

**PUBLIC STORAGE
CANADIAN
PROPERTIES**

**2003
SECOND QUARTER REPORT**

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

Public Storage Canadian Properties ("PSCP" or the "Partnership") reported net income of \$1,805,000 or \$0.37 per partnership unit for the three months ended June 30, 2003 compared to \$2,024,000 or \$0.42 per partnership unit for the same period in 2002. Net income was \$3,745,000 or \$0.78 per partnership unit for the six months ended June 30, 2003 compared to \$3,948,000 or \$0.82 per partnership unit for the same period in 2002.

Property Operations

The Partnership derives substantially all of its income from the ownership of sixteen self-storage facilities located in the provinces of Ontario and British Columbia. The following table summarizes the pre-depreciation operating results of the Partnership's facilities.

	Three months ended June 30,			Six months ended June 30,		
	2003	2002	Change	2003	2002	Change
Rental income.....	\$ 3,778,000	\$ 3,879,000	-2.6%	\$ 7,640,000	\$ 7,675,000	-0.5%
Cost of operations.....	1,188,000	1,081,000	9.9%	2,345,000	2,208,000	6.2%
Management fees.....	227,000	232,000	-2.2%	459,000	463,000	-0.9%
Net operating income.....	\$ 2,363,000	\$ 2,566,000	-7.9%	\$ 4,836,000	\$ 5,004,000	-3.4%
Gross margin (1).....	62.5%	66.2%		63.3%	65.2%	
Weighted average for period:						
Occupancy.....	89.4%	88.7%		88.3%	86.2%	
Realized annual rent per square foot (2).....	\$13.69	\$14.08	-2.8%	\$14.02	\$14.24	-1.5%

(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 for the three and six month periods ended June 30, 2003 was lower than prior years as a result of promotional discounts given to new tenants. The objective of the promotional discounts was to increase occupancy and future revenues. The cost of the program was a decline in realized rent per square foot. Occupancy increased 2.3% during the second quarter of 2003. Average occupancy was 89.4% for the second quarter of 2003 compared to 87.1% for the first quarter of 2003. Discounts for the second quarter of 2003 were \$343,000.

Cost of operations increased for the three months ended June 30, 2003 by approximately 10% over amounts reported in the prior year. This increase is primarily attributable to additional payroll costs in connection with the implementation of new facility rental software and with additional facilities maintenance and repair costs. While the additional payroll costs is limited to the second quarter of 2003, the additional facilities maintenance costs are expected to continue for the remainder of 2003 at a level of \$25,000 - \$50,000 per quarter higher than prior year's expenditures.

Liquidity and Capital Resources

The Partnership generates and has adequate sources of cash to finance its operations, both on a short-term and long-term basis. Cash flow from operations has been sufficient to cover all operating cash requirements including capital expenditures, debt service and distributions. In addition, the Partnership has a \$10 million revolving credit facility with a commercial bank. The credit facility bears interest at the Banker's Acceptance rate plus 0.875% and terminates November 8, 2004. The facility is for acquisitions and general corporate purposes.

In addition to increased facility maintenance costs for the remainder of 2003 referred to above, management expects to invest approximately \$1.0 million in capital expenditures on the Partnership's portfolio of facilities over the remainder of 2003. These capital expenditures, along with the facilities maintenance expenditures, are for new roofs, parking areas and painting to properly maintain our assets and to remain competitive in the markets where the properties are located.

The Partnership expects to fund these expenditures and future distributions out of operating cash flow and cash reserves.

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

FFO and EBITDA are supplementary performance measures for real estate companies. Many investors and analysts consider FFO and EBITDA to be measures of the performance of real estate companies. FFO is equal to net income (computed in accordance with generally accepted accounting principles) plus depreciation and amortization. EBITDA is equal to earnings before interest income, interest expense, taxes, depreciation and amortization. FFO and EBITDA do not take into consideration scheduled principal payments on debt, capital improvements, distributions or other obligations of the Partnership. Accordingly, FFO and EBITDA are not substitutes for the Partnership’s cash flow or net income as a measure of the Partnership’s liquidity or operating performance or ability to pay distributions.

The following table calculates FFO and EBITDA for the three and six months ended June 30, 2003 and 2002:

	Three months ended June 30,			Six months ended June 30,		
	2003	2002	Change	2003	2002	Change
Net income.....	\$ 1,805,000	\$ 2,024,000		\$ 3,745,000	\$ 3,948,000	
Depreciation and amortization	465,000	461,000		928,000	913,000	
FFO	<u>\$ 2,270,000</u>	<u>\$ 2,485,000</u>	-8.7%	<u>\$ 4,673,000</u>	<u>\$ 4,861,000</u>	-3.9%
Weighted average number of partnership units.....	4,821,430	4,821,430		4,821,430	4,821,430	
FFO per partnership unit	\$0.47	\$0.52	-9.6%	\$0.97	\$1.01	-4.0%
Net income.....	\$ 1,805,000	\$ 2,024,000		\$ 3,745,000	\$ 3,948,000	
Depreciation and amortization	465,000	461,000		928,000	913,000	
Less: interest income.....	(10,000)	(9,000)		(20,000)	(16,000)	
EBITDA.....	<u>\$ 2,260,000</u>	<u>\$ 2,476,000</u>	-8.7%	<u>\$ 4,653,000</u>	<u>\$ 4,845,000</u>	-4.0%
Weighted average number of partnership units.....	4,821,430	4,821,430		4,821,430	4,821,430	
EBITDA per partnership unit	\$0.47	\$0.51	-7.8%	\$0.97	\$1.00	-3.0%

Distributions

PSCP distributed \$0.45 per partnership unit on June 27, 2003 and has declared a distribution of \$0.45 per partnership unit to be paid on September 30, 2003 to unitholders of record at the close of business on September 15, 2003.

Management Changes

Canadian Mini-Warehouse Properties Limited (“CMP”), the general partner of the Partnership, announced that John Evans has decided to resign as a director in order to pursue other interests. Mr. Evans was instrumental in assisting B. Wayne Hughes and Kenneth Q. Volk, Jr. in realizing their vision and goal of bringing the “Public Storage” mini-warehouse concept to Canada and in the establishment of Public Storage Canadian Properties as a publicly-traded limited partnership in the late 1970’s. Mr. Evans has served as a director of the general partner of the Partnership since its establishment almost 25 years ago. The board has begun investigations to identify a candidate to fill the vacancy caused by his resignation.

In May, 2003, CMP announced the resignations of B. Wayne Hughes as a founder and a director and Harvey Lenkin as a President and as a director. Management of the general partner wishes to acknowledge the contributions made by Mssrs. Hughes, Lenkin and Evans. Their efforts on behalf of CMP as general partner have had a significant impact on the success of the Partnership. We thank them for their many years of service.

Consolidated Balance Sheets

	June 30, 2003 <u>(Unaudited)</u>	December 31, 2002
Assets		
Cash and cash equivalents	\$ 2,370,000	\$ 2,646,000
Real estate facilities:		
Buildings, equipment and land improvements	35,932,000	35,688,000
Land	12,986,000	12,986,000
	<u>48,918,000</u>	<u>48,674,000</u>
Less: accumulated depreciation	(21,822,000)	(20,894,000)
	<u>27,096,000</u>	<u>27,780,000</u>
Rent and other receivables	228,000	124,000
Other assets	200,000	227,000
	<u>\$ 29,894,000</u>	<u>\$ 30,777,000</u>
Liabilities and Partners' Equity		
Accounts payable	\$ 61,000	\$ 345,000
Deferred revenue	390,000	394,000
Partners' equity, 4,993,731 units authorized; 4,821,430 units issued and outstanding	29,443,000	30,038,000
	<u>\$ 29,894,000</u>	<u>\$ 30,777,000</u>

See accompanying notes.

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenue:				
Rental income	\$ 3,778,000	\$ 3,879,000	\$ 7,640,000	\$ 7,675,000
Interest income	10,000	9,000	20,000	16,000
	3,788,000	3,888,000	7,660,000	7,691,000
Costs and expenses:				
Cost of operations	1,188,000	1,081,000	2,345,000	2,208,000
Management fees	227,000	232,000	459,000	463,000
Depreciation and amortization	465,000	461,000	928,000	913,000
Administrative	103,000	90,000	183,000	159,000
	1,983,000	1,864,000	3,915,000	3,743,000
Net income	\$ 1,805,000	\$ 2,024,000	\$ 3,745,000	\$ 3,948,000
Net income per partnership unit	\$ 0.37	\$ 0.42	\$ 0.78	\$ 0.82
Weighted average partnership units outstanding	4,821,430	4,821,430	4,821,430	4,821,430

See accompanying notes.

Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30,	
	2003	2002
Cash flows provided by operating activities:		
Net income	\$3,745,000	\$3,948,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	928,000	913,000
Decrease (increase) in rent and other receivable	(104,000)	59,000
Decrease (increase) in other assets	27,000	(214,000)
Increase (decrease) in accounts payable	(284,000)	(237,000)
Increase (decrease) in deferred revenue	(4,000)	100,000
Total adjustments	563,000	621,000
Net cash provided by operating activities	4,308,000	4,569,000
Cash flows from investing activities:		
Additions to real estate facilities	(244,000)	(86,000)
Proceeds from sale of land	-	26,000
Net cash used in investing activities	(244,000)	(60,000)
Cash flows from financing activities:		
Distributions to partners	(4,340,000)	(3,856,000)
Net cash used in financing activities	(4,340,000)	(3,856,000)
Net (decrease) increase in cash and cash equivalents	(276,000)	653,000
Cash and cash equivalents, beginning of period	2,646,000	2,282,000
Cash and cash equivalents, end of period	\$2,370,000	\$2,935,000

See accompanying notes.

Notes to Consolidated Financial Statements

(Unaudited)
June 30, 2003

1. These unaudited consolidated financial statements of Public Storage Canadian Properties (“PSCP” or the “Partnership”) should be read in conjunction with the Partnership’s financial statements and related notes for the year ended December 31, 2002.
 2. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, consisting of only normal accruals, necessary to present fairly the Partnership’s financial position at June 30, 2003, the results of operations for the three and six months ended June 30, 2003 and 2002 and cash flows for the three and six months then ended.
 3. The results of operations for the three and six months ended June 30, 2003 are not necessarily indicative of the results to be expected for the full year.
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Public Storage Canadian Properties Partnership Highlights

	2002					2003		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	YTD
Operations								
Average occupancy	83.7%	88.7%	91.9%	89.3%	88.4%	87.1%	89.4%	88.3%
Annualized realized rental rates (1)	\$14.42	\$14.08	\$14.44	\$14.35	\$14.32	\$14.37	\$13.69	\$14.02
Rental income	\$3,796,000	\$3,879,000	\$4,096,000	\$3,980,000	\$15,751,000	\$3,862,000	3,778,000	\$7,640,000
Pct change from prior year	1.5%	-2.3%	-3.8%	2.5%	-0.5%	1.7%	-2.6%	-0.5%
Net income	\$1,924,000	\$2,024,000	\$2,249,000	\$2,213,000	\$8,410,000	\$1,940,000	\$1,805,000	\$3,745,000
Net income per Unit	\$0.40	\$0.42	\$0.47	\$0.46	\$1.74	\$0.40	\$0.37	\$0.78
Pct change from prior year	8.5%	-3.8%	-2.1%	-3.3%	-1.1%	0.8%	-11.9%	-5.1%
Funds from Operations (FFO) (2)	\$2,376,000	\$2,485,000	\$2,709,000	\$2,673,000	\$10,243,000	\$2,403,000	\$2,270,000	\$4,673,000
FFO Per Unit	\$0.49	\$0.52	\$0.56	\$0.55	\$2.12	\$0.50	\$0.47	\$0.97
Pct change from prior year	7.7%	-2.2%	-1.4%	-1.1%	0.0%	1.1%	-9.6%	-4.0%
EBITDA (2)	\$2,369,000	\$2,476,000	\$2,699,000	\$2,660,000	\$10,204,000	\$2,393,000	\$2,260,000	\$4,653,000
EBITDA per Unit	\$0.49	\$0.51	\$0.56	\$0.55	\$2.12	\$0.50	\$0.47	\$0.97
Pct change from prior year	8.8%	-1.5%	-0.6%	-0.9%	1.4%	1.0%	-7.8%	-3.0%
Stock Price								
Close	\$20.00	\$19.55	\$20.00	\$20.25	\$20.25	\$20.06	\$22.25	\$22.25
High	21.85	21.99	21.25	21.50	21.99	20.50	22.25	22.25
Low	17.50	17.75	19.75	20.00	17.50	19.40	19.72	19.40
Distribution per Unit (3)	\$0.40	\$0.40	\$0.40	\$0.75	\$1.95	\$0.45	\$0.45	\$0.90

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

(2) Funds From Operations ("FFO") and Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") are supplementary performance measures for real estate companies. FFO is equal to net income (computed in accordance with generally accepted accounting principles) plus depreciation and amortization. EBITDA is equal to earnings before interest income, interest expense, taxes, depreciation and amortization. FFO and EBITDA do not take into consideration scheduled principal payments on debt, capital improvements, distributions or other obligations of the Partnership. Accordingly, FFO and EBITDA are not substitutes for the Partnership's cash flow or net income as a measure of the Partnership's liquidity or operating performance or its ability to pay distributions.

(3) Distributions for the fourth quarter of 2002 consist of a regular distribution of \$0.45 and a special distribution of \$0.30.

Copies of the Partnership's financial statements, tax reporting information, press releases and other information can be obtained from either the Partnership's web site (www.publicstorage.ca) or from SEDAR's web site (www.sedar.com). Additionally, the above mentioned information can be obtained from the Partnership, provided the Partnership may require the payment of reasonable charges where such person is not a unitholder of the Partnership, by contacting the Partnership's Investor Communication Department.

Web site

www.publicstorage.ca

Partnership's Corporate Office

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Transfer Agent and Registrar

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(800) 387-0825

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