Cash and cash equivalents	\$ 306,000	\$ 491,000
Real estate facilities [Note 3]:		
Land and land improvements	18,227,000	17,672,000
Buildings and equipment	58,980,000	50,946,000
	<u>77,207,000</u>	<u>68,618,000</u>
Less: accumulated amortization	(27,434,000)	(26,785,000)
	<u>49,773,000</u>	<u>41,833,000</u>
Construction in progress [Note 4]	7,609,000	13,340,000
Rent and other receivables	487,000	277,000
Other assets	309,000	110,000
	<u>\$ 58,484,000</u>	<u>\$ 56,051,000</u>
<u>Liabilities and Partners' Equity</u>		
Accounts payable and accrued liabilities [Note 6]	\$ 1,482,000	\$ 1,419,000
Advanced payments from renters	602,000	590,000
Amounts due under credit facilities [Note 5]	31,500,000	28,500,000
Commitments and contingencies [Note 7]		
Partners' equity, 4,993,731 partnership units authorized; 4,821,430 partnership units issued and outstanding	<u>24,900,000</u>	<u>25,542,000</u>
	<u>\$ 58,484,000</u>	<u>\$ 56,051,000</u>

See accompanying notes.

Interim Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2006	2005
Revenue:		
Rental income	\$ 4,322,000	\$ 3,875,000
Interest and other income	6,000	7,000
	<u>4,328,000</u>	<u>3,882,000</u>
Costs and expenses:		
Cost of operations	1,548,000	1,373,000
Management fees paid to affiliate [Note 6]	259,000	233,000
Amortization	649,000	495,000
Administrative	132,000	119,000
Interest expense	212,000	10,000
	<u>2,800,000</u>	<u>2,230,000</u>
Net income	<u>\$ 1,528,000</u>	<u>\$ 1,652,000</u>
Net income per partnership unit	<u>\$ 0.32</u>	<u>\$ 0.34</u>
Weighted average partnership units outstanding	<u>4,821,430</u>	<u>4,821,430</u>

See accompanying notes.

Interim Consolidated Statements of Partners' Equity
(Unaudited)

Balance at December 31, 2004	\$	26,812,000
Net income		7,409,000
Distributions to partners		<u>(8,679,000)</u>
Balance at December 31, 2005		25,542,000
Net income		1,528,000
Distributions to partners		<u>(2,170,000)</u>
Balance at March 31, 2006	\$	<u><u>24,900,000</u></u>

See accompanying notes.

Interim Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2006	2005
Cash flows provided by operating activities:		
Net income	\$ 1,528,000	\$ 1,652,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	649,000	495,000
Increase in rent and other receivables	(210,000)	(288,000)
Increase in other assets	(199,000)	(117,000)
Increase in accounts payable and accrued liabilities	63,000	307,000
Increase (decrease) in advanced payments from renters	12,000	(29,000)
Total adjustments	315,000	368,000
Net cash provided by operating activities	1,843,000	2,020,000
Cash flows from investing activities:		
Capital improvements to real estate facilities	(22,000)	(71,000)
Construction of new facilities	(2,836,000)	(1,143,000)
Acquisition of real estate facility:		
Land	-	(2,579,000)
Buildings	-	(6,692,000)
Net cash used in investing activities	(2,858,000)	(10,485,000)
Cash flows from financing activities:		
Borrowings from credit facilities	3,000,000	10,800,000
Distributions to partners	(2,170,000)	(2,170,000)
Net cash provided by financing activities	830,000	8,630,000
Net (decrease) increase in cash and cash equivalents	(185,000)	165,000
Cash and cash equivalents, beginning of period	491,000	275,000
Cash and cash equivalents, end of period	\$ 306,000	\$ 440,000
Supplemental cash flow information:		
Interest paid	\$ 428,000	\$ 150,000

See accompanying notes.

Notes to Interim Consolidated Financial Statements
(Unaudited)
March 31, 2006

1. Description of the Partnership

Public Storage Canadian Properties (the "Partnership") is a publicly held limited partnership formed under the *Limited Partnerships Act* (Ontario). The Partnership owns nineteen self-storage facilities. Thirteen facilities are located in Ontario, four facilities are located in British Columbia, one facility is located in Alberta and one facility is located in Quebec. In addition, the Partnership owns a parcel of land in Vancouver, British Columbia for development into a self-storage facility. The mini-warehouse industry is subject to seasonal fluctuations in occupancy levels with the spring and summer months generating increased rental activity compared to decreased rental activity in the colder winter months. The Partnership experiences the effects of these fluctuations as spring and summer occupancies are typically higher than those in the fall and winter.

The facilities are operated under the trade name "Public Storage" and managed by the General Partner of the Partnership pursuant to a separate property management agreement (see Note 6). The General Partner of the Partnership is Canadian Mini-Warehouse Properties Limited ("CMP"). All of the shares of CMP are beneficially owned by B. Wayne Hughes and certain members of his family (collectively, the "Hughes Family"). Entities controlled by the Hughes Family beneficially owned 2,454,328 units of the Partnership ("Units"), including the Units owned by CMP, or approximately 50.9% of the outstanding Units as at March 31, 2006 and December 31, 2005.

2. Basis of Presentation

These interim unaudited consolidated financial statements have been prepared by the Partnership in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to interim financial statements, applied on a consistent basis. These interim unaudited consolidated financial statements follow the same accounting principles and methods of application as those described in Note 2 to the Partnership's audited consolidated financial statements as at and for the year ended December 31, 2005. Accordingly, they do not include all the information and footnotes required for compliance with Canadian GAAP for annual financial statements. These interim unaudited consolidated financial statements and notes thereon should be read in conjunction with the annual audited consolidated financial statements.

The preparation of these interim unaudited consolidated financial statements and the accompanying notes require management to make estimates and assumptions that affect the amounts reported. In the opinion of management, these interim unaudited consolidated financial statements reflect all adjustments (which include only normal, recurring adjustments) necessary to state fairly the results for the periods presented. Actual results could vary from these estimates and the operating results for the interim periods presented are not necessarily indicative of the results expected for the full year.

3. Real Estate Facilities

In March 2006, construction of a new facility located in the city of Montréal, Québec was completed and the facility opened for business. The facility was converted from a three-storey general warehouse facility which was acquired by the Partnership in July 2005 for \$5,550,000. The total cost to develop this facility (including purchase price of existing property) was approximately \$8,567,000.

4. Construction in Progress

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. As at March 31, 2006, \$7,609,000 had been invested in this facility.

5. Credit Facilities

As at March 31, 2006, the Partnership had an outstanding balance of \$31.5 million on its \$36 million credit facilities. The credit facilities mature on June 30, 2006. At the Partnership's option, the rate of interest charged is equal to either (i) the Prime Rate plus an applicable margin ranging from 0.000% to 0.250% based on usage of the facility or (ii) a rate equal to the Banker's Acceptance Rate plus an applicable margin ranging from 0.625% to 1.375% based on usage of the facility. In addition, the Partnership is required to pay a facility fee ranging from 0.125% to 0.250% based on the usage of the facility.

Under the terms of its credit facility, the Partnership is required to (i) maintain a senior funded debt ratio (as defined) of not greater than 4.00 to 1.00 and (ii) maintain a tangible net worth of \$22,500,000 (as defined). As at March 31, 2006, the Partnership was in compliance with the terms of the credit facility.

On April 6, 2006, the Unitholders passed an extraordinary resolution amending the Partnership Agreement relating to the limitations on debt financing. The total amount of all secured and unsecured debt of the Partnership (the "Borrowing Limit") was raised from four to seven times earnings of the Partnership before interest, taxes, depreciation and amortization for the twelve months ended the immediately preceding financial quarter of the Partnership. Based on the new terms of the Partnership Agreement, the Borrowing Limit will be approximately \$69 million.

6. Related Party Transactions

Pursuant to the terms of the amended and restated management agreement dated as of January 1, 1999 between CMP and the Partnership (the "Management Agreement"), CMP manages the operation of mini-warehouse facilities of the Partnership for a management fee of 6% of Gross Operating Revenues (as defined in the Management Agreement). During the three months ended March 31, 2006, the Partnership incurred management fees of \$259,000 (\$233,000 – March 31, 2005).

In addition to management fees, the Partnership reimburses CMP for any reasonable expenses or costs it incurs, or disbursements it makes on behalf of the Partnership in connection with its duties as General Partner and property manager, including payroll, advertising, insurance and support services. Out-of-pocket costs were \$316,000 during the three months ended March 31, 2006 (\$594,000 – March 31, 2005). These amounts are included in cost of operations and administrative expense.

The Partnership also reimbursed CMP for out-of-pocket acquisition and construction costs of \$52,000 for the three months ended March 31, 2006 (\$16,000 – March 31, 2005). These amounts are capitalized to construction in progress.

As at March 31, 2006, the Partnership owed \$278,000 to CMP (\$234,000 – March 31, 2005). These amounts are included in accounts payable and accrued liabilities.

7. Commitments and Contingencies

Due to the size, complexity and nature of the Partnership's operations, the Partnership is party to various legal matters. 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.

8. Subsequent Events

On April 7, 2006, the Partnership filed a final short form prospectus in connection with the issuance of up to a maximum of 2,410,715 Units by way of a rights offering (the "Offering") at a price of \$20 per Unit. Proceeds from the Offering are expected to be approximately \$47,414,000, net of estimated offering costs of \$800,000. The proceeds will be used to paydown the credit facilities and acquire additional properties that were approved by holders of Units at the annual and special meeting on April 6, 2006.

Public Storage Canadian Properties
Partnership Highlights

	Q105	Q205	Q305	Q405	Q106	2005 YTD	2006 YTD
Operations							
"Same Store" average occupancy	86.8%	88.9%	90.0%	87.9%	87.1%	86.8%	87.1%
"Same Store" annualized realized rental rates ⁽¹⁾	\$14.44	\$15.02	\$15.39	\$15.07	\$15.10	\$14.44	\$15.10
Rental income	\$3,875,000	\$4,207,000	\$4,470,000	\$4,327,000	\$4,322,000	\$3,875,000	\$4,322,000
% change from prior year	7.4%	13.5%	11.8%	10.2%	11.5%	7.4%	11.5%
Net income	\$1,652,000	\$1,889,000	\$1,947,000	\$1,921,000	\$1,528,000	\$1,652,000	\$1,528,000
Net income per Unit	\$0.34	\$0.39	\$0.40	\$0.40	\$0.32	\$0.34	\$0.32
% change from prior year	(2.9%)	21.9%	5.3%	11.1%	(5.9%)	(2.9%)	(5.9%)
Funds from Operations (FFO) ⁽²⁾	\$2,147,000	\$2,473,000	\$2,555,000	\$2,602,000	\$2,177,000	\$2,147,000	\$2,177,000
FFO per Unit	\$0.45	\$0.51	\$0.53	\$0.54	\$0.45	\$0.45	\$0.45
% change from prior year	2.3%	21.4%	10.4%	10.2%	0.0%	2.3%	0.0%
EBITDA ⁽²⁾	\$2,150,000	\$2,592,000	\$2,699,000	\$2,473,000	\$2,383,000	\$2,150,000	\$2,383,000
EBITDA per Unit	\$0.45	\$0.54	\$0.56	\$0.51	\$0.49	\$0.45	\$0.49
% change from prior year	2.3%	28.6%	16.7%	6.3%	8.9%	2.3%	8.9%
Stock Price							
Close	\$26.00	\$23.00	\$22.50	\$23.00	\$23.75	\$26.00	\$23.75
High	28.00	26.00	25.50	24.00	25.00	28.00	25.00
Low	21.25	21.61	21.75	20.06	22.00	21.25	22.00
Distribution per Unit	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$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 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
Investor Communications Department
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