

**PUBLIC STORAGE
CANADIAN PROPERTIES**

**2004
FIRST QUARTER REPORT**

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

Dated May 11, 2004

Public Storage Canadian Properties ("PSCP" or the "Partnership") reported net income of \$1,687,000 or \$0.35 per partnership unit for the three months ended March 31, 2004 compared to \$1,940,000 or \$0.40 per partnership unit for the same period in 2003.

Property Operations

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

	Three months ended March 31,		
	2004	2003	Change
Rental income.....	\$ 3,609,000	\$ 3,862,000	-6.6%
Less: cost of operations.....	1,171,000	1,157,000	1.2%
Less: management fees	217,000	232,000	-6.5%
Net operating income	\$ 2,221,000	\$ 2,473,000	-10.2%
Gross margin ⁽¹⁾	61.5%	64.0%	
Weighted average for period:			
Occupancy	82.5%	87.1%	
Realized annual rent per square foot ⁽²⁾	\$14.17	\$14.37	-1.4%

(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.

Economic and industry factors, specifically increased competition from new facilities, especially in the Toronto market, remain unchanged.

Rental income for the three months ended March 31, 2004 was lower than the prior year as a result of lower occupancy levels. Although occupancy levels are still below prior year, occupancies have improved 2.3% in the first quarter of 2004 from 81.6% at December 31, 2003 to 83.9% at March 31, 2004. This compares to a decline in occupancy levels of 0.4% in the first quarter of 2003 from 87.6% at December 31, 2003 to 87.2% at March 31, 2003. Promotional discounts were given to new incoming tenants to stimulate demand and had a short-term negative impact on rental income and realized rent per square foot. The objective of the promotional discounts is to increase occupancy levels and rental income in future periods. Discounts for the three months ended March 31, 2004 were \$328,000 compared to \$186,000 for the same period in 2003.

Cost of operations for the three months ended March 31, 2004 increased by approximately 1.2% from the prior year. This increase is primarily attributable to an increase in higher insurance premiums and additional repair and maintenance costs to improve the image of the Partnership's facilities. These increased cost levels are expected to continue in 2004.

Management fees for the three months ended March 31, 2004 decreased by approximately 6.5% from the prior year due to a decline in rental income.

Administrative

Administrative expense includes the Partnership's line of credit fees and professional fees associated with accounting, investor services, legal and taxes. Administrative expense for the three months ended March 31, 2004 increased by \$12,000 or 15% from the prior year due to higher professional fees implementing corporate governance standards and new securities regulations.

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 rising 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 available to fund acquisitions and for general corporate purposes.

In addition to increased facility maintenance and repair costs for the remainder of 2004 referred to above, the Partnership expects to invest approximately \$0.9 million in capital expenditures on the Partnership's portfolio of facilities over the remainder of 2004. These capital expenditures include new roofs, parking areas and painting. The Partnership also expects to invest another \$1.6 million in security system enhancements. This will provide each of the facilities with individually alarmed units and property-wide video surveillance. Management believes these expenditures are necessary to remain competitive with new facilities owned by competitors. The Partnership expects to fund these expenditures out of operating cash flow and cash reserves.

In December 2003, the Partnership acquired a 2.1 acre property located in the Cloverfield area of Surrey, British Columbia for development into a mini-warehouse property. At March 31, 2004, the Partnership had expended \$1,909,000 for the land and related development costs. The total cost of the facility is expected to be approximately \$6.4 million which will be funded from cash reserves and the Partnership's line of credit. The facility is expected to open in January of 2005. The facility will be managed by CMP, the manager of the Partnership's other properties, pursuant to a management agreement for a management fee equal to 6% of gross operating revenue of the property. Financing of this development is not expected to reduce regular distributions payable to unitholders compared to distributions levels of the prior year.

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

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

The following table calculates FFO and EBITDA for the three months ended March 31, 2004 and 2003:

	Three months ended March 31,		
	2004	2003	Change
Net income	\$ 1,687,000	\$ 1,940,000	
Depreciation and amortization	448,000	463,000	
FFO	<u>\$ 2,135,000</u>	<u>\$ 2,403,000</u>	-11.2%
Weighted average number of partnership units.....	4,821,430	4,821,430	
FFO per partnership unit	\$0.44	\$0.50	
Net income	\$ 1,687,000	\$ 1,940,000	
Depreciation and amortization	448,000	463,000	
Less: interest income	(6,000)	(10,000)	
EBITDA	<u>\$ 2,129,000</u>	<u>\$ 2,393,000</u>	-11.0%
Weighted average number of partnership units.....	4,821,430	4,821,430	
EBITDA per partnership unit.....	\$0.44	\$0.50	

Distributions

The Partnership distributed \$0.45 per partnership unit on March 31, 2004 and has declared a distribution of \$0.45 per partnership unit to be paid on June 30, 2004 to unitholders of record at the close of business on June 15, 2004.

Consolidated Balance Sheets

	March 31, 2004 (Unaudited)	December 31, 2003
Assets		
Cash and cash equivalents	\$ 943,000	\$ 1,056,000
Real estate facilities:		
Buildings, equipment and land improvements	36,450,000	36,293,000
Land	12,986,000	12,986,000
	49,436,000	49,279,000
Less: accumulated depreciation	(22,842,000)	(22,394,000)
	26,594,000	26,885,000
Construction in progress	1,909,000	1,825,000
Rent and other receivables	77,000	245,000
Other assets	115,000	91,000
	\$ 29,638,000	\$ 30,102,000
Liabilities and Partners' Equity		
Accounts payable	\$ 996,000	\$ 984,000
Advanced payments from renters	432,000	425,000
Partners' equity, 4,993,731 units authorized; 4,821,430 units issued and outstanding	28,210,000	28,693,000
	\$ 29,638,000	\$ 30,102,000

See accompanying notes.

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2004	2003
Revenue:		
Rental income	\$ 3,609,000	\$ 3,862,000
Interest income	6,000	10,000
	<u>3,615,000</u>	<u>3,872,000</u>
Costs and expenses:		
Cost of operations	1,171,000	1,157,000
Management fees	217,000	232,000
Depreciation and amortization	448,000	463,000
Administrative	92,000	80,000
	<u>1,928,000</u>	<u>1,932,000</u>
Net income	<u>\$ 1,687,000</u>	<u>\$ 1,940,000</u>
Net income per partnership unit	<u>\$ 0.35</u>	<u>\$ 0.40</u>
Weighted average partnership units outstanding	<u>4,821,430</u>	<u>4,821,430</u>

See accompanying notes.

Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended	
	March 31,	
	2004	2003
Cash flows provided by operating activities:		
Net income	\$1,687,000	\$1,940,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	448,000	463,000
Decrease (increase) in rent and other receivables	168,000	(45,000)
Decrease in other assets	(24,000)	(11,000)
Increase (decrease) in accounts payable	12,000	(153,000)
Increase (decrease) in advanced payments from renters	7,000	(1,000)
Total adjustments	611,000	253,000
Net cash provided by operating activities	2,298,000	2,193,000
Cash flows from investing activities:		
Additions to real estate facilities	(157,000)	(133,000)
Construction in progress	(84,000)	-
Net cash used in investing activities	(241,000)	(133,000)
Cash flows from financing activities:		
Distributions to partners	(2,170,000)	(2,170,000)
Net cash used in financing activities	(2,170,000)	(2,170,000)
Net decrease in cash and cash equivalents	(113,000)	(110,000)
Cash and cash equivalents, beginning of period	1,056,000	2,646,000
Cash and cash equivalents, end of period	\$ 943,000	\$2,536,000

See accompanying notes.

Notes to Consolidated Financial Statements

(Unaudited)

March 31, 2004

1. These 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, 2003.
 2. These interim financial statements of the Partnership have not been reviewed by our independent auditors.
 3. 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 as at March 31, 2004, the results of operations for the three months ended March 31, 2004 and 2003 and cash flows for the three months then ended.
 4. The results of operations for the three months ended March 31, 2004 are not necessarily indicative of the results to be expected for the full year.
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Public Storage Canadian Properties Partnership Highlights

	Q103	Q203	Q303	Q403	2003 Total	Q104
Operations						
Average occupancy	87.1%	89.4%	89.8%	82.6%	87.2%	82.5%
Annualized realized rental rates ⁽¹⁾	\$14.37	\$13.69	\$14.03	\$14.69	\$14.18	\$14.17
Rental income	\$3,862,000	3,778,000	3,890,000	\$3,745,000	\$15,275,000	\$3,609,000
Pct change from prior year	1.7%	-2.6%	-5.0%	-5.9%	-3.0%	-6.6%
Net income	\$1,940,000	\$1,805,000	\$1,971,000	\$1,618,000	\$7,334,000	\$1,687,000
Net income per Unit	\$0.40	\$0.37	\$0.41	\$0.34	\$1.52	\$0.35
Pct change from prior year	0.8%	-11.9%	-12.8%	-26.1%	-12.8%	-13.0%
Funds from Operations (FFO) ⁽²⁾	\$2,403,000	\$2,270,000	\$2,440,000	\$2,168,000	\$9,281,000	\$2,135,000
FFO Per Unit	\$0.50	\$0.47	\$0.51	\$0.45	\$1.92	\$0.44
Pct change from prior year	1.1%	-9.6%	-8.9%	-18.2%	-9.4%	-12.0%
EBITDA ⁽²⁾	\$2,393,000	\$2,260,000	\$2,431,000	\$2,159,000	\$9,243,000	\$2,129,000
EBITDA per Unit	\$0.50	\$0.47	\$0.50	\$0.45	\$1.92	\$0.44
Pct change from prior year	1.0%	-7.8%	-10.7%	-18.2%	-9.4%	-12.0%
Stock Price						
Close	\$20.06	\$22.25	\$21.90	\$22.15	\$22.15	\$22.69
High	20.50	22.25	23.40	23.00	23.40	23.00
Low	19.40	19.72	21.25	20.85	19.40	20.25
Distribution per Unit	\$0.45	\$0.45	\$0.45	\$0.45	\$1.80	\$0.45

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

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

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

Web site

www.publicstoragecanada.com

Partnership's Corporate Office

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