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

2007
FIRST QUARTER REPORT

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

Dated May 2, 2007

Forward Looking Statements

This discussion of the 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";

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- 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 Partnership Act (Ontario)*. The Partnership owns 22 operating self-storage facilities across Canada. 14 facilities are located in Ontario, 5 are located in British Columbia, 2 are located in Québec and 1 is located in Alberta. In addition, the Partnership owns a parcel of land in Toronto, Ontario and leases a parcel of land (with an option to purchase) in Laval, Québec for development into self-storage facilities.

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 Company ("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 3,896,942 units of the Partnership ("Units") including the Units owned by CMP, or approximately 53.9% of the outstanding Units as at March 31, 2007.

Outstanding Securities

As at May 2, 2007, 7,232,145 Units were outstanding.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The Partnership's significant accounting policies are outlined in Note 2 of the Partnership's audited annual consolidated financial statements and have been consistently followed except that the Partnership adopted the guidelines governed by Section 1530 and 3855 of the CICA handbook, "Comprehensive Income" and Financial Instruments – Recognition and Measurement" on January 1, 2007. The adoption of these policies did not have a material impact on the financial statements.

Operating Results

Net income of the Partnership was \$1,632,000 or \$0.23 per Unit for the three months ended March 31, 2007 compared to \$1,528,000 or \$0.32 per Unit for the same period in 2006. The 6.8% increase in total net income was due to growth in property operations from both the "Same Store" and "New" Facilities as defined below, offset by an increase in amortization expense associated with the "New" Facilities placed in service. The decrease in net income per Unit was due primarily to an increase of 2,410,715 Units in the calculation of the number of weighted average Units outstanding in connection with a Rights Offering on June 2, 2006. The second quarter of fiscal 2007 will be the last quarter to reflect the dilutive impact of an additional 2,410,715 Units in the calculation of the number of weighted average Units outstanding.

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, 2006.

Property Operations

The following table summarizes the net operating income (“NOI”) of the properties for the three months ended March 31, 2007 and 2006. NOI is equal to rental income less cost of operations and management fees paid to CMP before amortization. This non-GAAP financial measure does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers.

	Three months ended March 31,		
	2007	2006	Change
<u>Rental income:</u>			
“Same Store” facilities (a).....	\$ 4,217,000	\$ 4,058,000	3.9%
“New” facilities (b)	1,097,000	264,000	
	<u>5,314,000</u>	<u>4,322,000</u>	23.0%
<u>Cost of operations:</u>			
“Same Store” facilities	1,318,000	1,331,000	(1.0%)
“New” facilities	585,000	217,000	
	<u>1,903,000</u>	<u>1,548,000</u>	22.9%
<u>Management fees (c):</u>			
“Same Store” facilities	253,000	243,000	4.1%
“New” facilities	66,000	16,000	
	<u>319,000</u>	<u>259,000</u>	23.2%
<u>Net operating income:</u>			
“Same Store” facilities	2,646,000	2,484,000	6.5%
“New” facilities	446,000	31,000	
	<u>\$ 3,092,000</u>	<u>\$ 2,515,000</u>	22.9%

- (a) “Same Store” facilities are facilities that have been owned and operated at a mature, stabilized occupancy level since January 1, 2006. Management considers a facility to be stabilized after it has been opened for at least three years. 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. As at March 31, 2007, the “Same Store” facilities consist of 16 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 storage units.
- (b) “New” facilities are facilities that have been recently acquired and/or developed by the Partnership and were not owned or operated at a mature, stabilized occupancy level since January 1, 2006. Generally, these facilities are still in their initial “fill-up” stage and do not provide meaningful comparisons to prior periods. The Partnership reports the performance of “New” facilities separately from the performance of the Partnership’s “Same Store” facilities. The Partnership will reclassify these properties to “Same Store” facilities once they have been owned and operated at a mature, stabilized occupancy level as of January 1 of the earliest period presented. As at March 31, 2007, the “New” facilities consist of five facilities and contain approximately 513,000 net rentable square feet and 5,803 storage units. The aggregate cost of the “New” facilities was approximately \$50,482,000. For further information regarding “New” facilities, see “New” Facilities 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 until 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,		
	2007	2006	Change
Rental income (a)	\$ 4,217,000	\$ 4,058,000	3.9%
Cost of operations:			
Property taxes.....	495,000	493,000	0.4%
Direct payroll	345,000	337,000	2.4%
Utilities (b).....	108,000	92,000	17.4%
Repairs and maintenance (c).....	127,000	138,000	(8.0%)
Advertising (d).....	53,000	47,000	12.8%
Insurance (e).....	25,000	43,000	(41.9%)
Other (f)	165,000	181,000	(8.8%)
	1,318,000	1,331,000	(1.0%)
Management fees	253,000	243,000	4.1%
Net operating income	\$ 2,646,000	\$ 2,484,000	6.5%
Gross margin (g)	62.7%	61.2%	
Weighted average for period:			
Occupancy	85.6%	87.1%	
Realized annual rent per square foot (h)	\$15.96	\$15.10	5.7%

- (a) The increase in rental income, net of discounts, was due primarily to rental rate increases and lower discounts given. Discounts were \$335,000 for the three months ended March 31, 2007 compared to \$391,000 for the same period in 2006.
- (b) The increase in utilities expense was due to a colder winter season compared to the same period in 2006.
- (c) The decrease in repairs and maintenance expense was due to controlled levels of discretionary spending and various maintenance initiatives implemented in the prior years.
- (d) The increase in advertising expense was due primarily to an increase in yellow pages advertising rates compared to the same period in 2006.
- (e) The decrease in insurance expense was due to a reduction in renewal rates. The new rates were based on a favourable history of losses and claims.
- (f) The decrease in other expenses was due to a reduction in the cost of supervising and administrative costs compared to the same period in 2006.
- (g) Gross margin is computed by dividing property net operating income by rental income.
- (h) 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 of the Partnership's "Same Store" facilities by geographic region is summarized as follows:

	Three months ended March 31,		
	2007	2006	Change
Rental income:			
British Columbia.....	\$ 709,000	\$ 652,000	8.7%
Ontario.....	3,508,000	3,406,000	3.0%
	<u>\$ 4,217,000</u>	<u>\$ 4,058,000</u>	3.9%

"New" Facilities

As at March 31, 2007, the "New" Facilities consist of the following:

Location	Date Acquired or Opened	Cost	Net Rentable Square Feet	Storage Units	Occupancy
Calgary, Alberta	March 2005	\$ 9,276,000	74,000	798	69.9%
Surrey, British Columbia	April 2005	6,328,000	57,000	699	77.4%
Montréal, Québec	March 2006	8,847,000	92,000	950	19.5%
St. Laurent, Québec	June 2006	14,551,000	216,000	2,381	72.6%
Vancouver, British Columbia	July 2006	11,480,000	74,000	975	25.4%
		<u>\$ 50,482,000</u>	<u>513,000</u>	<u>5,803</u>	

The following table summarizes the pre-amortization operating results of the Partnership's "New" facilities.

	Three months ended March 31,		
	2007	2006	Change
Rental income	\$ 1,097,000	\$ 264,000	315.5%
Cost of operations.....	585,000	217,000	169.6%
Management fees	66,000	16,000	312.5%
Net operating income.....	<u>\$ 446,000</u>	<u>\$ 31,000</u>	1,338.7%

Amortization of Real Estate Facilities

Amortization expense of real estate facilities was \$912,000 for the three months ended March 31, 2007 compared to \$649,000 for the same period in 2006. The increase was due to amortization expense associated with the "New" facilities placed in service.

Amortization of Intangible Assets

Amortization expense of intangible assets was \$316,000 for the three months ended March 31, 2007 compared to \$nil for the same period in 2006. The increase was due to amortization of in-place leases acquired in connection with an existing facility.

Interest Expense

Interest expense was \$109,000 (net of \$44,000 capitalized to construction projects) for the three months ended March 31, 2007 compared to \$212,000 (net of \$151,000 capitalized to construction projects) for the same period in 2006. The decrease in interest expense was due to lower amounts due under the Credit Facility compared to the same period in 2006. The Partnership capitalizes certain interest expense incurred during the period a project is being developed and constructed. The weighted average borrowing rate on the Credit Facility was 5.12% for the three

months ended March 31, 2007 compared to 4.98% for the same period in 2006. The interest on the mortgage note payable was 7.879%.

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 \$150,000 for the three months ended March 31, 2007 compared to \$132,000 for the same period in 2006. The increase was due primarily to higher professional fees, listing fees and filing fees associated with being a larger public company.

Interest and Other Income

Interest and other income include interest received on cash balances. Interest and other income was \$27,000 for the three months ended March 31, 2007 compared to \$6,000 for the same period in 2006. The increase was due to higher interest rates earned on higher average cash balances.

Liquidity and Capital Resources

The Partnership had \$522,000 in cash and cash equivalents as at March 31, 2007. 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 \$35 million revolving 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, 2007 was \$2,659,000 compared to \$1,843,000 for the same period in the prior year. The increase was due to improved operating efficiencies resulting in positive cash flows generated from the "Same Store" and "New" facilities.

Capital Improvements

The Partnership has budgeted \$1,400,000 in capital improvements to improve the function and aesthetics of the "Same Store" facilities in 2007. Management believes these improvements are necessary to remain competitive with newer facilities in the marketplace. As at March 31, 2007, the Partnership incurred \$26,000 or 2% of the budgeted amount due to weather conditions and expects to incur the remaining budgeted amount of \$1,374,000 by the end of the year.

In addition, the Partnership expects to incur \$501,000 in trailing renovations and rebranding of the Côte-de-Liesse Facility in St. Laurent, Québec and has budgeted approximately \$4,000,000 for the demolition and redevelopment of an existing "Same Store" facility in Toronto.

Credit Facility

The Partnership's \$35 million revolving Credit Facility matures in July 2009. The Credit Facility is secured by four real estate facilities and a general security agreement. As at March 31, 2007, amounts due under the Credit Facility were \$8,000,000. Under the Partnership Agreement, the total amount of all secured and unsecured debt is limited 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 or approximately \$84 million as at March 31, 2007.

At the Partnership's option, the rate of interest charged on the Credit Facility is equal to either (i) the Prime Rate or (ii) a rate equal to the Banker's Acceptance Rate plus an applicable margin of 0.875%. In addition, the Partnership is required to pay a standby fee equal to 0.125% based on the unused portion of the Credit Facility.

Under the terms of the Credit Facility, the Partnership is required to (i) maintain a senior funded debt ratio (as defined) of not greater than 4.50 to 1.00 and (ii) maintain a tangible net worth (as defined) of \$60,000,000. As at March 31, 2007, the Partnership was in compliance with the terms of the Credit Facility.

Facilities Acquired and Under Development

Property acquisitions and development costs are funded from the Partnership's cash flows from operations after distributions and from its Credit Facility. In addition, the Partnership reimburses CMP for out-of-pocket acquisition and construction costs. These costs are capitalized and included in construction in progress.

Estate Drive – Toronto, Ontario

In November 2006, the Partnership acquired a 5.03 acre property at 28 Estate Drive in Toronto, Ontario from the Hughes Family for an exchange amount of \$3,929,000 which represents the cost of the property to the Hughes Family (including interest expense, constructions costs and other carrying costs actually incurred by them) and approximates fair value. The acquisition was previously approved by a majority of the Unitholders other than entities controlled by the Hughes Family on April 6, 2006. The total cost to develop this property (including the purchase price) into a self-storage facility comprising 86,000 net rentable square feet and 962 storage units is expected to be approximately \$11,000,000. As at March 31, 2007, \$6,058,000 has been invested in this facility. This facility is expected to open in the middle of 2007.

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. 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 2.

Highway 13 – Laval, Québec

In November 2006, the Partnership has entered into a land lease agreement for a 3.4 acre property located at the south east corner of Highway 13 and Notre Dame Blvd. in Laval, Québec with an option to purchase the land after 10 years. The option price of the land is \$1,550,000. The total cost to develop this property into a self-storage facility comprising 84,000 net rentable square feet and 947 storage units is expected to be approximately \$9,426,000 (including the option to purchase the land). As at March 31, 2007, \$2,291,000 has been invested in this facility. This facility is expected to open in the middle 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. 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 2.

Expectations respecting the cost to develop these facilities 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 2.

Oxford Self Storage – Woodstock, Ontario

In May 2007, the Partnership acquired a property located at 1310 Dundas Street in Woodstock, Ontario for a purchase price of approximately \$3,400,000. This existing self-storage facility consists of six newly constructed single storey buildings with approximately 35,000 net rentable square feet, 300 storage units and 100 parking spaces. Two of the buildings are climate controlled. The Partnership will be constructing four additional buildings at a cost to the Partnership of approximately \$800,000. The four new buildings will provide an additional 20,000 net rentable square feet and 170 storage units. Construction is expected to be complete in the fourth quarter of 2007.

This property will be the Partnership's first significant acquisition property in the Southwestern Ontario market and will require increased attention from management of the General Partner. Management's plans and expectations respecting the acquisition and renovation of the Oxford property are subject to various assumptions and risks. See "Forward-Looking Statements" on page 2.

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 \$3,254,000 (7,232,145 Units at \$0.45 per Unit) during the three months ended March 31, 2007 compared to \$2,170,000 (4,821,430 Units at \$0.45 per Unit) during the same period in the prior year.

The board of directors of CMP also declared a distribution of \$0.45 per Unit to be paid on June 29, 2007 to Unitholders of record at the close of business on June 15, 2007.

Tax Treatment and Notices

Taxes based on the income of the Partnership are the responsibility of the individual partners and, accordingly, each Unitholder is responsible for reporting their pro-rata share of the Partnership's income for tax purposes on their tax return based on the amount of distributions received. The pro-rata share of income to be recognized is based on the Partnership's income for tax purposes and is not on its reported "book" income. Partnership income for tax purposes and "book" income differ due to difference in the reporting of various items. The major difference is the amount of capital cost allowance recognized for tax purposes versus the amount of amortization recognized for "book" purposes. The majority of this difference resulted from a "step-up" in the basis of real estate assets for "book" purposes in connection with various amalgamations to which the Partnership has been a party. For tax purposes, as the transactions were treated as "tax-free" exchanges, these assets have not been "stepped-up".

On October 31, 2006, Canada's Minister of Finance announced sweeping proposals to amend the *Income Tax Act* (Canada) to eliminate tax advantages presently enjoyed by certain investors in publicly-traded income trusts and limited partnerships, including the Partnership. Very generally, if these proposals are implemented, commencing in the Partnership's taxation year ending in 2011, the Partnership will be required to pay tax on its income at rates equivalent to that of a corporation. In addition, if the proposals are implemented, income subject to the new tax allocated to holders of Units will be taxed as though received by them as taxable dividends paid by a taxable Canadian corporation. In the case of a Unitholder that is an individual, tax dividend gross-up and tax credit rules regularly applicable to such dividends will then apply to such deemed dividends. A Unitholder that is a corporation will generally be entitled to deduct the amount of such deemed dividends in computing its income for tax purposes. The effect of these measures, generally speaking, will be that income earned by the Partnership will be taxed at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations.

Management is evaluating alternatives to mitigate this tax proposal.

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-“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, 2007 and 2006:

	Three months ended March 31,		
	2007	2006	Change
<u>Calculation of FFO:</u>			
Net income.....	\$ 1,632,000	\$ 1,528,000	
Amortization of real estate facilities	912,000	649,000	
Amortization of intangible assets	316,000	-	
FFO.....	<u>\$ 2,860,000</u>	<u>\$ 2,177,000</u>	31.4%
Weighted average number of Units	7,232,145	4,821,430	
FFO per Unit.....	\$0.40	\$0.45	(11.1%)
<u>Calculation of EBITDA:</u>			
Net income.....	\$ 1,632,000	\$ 1,528,000	
Less: interest and other income.....	(27,000)	(6,000)	
Interest expense.....	109,000	212,000	
Amortization of real estate facilities	912,000	649,000	
Amortization of intangible assets	316,000	-	
EBITDA	<u>\$ 2,942,000</u>	<u>\$ 2,383,000</u>	23.5%
Weighted average number of Units	7,232,145	4,821,430	
EBITDA per Unit	\$0.41	\$0.49	(16.3%)

Consolidated Financial Statements

Public Storage Canadian Properties

(A Limited Partnership Governed by the Limited Partnerships Act of Ontario)

March 31, 2007

Public Storage Canadian Properties

(A Limited Partnership Governed by the Limited Partnerships Act of Ontario)

**INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited)**

	March 31, 2007 \$	December 31, 2006 \$
ASSETS		
Cash and cash equivalents	522,000	415,000
Real estate facilities <i>[note 3 & 4]</i>		
Land and land improvements	23,379,000	23,379,000
Buildings and equipment	78,995,000	78,969,000
	102,374,000	102,348,000
Less accumulated amortization	(30,858,000)	(29,946,000)
	71,516,000	72,402,000
Construction in progress	8,349,000	4,904,000
Intangible assets, net	632,000	948,000
Rent and other receivables	422,000	254,000
Other assets	404,000	319,000
	81,845,000	79,242,000
LIABILITIES AND PARTNERS' EQUITY		
Accounts payable and accrued liabilities <i>[note 5]</i>	1,001,000	1,003,000
Advance payments from renters	917,000	863,000
Amounts due under credit facility <i>[note 3]</i>	8,000,000	3,800,000
Mortgage note payable <i>[note 4]</i>	5,596,000	5,623,000
Commitments and contingencies <i>[note 6]</i>		
Partners' equity		
7,232,145 partnership units issued and outstanding	66,331,000	67,953,000
Total liabilities and partners' equity	81,845,000	79,242,000

See accompanying notes

Public Storage Canadian Properties

(A Limited Partnership Governed by the Limited Partnerships Act of Ontario)

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
AND PARTNERS' EQUITY
(Unaudited)**

Three months ended March 31,

	2007	2006
	\$	\$
Revenue		
Rental income	5,314,000	4,322,000
Interest and other income	27,000	6,000
	5,341,000	4,328,000
Cost and expenses		
Cost of operations	1,903,000	1,548,000
Management fees <i>[note 5]</i>	319,000	259,000
Amortization of real estate facilities	912,000	649,000
Amortization of intangible assets	316,000	—
Interest expense	109,000	212,000
Administrative	150,000	132,000
	3,709,000	2,800,000
Net income for the period	1,632,000	1,528,000
Weighted average partnership units outstanding	7,232,145	4,821,430
Net income per unit	0.23	0.32
Partners' equity, beginning of period	67,953,000	25,542,000
Net income for the period	1,632,000	1,528,000
Distributions	(3,254,000)	(2,170,000)
Partners' equity, end of period	66,331,000	24,900,000

See accompanying notes

Public Storage Canadian Properties(A Limited Partnership Governed by the Limited Partnerships Act of Ontario)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Three months ended March 31,

	2007	2006
	\$	\$
OPERATING ACTIVITIES		
Net income for the year	1,632,000	1,528,000
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of real estate facilities	912,000	649,000
Amortization of intangible assets	316,000	—
Increase in rent and other receivables	(168,000)	(210,000)
Increase in other assets	(85,000)	(199,000)
(Decrease) increase in accounts payable and accrued liabilities	(2,000)	63,000
Increase in advance payments from renters	54,000	12,000
Net cash provided by operating activities	2,659,000	1,843,000
INVESTING ACTIVITIES		
Construction of new facilities	(3,445,000)	(2,836,000)
Improvements to real estate facilities	(26,000)	(22,000)
Net cash used in investing activities	(3,471,000)	(2,858,000)
FINANCING ACTIVITIES		
Borrowings from credit facility	5,500,000	3,000,000
Repayments of credit facility	(1,300,000)	—
Repayments of mortgage note payable	(27,000)	—
Distributions	(3,254,000)	(2,170,000)
Net cash provided by financing activities	919,000	830,000
Net increase (decrease) in cash and cash equivalents during the period	107,000	(185,000)
Cash and cash equivalents, beginning of period	415,000	491,000
Cash and cash equivalents, end of period	522,000	306,000
Supplemental cash flow information		
Interest paid	205,000	428,000
Transfer of construction in progress to real estate facilities:		
Land and land improvements	—	555,000
Buildings and equipment	—	8,012,000
Construction in progress	—	(8,567,000)

See accompanying notes

Public Storage Canadian Properties

(A Limited Partnership Governed by the Limited Partnerships Act of Ontario)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

March 31, 2007

1. DESCRIPTION OF PARTNERSHIP

Public Storage Canadian Properties (the “Partnership”) is a publicly held limited partnership formed under the *Limited Partnerships Act (Ontario)*. The Partnership owns 21 operating self-storage facilities. 13 facilities are located in Ontario, 5 are located in British Columbia, 2 are located in Québec and 1 is located in Alberta. In addition, the Partnership owns a parcel of land in Toronto, Ontario and leases a parcel of land (with an option to purchase) in Laval, Québec for development into self-storage facilities. The self-storage industry is subject to seasonal fluctuations in occupancy levels with the spring and summer months generating increased rental activity compare 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 are managed by the General Partner of the Partnership pursuant to a separate property management agreement [see note 5]. The General Partner of the Partnership is Canadian Mini-Warehouse Properties Company (“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 owned by the Hughes Family owned 3,896,942 units of the Partnership (“Units”), including the Units owned by CMP, or approximately 53.9% of the outstanding Units as at March 31, 2007 and December 31, 2006.

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, 2006 except for the new accounting guidelines noted below. 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.

These interim unaudited consolidated financial statements of the Partnership have not been reviewed by our independent auditors.

Effective January 1, 2007, the Partnership adopted the following CICA guidelines:

Section 1530 – Comprehensive Income

Comprehensive income is the change in the Partnership’s net assets that results from transactions, events and circumstances from sources other than the Partnership’s Unitholders and includes items that would not normally be included in net income until realized. The adoption of this policy did not have a material impact on the financial statements.

Section 3855 – Financial Instruments – Recognition and Measurement

Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. The adoption of this policy did not have a material impact on the financial statements.

Public Storage Canadian Properties

(A Limited Partnership Governed by the Limited Partnerships Act of Ontario)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

March 31, 2007

3. CREDIT FACILITY

In July 2006, the Partnership amended and extended its credit agreement with the Bank of Montreal (the "Credit Facility"). The \$35 million revolving Credit Facility matures in July 2009. The Credit Facility is secured by four real estate facilities and a general security agreement. As at March 31, 2007, amounts due under the Credit Facility were \$8,000,000 [\$3,800,000 as at December 31, 2006].

At the Partnership's option, the rate of interest charged on the Credit Facility is equal to either (i) the Prime Rate or (ii) a rate equal to the Banker's Acceptance Rate plus an applicable margin of 0.875%. In addition, the Partnership is required to pay a standby fee equal to 0.125% based on the unused portion of the Credit Facility. The weighted average borrowing rate was 5.12% and 4.98% for the three months ended March 31, 2007 and 2006, respectively.

Under the terms of the Credit Facility, the Partnership is required to (i) maintain a senior funded debt ratio (as defined) of not greater than 4.50 to 1.00 and (ii) maintain a tangible net worth (as defined) of at least \$60,000,000. As at March 31, 2007 and December 31, 2006, the Partnership was in compliance with the terms of the Credit Facility.

4. MORTGAGE NOTE PAYABLE

In July 2006, the Partnership assumed a 7.879% mortgage note payable of \$5,676,000 in connection with the acquisition of an existing self-storage facility in St. Laurent, Québec. The note payable is secured by this facility and matures in November 2012.

Interest expense on the mortgage note payable for the three months ended March 31, 2007 was \$109,000 [2006 - \$nil].

5. RELATED PARTY TRANSACTIONS

Pursuant to the terms of the amended and restated management agreement dated as at January 1, 1999, between CMP and the Partnership (the "Management Agreement"), CMP manages the operations of the mini-warehouses facilities of the Partnership for a management fee of 6% of Gross Operating Revenue (as defined in the Management Agreement). During the three months ended March 31, 2007, the Partnership incurred management fees of \$319,000 [2006 - \$259,000].

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 (e.g., advertising, insurance and support services, etc.). Out-of-pocket costs were \$279,000 during the three months ended March 31, 2007 [2006 - \$316,000]. These amounts are included in cost of operations and administrative expense.

The Partnership also reimbursed CMP for out-of-pocket internal acquisition and construction management costs of \$50,000 during the three months ended March 31, 2007 [2006 - \$52,000]. These amounts are capitalized to construction in progress.

These transactions are in the normal course of operations and are measured at the exchange amount which represents the consideration established and agreed to by the related parties.

As at March 31, 2007, the Partnership owed \$563,000 to CMP [\$507,000 as at December 31, 2006]. These amounts are included in accounts payable and accrued liabilities.

6. COMMITMENTS AND CONTINGENCIES

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.

Public Storage Canadian Properties

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

March 31, 2007

On October 31, 2006, Canada's Minister of Finance announced sweeping proposals to amend the *Income Tax Act* (Canada) to eliminate tax advantages presently enjoyed by certain investors in publicly-traded income trusts and limited partnerships, including the Partnership. Very generally, if these proposals are implemented, commencing in the Partnership's taxation year ending in 2011, the Partnership will be required to pay tax on its income at rates equivalent to that of a corporation. In addition, if the proposals are implemented, income subject to the new tax allocated to holders of Units will be taxed as though received by them as taxable dividends paid by a taxable Canadian corporation. In the case of a Unitholder that is an individual, tax dividend gross-up and tax credit rules regularly applicable to such dividends will then apply to such deemed dividends. A Unitholder that is a corporation will generally be entitled to deduct the amount of such deemed dividends in computing its income for tax purposes. The effect of these measures, generally speaking, will be that income earned by the Partnership will be taxed at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations.

7. SUBSEQUENT EVENTS

In May 2007, the Partnership acquired an existing self-storage facility located in the city of Woodstock, Ontario for a purchase price of approximately \$3,400,000.

**Public Storage Canadian Properties
Partnership Highlights**

	Q106	Q206	Q306	Q406	Q107	2006 YTD	2007 YTD
Operations							
"Same Store" average occupancy	87.1%	88.2%	87.3%	85.4%	85.6%	87.1%	85.6%
"Same Store" annualized realized rental rates ⁽¹⁾	\$15.10	\$15.93	\$16.21	\$15.97	\$15.96	\$15.10	\$15.96
Rental income	\$4,322,000	\$4,772,000	\$5,473,000	\$5,279,000	\$5,314,000	\$4,322,000	\$5,314,000
% change from prior year	11.5%	13.4%	22.4%	22.0%	23.0%	11.5%	23.0%
Net income	\$1,528,000	\$2,023,000	\$2,062,000	\$1,676,000	\$1,632,000	\$1,528,000	\$1,632,000
Net income per Unit	\$0.32	\$0.36	\$0.29	\$0.23	\$0.23	\$0.32	\$0.23
% change from prior year	(5.9%)	(7.7%)	(27.5%)	(42.5%)	(28.1%)	(5.9%)	(28.1%)
Funds from Operations (FFO) ⁽²⁾	\$2,177,000	\$2,618,000	\$3,250,000	\$2,900,000	\$2,860,000	\$2,177,000	\$2,860,000
FFO per Unit	\$0.45	\$0.47	\$0.45	\$0.40	\$0.40	\$0.45	\$0.40
% change from prior year	0.0%	(7.8%)	(15.1%)	(25.9%)	(11.1%)	0.0%	(11.1%)
EBITDA ⁽²⁾	\$2,383,000	\$2,946,000	\$3,311,000	\$2,936,000	\$2,942,000	\$2,383,000	\$2,942,000
EBITDA per Unit	\$0.49	\$0.53	\$0.46	\$0.41	\$0.41	\$0.49	\$0.41
% change from prior year	8.9%	(1.9%)	(17.9%)	(19.6%)	(16.3%)	8.9%	(16.3%)
Stock Price							
Close	\$23.75	\$20.00	\$21.71	\$22.75	\$23.85	\$23.75	\$23.85
High	25.00	23.75	22.00	23.50	24.77	25.00	24.77
Low	22.00	19.55	20.00	20.50	22.40	22.00	22.40
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 before depreciation, amortization and gains or losses on sale of real estate assets. 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

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