

**PUBLIC STORAGE  
CANADIAN PROPERTIES**

**2005  
THIRD QUARTER REPORT**

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

**Dated November 02, 2005**

### **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 the ability to execute on its operating, development and financing strategies. 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 Hughes family, which beneficially owns approximately 50.9% of the issued and outstanding units of the Partnership and has a controlling voting interest, could control the Partnership; risks related to debt financing of property acquisitions and developments; the general risks of owning real estate, 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, the impact of environmental protection laws, changes in interest rates and availability of permanent mortgage funds which may render the sale or financing of a property difficult or unattractive, and changes in tax, real estate and zoning laws; competition from other self-storage facilities and other storage alternatives; potential environmental liability; litigation risk; development delays; shortages in construction materials or labour; increased property taxes; adverse weather conditions; seasonality and the accuracy of management's assumptions. 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. See, for example, "Risk Factors" in the Annual Information Form of the Partnership dated March 30, 2005. 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.

### **Operating Results**

The Partnership reported net income of \$1,947,000 or \$0.40 per partnership unit for the three months ended September 30, 2005 compared to \$1,843,000 or \$0.38 per partnership unit for the same period in 2004. Net income was \$5,488,000 or \$1.14 per partnership unit for the nine months ended September 30, 2005 compared to \$5,061,000 or \$1.05 per partnership unit for the same period in 2004.

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 Partnership derives substantially all of its income from the ownership of eighteen self-storage facilities, all of which are managed by Canadian Mini-Warehouse Properties Limited ("CMP"), the general partner of the Partnership, for a management fee equal to 6% of gross operating revenue of each facility. Thirteen facilities are located in Ontario, four are located in British Columbia and one is located in Alberta. In addition, the Partnership owns a parcel of land in Vancouver, British Columbia for development into a mini-warehouse facility and an existing general warehouse facility in Montreal, Quebec that is being converted into a self-storage facility.

The following table summarizes the net operating income (“NOI”) of the properties for the three and nine months ended September 30, 2005. 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 meanings prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers.

	Three months ended September 30,			Nine months ended September 30,		
	2005	2004	Change	2005	2004	Change
<b><u>Rental income:</u></b>						
“New” facilities (a).....	\$ 194,000	\$ -		\$ 285,000	\$ -	
“Same Store” facilities (b).....	4,276,000	3,999,000	6.9%	12,267,000	11,316,000	8.4%
	<u>4,470,000</u>	<u>3,999,000</u>	11.8%	<u>12,552,000</u>	<u>11,316,000</u>	10.9%
<b><u>Cost of operations:</u></b>						
“New” facilities .....	155,000	-		278,000	-	
“Same Store” facilities .....	1,269,000	1,364,000	(7.0%)	3,758,000	3,875,000	(3.0%)
	<u>1,424,000</u>	<u>1,364,000</u>	4.4%	<u>4,036,000</u>	<u>3,875,000</u>	4.2%
<b><u>Management fees:</u></b>						
“New” facilities .....	12,000	-		17,000	-	
“Same Store” facilities .....	257,000	240,000	7.1%	736,000	679,000	8.4%
	<u>269,000</u>	<u>240,000</u>	12.1%	<u>753,000</u>	<u>679,000</u>	10.9%
<b><u>Net operating income (loss):</u></b>						
“New” facilities .....	27,000	-		(10,000)	-	
“Same Store” facilities .....	2,750,000	2,395,000	14.8%	7,773,000	6,762,000	15.0%
	<u>\$2,777,000</u>	<u>\$2,395,000</u>	16.0%	<u>\$7,763,000</u>	<u>\$ 6,762,000</u>	14.8%

- (a) “New” facilities are properties that have been recently acquired and/or developed by the Partnership and were not owned by the Partnership during the same financial periods being reported on in the previous year. Generally, these facilities are still in their initial “fill-up” stage. 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 opened for three years as of January 1 of the earliest period presented. “New” facilities contain approximately 131,000 net rentable square feet and 1,477 units. For further information regarding “New” facilities, see “ “New” Facility Acquisitions and Developments” below.
- (b) “Same Store” facilities are facilities that have been owned and operated at a mature, stabilized occupancy level throughout 2003, 2004 and the first nine months of 2005. As at September 30, 2005, 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 11,175 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.

**“Same Store” Facilities**

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

	Three months ended September 30,			Nine months ended September 30,		
	2005	2004	Change	2005	2004	Change
Rental income.....	\$4,276,000	\$3,999,000	6.9%	\$12,267,000	\$11,316,000	8.4%
<b>Cost of operations:</b>						
Property taxes .....	\$ 470,000	\$ 458,000	2.6%	\$1,274,000	\$1,310,000	(2.7%)
Direct payroll.....	337,000	327,000	3.1%	1,021,000	964,000	5.9%
Utilities .....	68,000	67,000	1.5%	277,000	226,000	22.6%
Repairs and maintenance.....	107,000	172,000	(37.8%)	376,000	450,000	(16.4%)
Advertising.....	48,000	66,000	(27.3%)	140,000	179,000	(21.8%)
Insurance .....	40,000	48,000	(16.7%)	128,000	140,000	(8.6%)
Other.....	199,000	226,000	(12.0%)	542,000	606,000	(10.6%)
	<u>\$1,269,000</u>	<u>\$1,364,000</u>	(7.0%)	<u>\$3,758,000</u>	<u>\$3,875,000</u>	(3.0%)
Management fees paid to CMP <sup>(1)</sup> .....	<u>257,000</u>	<u>240,000</u>	7.1%	<u>736,000</u>	<u>679,000</u>	8.4%
Net operating income .....	<u>\$2,750,000</u>	<u>\$2,395,000</u>	14.8%	<u>\$7,773,000</u>	<u>\$6,762,000</u>	15.0%
Gross margin <sup>(2)</sup> .....	64.3%	59.9%		63.4%	59.8%	
Weighted average for period:						
Occupancy.....	90.0%	93.0%		88.6%	88.4%	
Realized annual rent per square foot <sup>(3)</sup> .....	\$15.39	\$13.93	10.5%	\$14.96	\$13.83	8.2%

(1) Management fees are payable to CMP pursuant to a 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.

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

(3) 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 September 30,			Nine months ended September 30,		
	2005	2004	Change	2005	2004	Change
Rental income:						
British Columbia .....	\$ 696,000	\$ 637,000	9.3%	\$ 2,052,000	\$ 1,779,000	15.3%
Ontario.....	<u>3,580,000</u>	<u>3,362,000</u>	6.5%	<u>10,215,000</u>	<u>9,537,000</u>	7.1%
	<u>\$ 4,276,000</u>	<u>\$ 3,999,000</u>	6.9%	<u>\$12,267,000</u>	<u>\$11,316,000</u>	8.4%

Rental income, net of discounts, reflects price increases and the discontinuance of promotional discounts (primarily the \$1 for first month move-in promotion) in selected markets. Discounts totaled \$272,000 and \$969,000 for the three and nine months ended September 30, 2005 compared to \$484,000 and \$1,324,000 for the same period in the prior year.

Cost of operations for the “Same Store” facilities (excluding management fees) for the three and nine months ended September 30, 2005 decreased by 7.0% and 3.0%, respectively, due to the following:

- ? Property taxes are accrued based upon estimates and historical trends. An adjustment is made to the accrual in the period the actual property tax bills are received and applied on a prospective basis. Adjustments due to appeals are recognized in the period in which the appeal is finalized. In the second quarter of 2005, the Partnership received a refund of \$134,000 from the city of Toronto for overpayment of fiscal years 1998 through 2002. Excluding this non-recurring tax refund, property taxes have increased 2.6% and 7.5% for the three and nine months ended September 30, 2005 compared to the same periods in the prior year.
- ? Direct payroll has increased by 3.1% and 5.9% for the three and nine months ended September 30, 2005 compared to the same periods in the prior year. The increase reflects wage rate increases and increased incentives to property management personnel related to the increase in rental activity.
- ? The increase in utilities expense is due to higher gas and electricity rates.
- ? Repairs and maintenance are expensed as incurred and do not include capital improvements to real estate facilities. The decrease is due to various maintenance initiatives implemented in the prior year.
- ? The decrease in advertising expense reflects the discontinuance of advertising in the local “Super Pages” in Toronto, lower costs at the national call centre and a reduction in local marketing and advertising costs.
- ? The decrease in insurance expense reflects favorable renewal terms for the policy period of April 1 – March 31.
- ? Other expense includes non-recurring training costs of approximately \$40,000 and professional fees of approximately \$38,000 associated with two litigation matters in 2004.

#### **Amortization**

Amortization expense was \$608,000 and \$1,687,000 for the three and nine months ended September 30, 2005 compared to \$493,000 and \$1,420,000 for the same periods in the prior year. The increase is due to depreciation on “New” facilities and recent capital expenditures (e.g. security system).

#### **Administrative**

Administrative expense was \$78,000 and \$322,000 for the three and nine months ended September 30, 2005 compared to \$74,000 and \$305,000 for the same periods in the prior year. Administrative expense consists primarily of professional fees, accounting personnel, reporting issuer costs and credit facility fees not associated with amounts outstanding.

#### **Interest and Other Income**

Interest and other income were \$8,000 and \$17,000 for three and nine months ended September 30, 2005 compared to \$15,000 and \$24,000 for the same periods in the prior year.

#### **Interest Expense**

Interest expense was \$152,000 (net of \$79,000 capitalized to construction projects) and \$283,000 (net of \$200,000 capitalized to construction projects) for the three and nine months ended September 30, 2005. No interest expense was incurred or capitalized during the three and nine months ended September 30, 2004. 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 based on the weighted average borrowing rate of 3.82% and 3.65% for the three and nine months ended September 30, 2005.

## **Liquidity and Capital Resources**

The Partnership had \$406,000 in cash and cash equivalents as at September 30, 2005. The Partnership generates sufficient cash flows from operations to finance its operations, both on a short-term and long-term basis. In addition, the Partnership has a \$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 for the nine months ended September 30, 2005 and 2004 was \$6,890,000 and \$5,646,000 respectively.

### *Capital Improvements*

The Partnership allocated a budget of approximately \$1,300,000 toward capital expenditures (e.g., new roofs, driveway asphalt, painting and gates) in 2005 to improve the function and aesthetics of the older facilities. Management believes these improvements are necessary to remain competitive with newer facilities in the marketplace. During the nine months ended September 30, 2005, the Partnership invested \$828,000 in capital improvements relating to these items and expects to incur the remaining unused portion of approximately \$472,000 by the end of the year.

### *Credit Facility*

In June 2005, the Partnership increased its existing \$28 million credit facility to \$36 million and extended the maturity date to 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. As at September 30, 2005, the Partnership had an outstanding balance of \$27.2 million on its credit facility. The remaining availability is approximately \$8.8 million.

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 September 30, 2005, the Partnership was in compliance with the terms of the credit facility.

In accordance with the Amended and Restated Agreement of Limited Partnership of the Partnership dated November 29, 2000 (the "Partnership Agreement"), the Partnership is limited in its ability to borrow with a maximum borrowing equal to four times the Partnership's earnings before interest, taxes and depreciation in the immediately preceding four quarters. As at September 30, 2005, the Partnership may borrow a maximum of \$39 million to maintain compliance with this debt restriction in the Partnership Agreement.

All property acquisitions and development costs are funded from the Partnership's credit facility. Remaining development costs to be funded will be approximately \$9.7 million.

## **"New" Facility Acquisitions and Developments**

The Partnership funds all property acquisitions and developments through its existing \$36 million credit facility described above under "Liquidity and Capital Resources – Credit Facility". CMP provides acquisition and construction management services to the Partnership for a fee of 1% of the purchase price and 2% of all construction and development costs in accordance with the Management Agreement. These fees are capitalized and included in construction in progress.

### *"New" Facilities*

In December 2003, the Partnership acquired a 2.1 acre property for approximately \$1,715,000 in the Cloverdale area of Surrey, British Columbia. The Partnership developed a mini-warehouse facility on the property, which consists of a two-storey climate controlled building with approximately 57,000 net rentable square feet and 698 units. The total cost to develop this facility (including cost of land) was \$6,328,000. The facility was completed and opened in April 2005. As at September 30, 2005, this facility was 56.8% occupied.

In March 2005, the Partnership acquired an existing self storage facility located adjacent to the Harvest Hills community of Calgary, Alberta for a purchase price of \$9,000,000. The facility consists of one non-climate controlled one-storey building and one climate controlled two-storey building with approximately 74,000 net rentable square feet and 778 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 September 30, 2005, this facility was 43.2% occupied.

### *Facilities 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 facility will consist of a four-storey climate controlled building with approximately 77,000 net rentable square feet and 1,036 units. The total cost to develop this facility (including cost of land) is expected to be approximately \$11,707,000. 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 September 30, 2005, \$4,831,000 had been invested in this facility. The facility is expected to open in the second quarter of 2006.

In July 2005, the Partnership acquired a 1.7 acre lot with a three-storey general warehouse facility for approximately \$5,600,000 located in the city of Montreal, Quebec. The existing warehouse is being converted into a heated self-storage facility with approximately 97,000 net rentable square feet and 1,080 units. The total cost to develop this facility (including purchase price of existing property) is expected to be approximately \$8,559,000. Estimated costs have increased due to project delays associated with the labour requirements in Quebec. As at September 30, 2005, \$5,721,000 had been invested in this facility. The facility is expected to be open in the first quarter of 2006.

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 1.

### **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 \$6,509,000 (\$1.35 per unit) and \$6,509,000 (\$1.35 per unit) during the nine months ended September 30, 2005 and 2004, respectively. The Partnership also declared a distribution of \$0.45 per partnership unit to be paid on December 30, 2005 to unitholders of record at the close of business on December 15, 2005.

### **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 and nine months ended September 30, 2005 and 2004:

	Three months ended September 30,			Nine months ended September 30,		
	2005	2004	Change	2005	2004	Change
Net income .....	\$ 1,947,000	\$ 1,843,000		\$ 5,488,000	\$ 5,061,000	
Amortization.....	608,000	493,000		1,687,000	1,420,000	
FFO.....	<u>\$ 2,555,000</u>	<u>\$ 2,336,000</u>	9.4%	<u>\$ 7,175,000</u>	<u>\$ 6,481,000</u>	10.7%
Weighted average number of partnership units.....	4,821,430	4,821,430		4,821,430	4,821,430	
FFO per partnership unit .....	\$0.53	\$0.48	10.4%	\$1.49	\$1.34	11.2%
Net income .....	\$ 1,947,000	\$ 1,843,000		\$ 5,488,000	\$ 5,061,000	
Amortization.....	608,000	493,000		1,687,000	1,420,000	
Interest expense.....	152,000	-		283,000	-	
Less: interest income.....	(8,000)	(15,000)		(17,000)	(24,000)	
EBITDA.....	<u>\$ 2,699,000</u>	<u>\$ 2,321,000</u>	16.3%	<u>\$ 7,441,000</u>	<u>\$ 6,457,000</u>	15.0%
Weighted average number of partnership units.....	4,821,430	4,821,430		4,821,430	4,821,430	
EBITDA per partnership unit .....	\$0.56	\$0.48	16.7%	\$1.54	\$1.34	14.9%

**Consolidated Balance Sheets**

	September 30, 2005 <u>(Unaudited)</u>	December 31, 2004
Assets		
Cash and cash equivalents	\$ 406,000	\$ 275,000
Real estate facilities:		
Buildings and equipment	50,522,000	38,302,000
Land and land improvements	17,672,000	13,460,000
	<u>68,194,000</u>	<u>51,762,000</u>
Less: accumulated amortization	(26,104,000)	(24,417,000)
	<u>42,090,000</u>	<u>27,345,000</u>
Construction in progress	10,552,000	7,734,000
Rent and other receivables	195,000	244,000
Other assets	853,000	630,000
	<u>\$ 54,096,000</u>	<u>\$ 36,228,000</u>
Liabilities and Partners' Equity		
Accounts payable	\$ 578,000	\$ 724,000
Advanced payments from renters	527,000	492,000
Amounts due under credit facility	27,200,000	8,200,000
Partners' equity, 4,993,731 units authorized; 4,821,430 units issued and outstanding	25,791,000	26,812,000
	<u>\$ 54,096,000</u>	<u>\$ 36,228,000</u>

See accompanying notes.

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**Consolidated Statements of Operations**  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
<b>Revenue:</b>				
Rental income	\$ 4,470,000	\$ 3,999,000	\$ 12,552,000	\$ 11,316,000
Interest and other income	8,000	15,000	17,000	24,000
	<u>4,478,000</u>	<u>4,014,000</u>	<u>12,569,000</u>	<u>11,340,000</u>
<b>Costs and expenses:</b>				
Cost of operations	1,424,000	1,364,000	4,036,000	3,875,000
Management fees paid to CMP	269,000	240,000	753,000	679,000
Amortization	608,000	493,000	1,687,000	1,420,000
Administrative	78,000	74,000	322,000	305,000
Interest expense	152,000	-	283,000	-
	<u>2,531,000</u>	<u>2,171,000</u>	<u>7,081,000</u>	<u>6,279,000</u>
<b>Net income</b>	<u>\$ 1,947,000</u>	<u>\$ 1,843,000</u>	<u>\$ 5,488,000</u>	<u>\$ 5,061,000</u>
Net income per partnership unit	<u>\$ 0.40</u>	<u>\$ 0.38</u>	<u>\$ 1.14</u>	<u>\$ 1.05</u>
Weighted average partnership units outstanding	<u>4,821,430</u>	<u>4,821,430</u>	<u>4,821,430</u>	<u>4,821,430</u>

See accompanying notes.

**Consolidated Statements of Partners' Equity**  
(Unaudited)

Balance at December 31, 2003	\$ 28,693,000
Net income	6,798,000
Distributions to partners	<u>(8,679,000)</u>
Balance at December 31, 2004	26,812,000
Net income	5,488,000
Distributions to partners	<u>(6,509,000)</u>
Balance at September 30, 2005	<u><u>\$ 25,791,000</u></u>

See accompanying notes.

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**Consolidated Statements of Cash Flows**  
(Unaudited)

	Nine Months Ended September 30,	
	2005	2004
<b>Cash flows provided by operating activities:</b>		
Net income	\$ 5,488,000	\$ 5,061,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	1,687,000	1,420,000
Decrease in rent and other receivables	49,000	(20,000)
Increase in other assets	(223,000)	(100,000)
Decrease in accounts payable	(146,000)	(738,000)
Increase in advanced payments from renters	35,000	23,000
Total adjustments	1,402,000	585,000
Net cash provided by operating activities	6,890,000	5,646,000
<b>Cash flows from investing activities:</b>		
Capital improvements to real estate facilities	(828,000)	(1,720,000)
Acquisition of real estate facility	(9,276,000)	-
Construction of new facilities	(9,146,000)	(3,521,000)
Net cash used in investing activities	(19,250,000)	(5,241,000)
<b>Cash flows from financing activities:</b>		
Borrowings from credit facility	19,000,000	5,400,000
Distributions to partners	(6,509,000)	(6,509,000)
Net cash provided by (used in) financing activities	12,491,000	(1,109,000)
Net increase (decrease) in cash and cash equivalents	131,000	(704,000)
Cash and cash equivalents, beginning of period	275,000	1,056,000
Cash and cash equivalents, end of period	\$ 406,000	\$ 352,000

See accompanying notes.

**Notes to Consolidated Financial Statements**  
(Unaudited)  
September 30, 2005

1. These interim unaudited consolidated financial statements of Public Storage Canadian Properties (“PSCP” or the “Partnership”) should be read in conjunction with the Partnership’s audited financial statements and related notes for the year ended December 31, 2004. The results of operations for the nine months ended September 30, 2005 are not necessarily indicative of the results to be expected for the full year.
2. These interim unaudited consolidated financial statements of the Partnership have not been reviewed by our independent auditors.
3. In the opinion of management, the accompanying interim unaudited consolidated financial statements reflect all adjustments, consisting of only normal accruals, necessary to present fairly the Partnership’s financial position and results of operations for the respective periods.
4. The Partnership pays management fees to its general partner, Canadian Mini-Warehouse Properties Limited (“CMP”) pursuant to a 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. Under the Management Agreement, CMP provides acquisition and construction management services to the Partnership for a fee of 1% of the purchase price and 2% of all construction and development costs.
5. In June 2005, the Partnership increased its existing \$28 million credit facility to \$36 million and extended the maturity date to 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. As at September 30, 2005, the Partnership had an outstanding balance of \$27.2 million on its credit 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 September 30, 2005, the Partnership was in compliance with the terms of the credit facility.

In accordance with the Amended and Restated Agreement of Limited Partnership of the Partnership dated November 29, 2000 (the “Partnership Agreement”), the Partnership is limited in its ability to borrow with a maximum borrowing equal to four times the Partnership’s earnings before interest, taxes and depreciation in the immediately preceding four quarters. As at September 30, 2005, the Partnership may borrow a maximum of \$39 million to maintain compliance with this debt restriction in the Partnership Agreement.

6. In December 2003, the Partnership acquired a 2.1 acre property for approximately \$1,715,000 in the Cloverdale area of Surrey, British Columbia. The Partnership developed a mini-warehouse facility on the property. The total cost to develop this facility (including cost of land) was \$6,328,000. The facility was completed and opened in April 2005.

In March 2005, the Partnership acquired an existing self storage facility located adjacent to the Harvest Hills community of Calgary, Alberta for a purchase price of \$9,000,000. The total acquisition cost of this facility including closing costs, rebranding costs and other related costs of acquisition was \$9,276,000.

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 September 30, 2005, \$4,831,000 had been invested in this facility.

In July 2005, the Partnership acquired a 1.7 acre lot with a three-storey general warehouse facility for approximately \$5,600,000 in Montreal Quebec for conversion into a self-storage facility. As at September 30, 2005, \$5,721,000 had been invested in this facility.

All property acquisitions and development costs are funded from the Partnership’s credit facility. Acquisition and development management fees payable to CMP in relation to these new properties are capitalized and included in construction in progress.

7. 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.

*Public Storage Canadian Properties*

**Public Storage Canadian Properties**  
Partnership Highlights

	Q104	Q204	Q304	Q404	Q105	Q205	Q305	2004 YTD	2005 YTD
<b>Operations</b>									
Average occupancy	82.5%	89.6%	93.0%	89.8%	86.8%	83.2%	90.0%	88.4%	88.6%
Annualized realized rental rates <sup>(1)</sup>	\$14.17	\$13.41	\$13.97	\$14.16	\$14.46	\$14.82	\$15.39	\$13.84	\$14.96
Rental income	\$3,609,000	\$3,708,000	\$3,999,000	\$3,926,000	\$3,875,000	\$4,207,000	\$4,470,000	\$11,316,000	\$12,267,000
Pct change from prior year	-6.6%	-1.9%	2.8%	4.8%	7.4%	13.5%	11.8%	-1.9%	10.5%
Net income	\$1,687,000	\$1,531,000	\$1,843,000	\$1,737,000	\$1,652,000	\$1,889,000	\$1,947,000	\$5,061,000	\$5,488,000
Net income per Unit	\$0.35	\$0.32	\$0.38	\$0.36	\$0.34	\$0.39	\$0.40	\$1.50	\$1.14
Pct change from prior year	-12.5%	-13.5%	-7.3%	5.9%	-2.9%	25.0%	5.3%	-11.5%	8.0%
Funds from Operations (FFO) <sup>(2)</sup>	\$2,135,000	\$2,010,000	\$2,336,000	\$2,340,000	\$2,147,000	\$2,473,000	\$2,555,000	\$6,481,000	\$7,175,000
FFO per Unit	\$0.44	\$0.42	\$0.48	\$0.49	\$0.45	\$0.51	\$0.53	\$1.34	\$1.49
Pct change from prior year	-12.0%	-10.6%	-5.9%	8.9%	2.3%	23.8%	10.4%	-9.5%	11.2%
EBITDA <sup>(2)</sup>	\$2,129,000	\$2,007,000	\$2,321,000	\$2,336,000	\$2,150,000	\$2,592,000	\$2,699,000	\$6,457,000	\$7,441,000
EBITDA per Unit	\$0.44	\$0.42	\$0.48	\$0.48	\$0.45	\$0.54	\$0.56	\$1.34	\$1.54
Pct change from prior year	-12.0%	-10.6%	-4.0%	6.7%	2.3%	28.6%	16.7%	-8.8%	14.9%
<b>Stock Price</b>									
Close	\$22.69	\$20.80	\$20.10	\$26.00	\$26.00	\$23.00	\$22.50	\$20.10	\$22.50
High	23.00	22.69	\$21.11	26.00	28.00	26.00	25.50	21.11	28.00
Low	20.25	19.65	\$20.00	19.95	21.25	21.61	21.75	20.00	21.25
Distribution per Unit	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$1.35	\$1.35

(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](http://www.publicstoragecanada.com)) or from the System for Electronic Document Analysis and Retrieval ("SEDAR") web site ([www.sedar.com](http://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](http://www.publicstoragecanada.com)

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