FORM 10-K

Annual report pursuant to section 13 and 15(d)

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PS PARTNERS III LTD

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SIC: **6519** Lessors of real property, nec

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [Fee Required]

For the fiscal year ended December 31, 1998

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [No Fee Required]

For the transition period from ______________ to ______________

Commission File Number 0-13479

PS PARTNERS III, LTD.

(Exact name of registrant as specified in its charter)

California	95-3920904
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
701 Western Avenue Glendale, California	91201-2394
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (818) 244-8080

Securities registered pursuant to Section 12(b) of the Act:
NONE
Securities registered pursuant to Section 12(g) of the Act:

Units of Limited Partnership Interest

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to the Form 10-K. [ ]

DOCUMENTS INCORPORATED BY REFERENCE
NONE

PART I

ITEM 1. BUSINESS.

Forward Looking Statements

When used within this document, the words "expects," "believes," "anticipates," "should," "estimates," and similar expressions are intended to identify "forward-looking statements" within the meaning of that term in Section 27A of the Securities Exchange Act of 1933, as amended, and in Section 21F of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors, which may cause the actual results and performance of the Partnership to be materially different from those expressed or implied in the forward looking statements. Such factors include the impact of competition from new and existing real estate facilities which could impact rents and occupancy levels at the real estate facilities that the Partnership has an interest in; the Partnership's ability to effectively compete in the markets that it does business in; the impact of the regulatory environment as well as national, state, and local laws and regulations including, without limitation, those governing Partnerships; and the impact of general economic conditions upon rental rates and occupancy levels at the real estate facilities that the Partnership has an interest in.

General

PS Partners III, LTD. (the "Partnership") is a publicly held limited partnership formed under the California Uniform Limited Partnership Act in February 1984. Commencing in May 1984, 128,000 units of limited partnership interest (the "Units") were offered to the public in an interstate offering. The offering was completed in January 1985.

The Partnership was formed to invest in and operate existing self-service facilities offering storage space for personal and business use (the "mini-warehouses") and to invest up to 40% of the net proceeds of the offering in and operate existing office and industrial properties. The Partnership's real estate investments consist of wholly-owned facilities and an investment in a general partnership (SEI/PSP III Joint Ventures, the "Joint Venture") with Public Storage, Inc. ("PSI") (formerly known as "Storage Equities, Inc."), a real estate investment trust ("REIT") organized as a corporation under the laws of California.

In 1995, there was a series of mergers among Public Storage Management, Inc. (which was the Partnership's mini-warehouse operator), Public Storage, Inc. and their affiliates (collectively, "PSMI"), culminating in the November 16, 1995 merger (the "PSMI Merger") of PSMI into Storage Equities, Inc. In the PSMI Merger, Storage Equities, Inc. was renamed "Public Storage, Inc." and it acquired substantially all of PSMI's United States real estate operations and became the operator of the mini warehouse of the Partnership and the Joint Venture.

The Partnership's general partners (the "General Partners") are PSI and B. Wayne Hughes ("Hughes"). PSI became a co-general partner in September 1993, when PSI acquired the interest of PSI Associates, Inc. ("PSA"), an affiliate of PSMI, relating to PSA's general partner capital contribution in the Partnership. Hughes has been a general partner of the Partnership since its inception. Hughes is the chairman of the board and chief executive officer of PSI, and Hughes and members of his family (the "Hughes Family") are the major shareholders of PSI. The Partnership is managed, and its investment decisions are made by Hughes and the executive officers and directors of PSI. The limited partners of the Partnership have no right to participate in the management or conduct of its business affairs. PSI believes that it is the largest operator of mini-warehouse facilities in the United States.

Through 1996, the business park of the Joint Venture was managed by Public Storage Commercial Properties Group, Inc. ("PSCPG") pursuant to a Management Agreement. In January 1997, the Joint Venture and PSI and other related partnerships transferred a total of 35 business parks to PS Business Parks, L.P. ("PSBPLP"), formerly known as American Office Park Properties, L.P., an operating partnership formed to own and operate business parks in which PSI has a significant interest. Included among the properties transferred was the business park of the Joint Venture in exchange for a partnership interest in PSBPLP. Until March 17, 1998, the general partner of PSBPLP was American Office Park Properties, Inc., an affiliate of PSI. On March 17, 1998, American Office Park Properties, Inc. was merged into Public Storage Properties XI, Inc., which changed its name to PS Business Parks, Inc. ("PSBP"). PSBP is a REIT affiliated

with PSI, and is publicly traded on the American Stock Exchange. As a result of the merger, PSBP became the general partner of PSBPLP (which changed its name from American Office Park Properties, L.P. to PS Business Parks, L.P.). See Item 13.

PSI's current relationship with the Partnership includes (i) the joint ownership of 34 of the Partnership's 41 properties (which excludes the properties transferred to PSBPLP in January 1997), (ii) PSI is a co-general partner along with Hughes, who is chairman of the board and chief executive officer of PSI, (iii) as of January 1, 1999, PSI owned approximately 60.77% of the Partnership's limited partnership units, and (iv) PSI is the operator of the

41 properties in which the Partnership has an interest (these 41 properties are referred to collectively hereinafter as the "Mini-Warehouse Properties").

Investments in Facilities

The Partnership owns interests in 41 properties (excluding the property transferred to PSBPLP in January 1997); 34 of such properties are owned by the Joint Venture. The Partnership originally acquired interests in 43 properties. One of those properties which secured a mortgage note was foreclosed upon by the lender during 1993. The Partnership purchased its last property in July, 1985. Reference is made to the table in Item 2 for a summary of information about the Partnership's properties.

The Partnership believes that its operating results have benefited from favorable industry trends and conditions. Notably, the level of new mini-warehouse construction has decreased since 1988 while consumer demand has increased. In addition, in recent years consolidation has occurred in the fragmented mini-warehouse industry.

Mini-warehouses

Mini-warehouses, which comprise the majority of the Partnership's investments, are designed to offer accessible storage space for personal and business use at a relatively low cost. A user rents a fully enclosed space which is for the user's exclusive use and to which only the user has access on an unrestricted basis during business hours. On-site operation is the responsibility of resident managers who are supervised by area managers. Some mini-warehouses also include rentable uncovered parking areas for vehicle storage. Leases for mini-warehouse space may be on a long-term or short-term basis, although typically spaces are rented on a month-to-month basis. Rental rates vary according to the location of the property and the size of the storage space.

Users of space in mini-warehouses include both individuals and large and small businesses. Individuals usually employ this space for storage of, among other things, furniture, household appliances, personal belongings, motor vehicles, boats, campers, motorcycles and other household goods. Businesses normally employ this space for storage of excess inventory, business records, seasonal goods, equipment and fixtures.

The Mini-Warehouse Properties generally consist of three to seven buildings containing an aggregate of between 231 to 1,099 storage spaces, most of which have between 25 and 400 square feet and an interior height of approximately 8 to 12 feet.

The Mini-Warehouse Properties experience minor seasonal fluctuations in the occupancy levels of mini-warehouses with occupancies higher in the summer months than in the winter months. The Partnership believes that these fluctuations result in part from increased moving activity during the summer.

The Mini-Warehouse Properties are geographically diversified and are generally located in heavily populated areas and close to concentrations of apartment complexes, single family residences and commercial developments. However, there may be circumstances in which it may be appropriate to own a property in a less populated area, for example, in an area that is highly visible from a major thoroughfare and close to, although not in, a heavily populated area. Moreover, in certain population centers, land costs and zoning restrictions may create a demand for space in nearby less populated areas.

As with most other types of real estate, the conversion of mini-warehouses to alternative uses in connection with a sale or otherwise would generally require substantial capital expenditures. However, the Partnership and the Joint Venture do not intend to convert the Mini-Warehouse Properties to other uses.

Business Park

Through 1996, the Joint Venture owned and operated a single commercial property; a business park located in Sacramento, California. This business park was transferred to PSBPLP in January 1997 in exchange for a partnership interest in PSBPLP.

Investment Objectives and Policies

The Partnership's objectives are to (i) preserve and protect invested capital, (ii) maximize the potential for appreciation in value of its investments, (iii) provide Federal income tax deductions so that during the early years of property operations a portion of cash distributions may be treated as a return of capital for tax purposes, and therefore, may not represent taxable income to the limited partners, and (iv) provide for cash distributions from operations.

The Partnership will terminate on December 31, 2020 unless dissolved earlier. Under the terms of the general partnership agreement with PSI, PSI has the right to require the Partnership to sell all of the properties owned by the Joint Venture (see Item 12(c)).

The Partnership engaged Lawrence R. Nicholson, MAI, a principal with the firm of Nicholson-Douglas Realty Consultants, Inc. ("NDRC") to perform a limited investigation and appraisal of the properties owned by the Partnership and the Joint Venture. In a letter appraisal report dated May 13, 1996, NDRC indicated that, based on the assumptions contained in the report, the aggregate market value of the Mini-Warehouse Properties (consisting not only of the Partnership's interest but also including PSI's interest), as of January 31, 1996, was $86,900,000. NDRC's report is limited in that NDRC did not inspect the properties and relied primarily upon the income capitalization approach in arriving at its opinion. NDRC's aggregate value conclusion represents the 100% property interests, and although not valued separately, includes both the interest of the Partnership in the properties, as well as the interest of PSI, which owns a joint venture interest (ranging from about 12% to 51%) in 34 of the Mini-Warehouse Properties. The analytical process that was undertaken in the appraisal included a review of the properties' unit mix, rental rates and historical financial statements. Following these reviews, a stabilized level of net operating income was projected for the Mini-Warehouse Properties (an aggregate of $8,510,000). Value estimates were then made using both a direct capitalization analysis ($85,200,000) and a discounted cash flow analysis ($86,000,000). In applying the discounted cash flow analysis, projections of cash flow from each property were developed for an 11-year period ending in the year 2007. Growth rates for income and expenses were assumed to be 3.5% per year. NDRC then used a terminal capitalization rate of 10.5% to capitalize each property's 11th year net operating income into a residual value at the end of the holding period. The ten yearly cash flows plus the residual or reversionary proceeds net of sales costs were then discounted to present worth using a discount rate of 13.25%. In the direct capitalization analysis, NDRC applied a 10.0% capitalization rate to the mini-warehouses' stabilized net operating income. These value estimates were then compared to an estimated value ($86,000,000) using a regression analysis applied to approximately 300 sales of mini-warehouses to evaluate the reasonableness of the estimates using the direct capitalization and discounted cash flow analysis.

NDRC has prepared other appraisals for the General Partners and their affiliates and is expected to continue to prepare appraisals for the General Partners and their affiliates. No environmental investigations were conducted with respect to the limited investigation of the Partnership's properties. Accordingly, NDRC's appraisal did not take into account any environmental cleanup or other costs that might be incurred in connection with a disposition of the properties. Although there can be no assurance, based on recently completed environmental investigations (see Item 2), the Partnership is not aware of any environmental contamination of its facilities material to its overall business or financial condition. In addition to assuming compliance with applicable environmental laws, the appraisal also assumed, among other things, compliance with applicable zoning and use regulations and the existence of required licenses.

Limited Partners should recognize that appraisals are opinions as of the date specified, are subject to certain assumptions and the appraised value of the Partnership's properties may not represent their true worth or realizable value. There can be no assurance that, if these properties were sold, they would be sold at the appraised values; the sales price might be higher or lower than the appraised values.

In January 1997, PSI completed a cash tender offer, which had commenced in December 1996, pursuant to which PSI acquired a total of 12,881 additional limited partnership units at $425 per Unit.

Operating Strategies

The Mini-Warehouse Properties are operated by PSI under the "Public Storage" name, which the Partnership believes is the most recognized name in the mini-warehouse industry. The major elements of the Partnership's operating strategies are as follows:

* Capitalize on Public Storage's name recognition. PSI, together with its predecessor, has more than 20 years of operating experience in the mini-warehouse business. PSI has informed the Partnership that it is

the largest mini-warehouse facility operator in the United States in terms of both number of facilities and rentable space operated. PSI believes that its marketing and advertising programs improve its competitive position in the market. PSI's in-house Yellow Pages staff designs and places advertisements in approximately 700 directories. Commencing in early 1996, PSI began to experiment with a telephone reservation system designed to provide added customer service. Customers calling either PSI's toll-free referral system, (800) 44-STORE, or a mini-warehouse facility are directed to PSI's reservation system where a trained representative discusses with the customer space requirements, price and location preferences and also informs the customer of other products and services provided by PSI. As of December 31, 1998, the telephone reservation system was supporting rental activity at all of the Partnership's properties. PSI's toll-free telephone referral system services approximately 175,000 calls per month from potential customers inquiring as to the nearest Public Storage mini-warehouse.

* Maintain high occupancy levels and increase realized rents. Subject to market conditions, the Partnership generally seeks to achieve average occupancy levels in excess of 90% and to eliminate promotions prior to increasing rental rates. Weighted average occupancy levels at the Mini-Warehouse Properties were 89% in 1998 compared to 90% in 1997. The average monthly realized rent per occupied square foot for the Mini-Warehouse Properties was $.61 in 1998 compared to $.58 in 1997. The Partnership has increased rental rates in many markets where it has achieved high occupancy levels and eliminated or minimized promotions.

* Systems and controls. PSI has an organizational structure and a property operation system, "CHAMP" (Computerized Help and Management Program), which links its corporate office with each mini-warehouse. This enables PSI to obtain daily information from each mini-warehouse and to achieve efficiencies in operations and maintain control over its space inventory, rental rates, promotional discounts and delinquencies. Expense management is achieved through centralized payroll and accounts payable systems and a comprehensive property tax appeals department, and PSI has an extensive internal audit program designed to ensure proper handling of cash collections.

* Professional property operation. In addition to the approximately 170 support personnel at the Public Storage corporate offices, there are approximately 2,700 on-site personnel who manage the day-to-day operations of the mini-warehouses in the Public Storage system. These on-site personnel are supervised by 120 district managers, 33 regional managers and 11 divisional managers who report to the president of the mini-warehouse property operator (who has 15 years of experience with the Public Storage organization). PSI carefully selects and extensively trains the operational and support personnel and offers them a progressive career path. See "Mini-warehouse Property Operator."

Mini-warehouse Property Operator

The Mini-Warehouse Properties are managed by PSI pursuant to a Management Agreement.

Under the supervision of the Partnership and the Joint Venture, PSI coordinates the operation of the facilities, establishes rental policies and rates, directs marketing activity and directs the purchase of equipment and supplies, maintenance activity, and the selection and engagement of all vendors, supplies and independent contractors.

PSI engages, at the expense of the property owners, employees for the operation of the owners' facilities, including resident managers, assistant managers, relief managers, and billing and maintenance personnel. Some or all of these employees may be employed on a part-time basis and may also be employed by other persons, partnerships, REITs or other entities owning facilities operated by PSI.

In the purchasing of services such as advertising (including broadcast media advertising) and insurance, PSI attempts to achieve economies by combining the resources of the various facilities that it operates. Facilities operated by PSI have historically carried comprehensive insurance, including fire, earthquake, liability and extended coverage.

PSI has developed systems for space inventory, accounting and handling delinquent accounts, including a computerized network linking PSI operated facilities. Each project manager is furnished with detailed operating procedures and typically receives facilities management training from PSI. Form letters covering a variety of circumstances are also supplied to the project managers. A record of actions taken by the project managers when delinquencies occur is maintained.

The Mini-Warehouse Properties are typically advertised via signage, yellow pages, flyers and broadcast media advertising (television and radio) in geographic areas in which many of the facilities are located. Broadcast media and other advertising costs are charged to the facilities located in geographic areas affected by the advertising. From time to time, PSI adopts promotional programs, such as temporary rent reductions, in selected areas or for individual facilities.

For as long as the Management Agreement is in effect, PSI has granted the Partnership and the Joint Venture a non-exclusive license to use two PSI service marks and related designs, including the "Public Storage" name, in conjunction with rental and operation of facilities managed pursuant to the Management Agreement. Upon termination of the Management Agreement, the Partnership and the Joint Venture would no longer have the right to use the service marks and related designs. The General Partners believe that the loss of the right to use the service marks and related designs could have a material adverse effect on the Partnership's business.

The Management Agreement with PSI provides that the Management Agreement may be terminated without cause upon 60 days written notice by either party.

Business Park Operator

Through 1996, the business park of the Joint Venture was managed by PSCPG, now known as PS Business Parks, Inc., pursuant to a Management Agreement. In January 1997, this property was transferred to PSBPLP in exchange for a partnership interest.

Competition

Competition in the market areas in which the Mini-Warehouse Properties operate is significant and affects the occupancy levels, rental rates and operating expenses of certain of the facilities. Competition may be accelerated by any increase in availability of funds for investment in real estate. Recent increases in plans for development of mini-warehouses are expected to further intensify competition among mini-warehouse operators in certain market areas. In addition to competition from mini-warehouses operated by PSI, there are three

other national firms and numerous regional and local operators. The Partnership believes that the significant operating and financial experience of PSI's executive officers and directors and the "Public Storage" name, should enable the Partnership to continue to compete effectively with other entities.

Other Business Activities

A corporation owned by the Hughes Family reinsures policies against losses to goods stored by tenants in the Mini-Warehouse Properties. The Partnership believes that the availability of insurance reduces the potential liability of the Partnership and the Joint Venture to tenants for losses to their goods from theft or destruction. This corporation receives the premiums and bears the risks associated with the insurance.

A corporation, in which PSI had a 95% economic interest and the Hughes Family has a 5% economic interest, sells locks, boxes and tape to tenants to be used in securing their spaces and moving their goods. PSI believes that the availability of locks, boxes and tape for sale promotes the rental of spaces.

Employees

There are 138 persons who render services on behalf of the Partnership and the Joint Venture. These persons include resident managers, assistant managers, relief managers, district managers, and administrative personnel. Some of these employees may be employed on a part-time basis and may also be employed by other persons, partnerships, REITs or other entities owning facilities operated by PSI or PSBPLP.

ITEM 2. PROPERTIES.

The following table sets forth information as of December 31, 1998 about the Mini-Warehouse Properties:

Location	Net Rentable Square Feet	Number of Spaces	Date of Acquisition	Ownership Percentage
CALIFORNIA				
Laguna Hills E. Pacifico	72,900	676	04/10/85	50.0%
Simi Valley First St.	50,700	521	02/01/85	50.9
FLORIDA				
Fern Park U.S. Highway	37,400	405	03/19/85	50.0
Hialeah Red Road - W 4th Ave.	62,400	730	11/29/84	50.0
Longwood U.S. Highway	62,800	600	05/03/85	50.3
Medley N.W. S. River	48,800	518	08/31/84	100.0
Orlando 45th - Orange Blossom	34,500	357	06/22/84	74.6
Pompano Beach S.W. 2nd St.	43,700	338	12/19/84	100.0
GEORGIA				
Lilburn Indian Trail Rd.	35,600	297	07/10/85	50.0
KENTUCKY				
Florence Industrial Hwy	39,900	314	06/27/84	100.0
LOUISIANA				
Bossier City Gould Dr.	77,900	751	01/07/85	50.0
NEBRASKA				
Omaha South 86th St.	46,300	392	11/19/84	69.5
NEW HAMPSHIRE				
Manchester South Willow St.	61,100	507	11/30/84	49.2
NEW JERSEY				
Delran Route 130	63,100	594	06/20/84	71.2

Location	Net Rentable Square Feet	Number of Spaces	Date of Acquisition	Ownership Percentage
OHIO				
Arlington Arlington Center	62,900	463	05/31/85	55.0%
Cincinnati Mt. Carmel	70,300	645	06/27/84	100.0
Columbus Busch Blvd.	63,600	547	05/31/85	55.0
Columbus Kenny Road	61,300	591	07/11/85	55.0
Columbus Kinnear Road	80,800	612	05/31/85	55.0
Columbus Morse	63,900	539	07/11/85	55.0
Dayton Executive Blvd.	65,700	568	07/11/85	55.0

Dayton Needmore Road	61,100	403	07/11/85	55.0
Fairfield Dixie Highway II	52,000	380	03/14/85	50.0
Grove City Marlane Drive	52,000	509	06/07/85	55.0
Reynoldsburg Gender	65,500	573	06/07/85	55.0
Springfield W. Leffel	40,400	350	07/11/85	55.0
Westerville Westerville Road	64,200	578	07/11/85	55.0
Worthington Billingsley	74,400	557	05/31/85	55.0
OKLAHOMA				
Oklahoma West Reno II	83,500	576	08/31/84	100.0
OREGON				
Portland N.E. 92nd St.	44,300	495	03/01/85	75.0
PENNSYLVANIA				
Montgomeryville Route 309	63,400	532	12/13/84	50.0
TENNESSEE				
Chattanooga Pryor Drive	82,100	507	03/06/85	70.3

</TABLE>

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Location	Net Rentable Square Feet	Number of Spaces	Date of Acquisition	Ownership Percentage
<S>	<C>	<C>	<C>	<C>
TEXAS				
Austin E. Ben White Blvd.	33,300	232	12/11/84	75.0%
Austin N. Lamar Blvd.	56,200	529	12/11/84	75.0
Dallas (1) Cockrell Hill Rd.	63,900	513	09/28/84	50.5
Dallas Walnut Hill Lane	114,900	1,047	08/31/84	100.0
Fort Worth Hemphill St.	42,000	338	12/12/84	50.0
Garland W. Kingsley II	37,400	365	05/16/84	86.3
Hurst Hurst Blvd.	49,500	390	02/05/85	50.0
Irving E. Airport Fwy.	69,900	553	08/31/84	100.0
VIRGINIA				
Newport News Jefferson Dr	79,600	663	08/17/84	88.5

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(1) Includes Dallas/Cockrell Hill II located in Brassway, Texas which was purchased on 12/5/85 and is 50% owned by the Partnership.

The weighted average occupancy level for the Mini-Warehouse Properties was 89% in 1998 compared to 90% in 1997. The monthly average realized rent per square foot for the Mini-Warehouse Properties was $.61 in 1998 compared to $.58 in 1997.

Substantially all of the facilities were acquired prior to the time that it was customary to conduct extensive environmental investigations in connection with the property acquisitions. During the fourth quarter of 1995, an independent environmental consulting firm completed environmental assessments on the Mini-Warehouse Properties to evaluate the environmental condition of, and potential environmental liabilities of such properties. Although there can be no assurance, the Partnership is not aware of any environmental contamination of its facilities which individually or in the aggregate would be material to the Partnership's overall business, financial condition, or results of operations.

ITEM 3. LEGAL PROCEEDINGS.

No material legal proceeding is pending against the Partnership or the Joint Venture.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the fourth quarter of 1998.

PART II

ITEM 5. MARKET FOR THE PARTNERSHIP'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Partnership has no common stock.

The Units are not listed on any national securities exchange or quoted on the NASDAQ System, and there is no established public trading market for the Units. Secondary sales activity for the Units has been limited and sporadic. The General Partners monitor transfers of the Units (a) because the admission of the transferee as a substitute limited partner requires the consent of the General Partners under the Partnership's Amended and Restated Agreement of Limited Partnership, (b) in order to ensure compliance with safe harbor provisions to avoid treatment as a "publicly traded partnership" for tax purposes and (c) because PSI has purchased Units. However, the General Partners do not have information regarding the prices at which all secondary sale transactions in the Units have been effectuated. Various organizations offer to purchase and sell limited partnership interests (including securities of the type such as the Units) in secondary sales transactions. Various publications such as The Stanger Report summarize and report information (on a monthly, bimonthly or less frequent basis) regarding secondary sales transactions in limited partnership interests (including the Units), including the prices at which such secondary sales transactions are effectuated.

Exclusive of the General Partners' interest in the Partnership, as of December 31, 1998, there were approximately 2,369 record holders of Units.

In January 1997, PSI completed a cash tender offer, which had commenced in December 1996, pursuant to which PSI acquired a total of 12,881 additional limited partnership units at $425 per Unit.

The Partnership makes quarterly distributions of all "Cash Available for Distribution" and will make distributions of "Cash from Sales or Refinancings". Cash Available for Distribution is cash flow from all sources less cash necessary for any obligations or capital improvements or reserves.

Reference is made to Items 6 and 7 hereof for information on the amount of such distributions.

ITEM 6. SELECTED FINANCIAL DATA.

<TABLE>
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	For the Years Ended December 31,				
	1998	1997	1996	1995	1994
	(In thousands, except per Unit data)				
<S>	<C>	<C>	<C>	<C>	<C>
Total Revenues	$6,471	$5,374	$4,648	$4,500	$4,401
Depreciation and amortization	680	655	595	563	529
Net income	4,447	3,423	2,809	2,749	2,788
Limited partners' share	4,006	2,993	2,286	2,029	2,325
General partners' share	441	430	523	720	463
Limited partners' per unit data (a)					

Net income	$31.30	$23.38	$17.86	$15.85	$18.16
Cash distributions (b)	$27.84	$27.84	$34.80	$48.72	$30.60
As of December 31,					
Cash and cash equivalents	$3,122	$1,222	$289	$162	$1,757
Total assets	$26,337	$25,857	$26,379	$28,601	$32,819

</TABLE>

(a) Limited Partners' per unit data is based on the weighted average number of units (128,000) outstanding during the year.

(b) The General Partners distributed, concurrent with the distributions for the third quarter of 1995, a portion of the operating cash reserve of the Partnership estimated to be $6.96 per Unit.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

LOOKING FORWARD STATEMENTS

When used within this document, the words "expects," "believes," "anticipates," "should," "estimates," and similar expressions are intended to identify "forward-looking statements" within the meaning of that term in Section 27A of the Securities Exchange Act of 1933, as amended, and in Section 21F of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors, which may cause the actual results and performance of the Partnership to be materially different from those expressed or implied in the forward looking statements. Such factors include the impact of competition from new and existing real estate facilities which could impact rents and occupancy levels at the real estate facilities that the Partnership's has an interest in; the Partnership's ability to effectively compete in the markets that it does business in; the impact of the regulatory environment as well as national, state, and local laws and regulations including, without limitation, those governing Partnerships; and the impact of general economic conditions upon rental rates and occupancy levels at the real estate facilities that the Partnership has an interest in.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997:

The Partnership's net income was $4,447,000 in 1998 compared to $3,423,000 in 1997, representing an increase of $1,024,000, or 29.9%. The increase is due primarily to the Partnership's share of an improvement in operations of the mini-warehouses in which the Partnership has an interest (the "Mini-Warehouse Properties") and a decrease in depreciation allocated to the Partnership with respect to the Joint Venture.

PROPERTY OPERATIONS: Rental income for the Partnership's wholly-owned mini-warehouse properties was $2,764,000 in 1998 compared to $2,636,000 during 1997, representing an increase of $128,000, or 4.9%. Cost of operations (including management fees) increased $38,000, or 3.3%, to $1,188,000 in 1998 from $1,150,000 in 1997. Accordingly, for the Partnership's wholly-owned mini-warehouse properties, net operating income increased by $90,000, or 6.1%, from $1,486,000 in 1997 to $1,576,000 during 1998.

EQUITY IN EARNINGS OF REAL ESTATE ENTITIES: Equity in earnings of real estate entities was $3,574,000 in 1998 as compared to $2,691,000 during 1997, representing an increase of $883,000, or 32.8%. This increase was due primarily to the Partnership's share of improved operating results at the Joint Venture's mini-warehouse properties, as well as a decrease in depreciation expense allocated to the Partnership with respect to the Joint Venture.

DEPRECIATION AND AMORTIZATION: Depreciation and amortization for the Partnership's wholly-owned properties increased $25,000, or 3.8% from $655,000 in 1997 to $680,000 in 1998. This increase was primarily attributable to the depreciation of capital expenditures made during 1997 and 1998.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996:

The Partnership's net income was $3,423,000 in 1997 compared to $2,809,000 in 1996, representing an increase of $614,000, or 21.9%. The increase is due primarily to the Partnership share of an improvement in operations of the mini-warehouses in which the Partnership has an interest and a decrease in depreciation allocated to the Partnership with respect to the Joint Venture.

PROPERTY OPERATIONS: Rental income for the Partnership's wholly-owned mini-warehouse properties was $2,636,000 in 1997 compared to $2,496,000 during 1996, representing an increase of $140,000, or 5.6%. Cost of operations (including management fees) increased $45,000, or 4.1%, to $1,150,000 in 1997 from $1,105,000 in 1996. Accordingly, for the Partnership's wholly-owned mini-warehouse properties, net operating income increased by $95,000, or 6.8%, from $1,391,000 in 1996 to $1,486,000 during 1997.

EQUITY IN EARNINGS OF REAL ESTATE ENTITIES: Equity in earnings of real estate entities was $2,691,000 in 1997 as compared to $2,129,000 during 1996, representing an increase of $562,000, or 26.4%. This increase was due primarily to the Partnership's share of improved operating results at the Joint Venture's mini-warehouse properties, as well as a decrease in depreciation expense allocated to the Partnership with respect to the Joint Venture.

DEPRECIATION AND AMORTIZATION: Depreciation and amortization for the Partnership's wholly-owned properties increased $60,000, or 10.1% from $595,000 in 1996 to $655,000 in 1997. This increase was primarily attributable to the depreciation of capital expenditures made during 1996 and 1997.

SUPPLEMENTAL PROPERTY DATA

During 1998 and 1997, a majority of the Partnership's net income was from the Partnership's share of the operating results of the Mini-Warehouse Properties. Therefore, in order to evaluate the Partnership's operating results, the General Partners analyze the operating performance of the Mini-Warehouse Properties.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO THE YEAR ENDED DECEMBER 31, 1997: Rental income for the Mini-Warehouse Properties was $15,813,000 in 1998 compared to $15,333,000 during 1997, representing an increase of $480,000, or 3.1%. The increase in rental income was primarily attributable to increased rental rates, partially offset by decreased average occupancy levels. The monthly average realized rent per square foot was $.61 in 1998 compared to $.58 in 1997. The weighted average occupancy levels decreased from 90% in 1997 to 89% in 1998. Cost of operations (including management fees) increased $237,000, or 3.9%, to $6,263,000 during 1998 from $6,026,000 in 1997. This increase was primarily attributable to increases in advertising and property tax expenses. Accordingly, for the Mini-Warehouse Properties, property net operating income increased by $243,000, or 2.6%, from $9,307,000 in 1997 to $9,550,000 during 1998.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO THE YEAR ENDED DECEMBER 31, 1996: Rental income for the Mini-Warehouse Properties was $15,333,000 in 1997 compared to $14,855,000 during 1996, representing an increase of $478,000, or 3.2%. The increase in rental income was primarily attributable to increased rental rates, partially offset by decreased average occupancy levels. The monthly average realized rent per square foot was $.58 in 1997 compared to $.56 in 1996. The weighted average occupancy levels decreased from 91% in 1996 to 90% in 1997. Cost of operations (including management fees) increased $227,000, or 4.0%, to $6,026,000 during 1997 from $5,799,000 in 1996. This increase was primarily attributable to increases in advertising, property tax, and management expenses. Accordingly, for the Mini-Warehouse Properties, property net operating income increased by $251,000, or 2.8%, from $9,056,000 in 1996 to $9,307,000 during 1997.

LIQUIDITY AND CAPITAL RESOURCES

The Partnership has adequate sources of cash to finance its operations, both on a short-term and long-term basis, primarily by internally generated cash from property operations and distributions from Real Estate Entities, combined with cash on hand at December 31, 1998 of $3,122,000.

Cash flows from operating activities and distributions from Real Estate Entities ($6,192,000 for the year ended December 31, 1998) have been sufficient to meet all current obligations of the Partnership. Total capital improvements for the Partnership's wholly-owned properties were $292,000, $305,000 and $261,000 in 1998, 1997 and 1996, respectively. During 1999, the Partnership anticipates approximately $194,000 of capital improvements to the Partnership's wholly-owned properties.

Total distributions paid to the General Partners and the limited partners (including the per Unit amounts) for 1998 and prior years were as follows:

	Total	Per Unit
1998	$4,000,000	$27.84
1997	4,000,000	27.84
1996	4,999,000	34.80
1995	6,999,000	48.72
1994	4,396,000	30.60
1993	3,634,000	25.30
1992	2,875,000	20.00
1991	3,344,000	23.28
1990	2,874,000	20.00
1989	1,706,000	11.88
1988	2,784,000	19.38
1987	5,028,000	35.00

The General Partners distributed, concurrent with the distributions for the third quarter of 1995, a portion of the operating reserve of the Partnership's estimated to be $6.26 per Unit. Future distribution levels will be based upon cash flows available for distributions (cash flows from operations and distributions from Real Estate Entities less capital improvements and necessary cash reserves).

IMPACT OF YEAR 2000

The Partnership utilizes PSI's information systems in connection with a cost sharing and administrative services agreement. PSI has completed an assessment of all of its hardware and software applications to identify susceptibility to what is commonly referred to as the "Y2K Issue" whereby certain computer programs have been written using two digits rather than four to define the applicable year. Any of PSI's computer programs or hardware with the Y2K Issue that have date-sensitive applications or embedded chips may recognize a date using "00" as the year 1900 rather than the year 2000, resulting in miscalculations or system failure causing disruptions of operations.

PSI has two phases in its process with respect to each of its systems; i) assessment, whereby PSI evaluates whether the system is Y2K compliant and identifies the plan of action with respect to remediating any Y2K issues identified and ii) implementation, whereby PSI completes the plan of action prepared in the assessment phase and verifies that Y2K compliance has been achieved.

Many of PSI's critical applications, relative to the direct management of properties, have recently been replaced and PSI believes they are already Year 2000 compliant. PSI has an implementation in process on the remaining critical applications, including its general ledger and related systems, that are believed to have Y2K issues. PSI expects the implementation to be complete by June 1999. Contingency plans have been developed for use in case PSI's implementations are not completed on a timely basis. While PSI presently believes that the impact of the Y2K Issue on its systems can be mitigated, if PSI's plan for ensuring Year 2000 Compliance and the related contingency plans were to fail, be insufficient, or not be implemented on a timely basis, Partnership operations could be materially impacted.

Certain of PSI's other non-computer related systems that may be impacted by the Y2K Issue, such as security systems, are currently being evaluated, and PSI expects the evaluation to be complete by June 1999. PSI expects the implementation of any required solutions to be complete in advance of December 31, 1999. PSI has not fully evaluated the impact of lack of Year 2000 compliance on these systems, but has no reason to believe that lack of compliance would materially impact the Partnership's operations.

The Partnership exchanges electronic data with certain outside vendors in the banking and payroll processing areas. The Partnership has been advised by

these vendors that their systems are or will be Year 2000 compliant, but has requested a Year 2000 compliance certification from these entities. The Partnership is not aware of any other vendors, suppliers, or other external agents with a Y2K Issue that would materially impact the Partnership's results of operations, liquidity, or capital resources. However, the Partnership has no means of ensuring that external agents will be Year 2000 compliant, and there can be no assurance that the Partnership has identified all such external agents. The inability of external agents to complete their Year 2000 compliance process in a timely fashion could materially impact the Partnership. The effect of non-compliance by external agents is not determinable.

The cost of the PSI's year 2000 compliance activities (which primarily consists of the costs of new systems) to be allocated to the Partnership and the Joint Venture is estimated at approximately $184,000. These costs are capitalized. PSI's year 2000 compliance efforts have not resulted in any significant deferrals in other information system projects.

The costs of the projects and the date on which PSI and the Partnership expect to achieve Year 2000 Compliance are based upon management's best estimates, and were derived utilizing numerous assumptions of future events. There can be no assurance that these estimates will be achieved, and actual results could differ materially from those anticipated. There can be no assurance that the Partnership or PSI has identified all potential Y2K Issues either within the Partnership, at PSI, or at external agents. In addition, the impact of the Y2K issue on governmental entities and utility providers and the resultant impact on the Partnership, as well as disruptions in the general economy, may be material but cannot be reasonably determined or quantified.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

None.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Partnership's financial statements are included elsewhere herein. Reference is made to the Index to Financial Statements and Financial Statement Schedules in Item 14(a).

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP.

The Partnership has no directors or executive officers.

The Partnership's General Partners are PSI and B. Wayne Hughes. PSI, acting through its directors and executive officers, and Mr. Hughes manage and make investment decisions for the Partnership. The Mini-Warehouse Properties are managed by PSI pursuant to a Management Agreement. Through 1996, the business park owned by the Joint Venture was managed by a predecessor of PSBPLP, pursuant to a Management Agreement. In January 1997, the Joint Venture transferred its business park to PSBPLP in exchange for a partnership interest in PSBPLP.

The names of all directors and executive officers of PSI, the offices held by each of them with PSI, and their ages and business experience during the past five years are as follows:

Name	Positions with PSI
B. Wayne Hughes	Chairman of the Board and Chief Executive Officer
Harvey Lenkin	President and Director
B. Wayne Hughes, Jr.	Vice President and Director
John Reyes	Senior Vice President and Chief Financial Officer
Carl B. Phelps	Senior Vice President
Obren B. Gerich	Senior Vice President
Marvin M. Lotz	Senior Vice President
David Goldberg	Senior Vice President and General Counsel
A. Timothy Scott	Senior Vice President and Tax Counsel
David P. Singelyn	Vice President and Treasurer
Sarah Hass	Vice President and Secretary
Robert J. Abernethy	Director
Dann V. Angeloff	Director
William C. Baker	Director
Thomas J. Barrack Jr.	Director
Uri P. Harkham	Director
Daniel C. Staton	Director

B. Wayne Hughes, age 65, a general partner of the Partnership, has been a director of PSI since its organization in 1980 and was President and Co-Chief Executive Officer from 1980 until November 1991 when he became Chairman of the Board and sole Chief Executive Officer. Mr. Hughes has been active in the real estate investment field for over 25 years. He is the father of B. Wayne Hughes, Jr.

Harvey Lenkin, age 62, has been employed by PSI for 21 years and became

President and a director of PSI in November 1991. Mr. Lenkin has been a director of PS Business Parks, Inc. ("PSBP"), an affiliated REIT, since March 16, 1998 and was President of PSBP (formerly Public Storage Properties XI, Inc.) from 1990 until March 16, 1998. He is a member of the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT).

B. Wayne Hughes, Jr., age 39 became director of PSI in January 1998. He has been a Vice President - Acquisitions of PSI since 1992. He is the son of B. Wayne Hughes.

John Reyes, age 38, a certified public accountant, joined PSI in 1990 and was Controller of PSI from 1992 until December 1996 when he became Chief Financial Officer. He became a Vice President of PSI in November 1995 and a

Senior Vice President of PSI in December 1996. From 1983 to 1990, Mr. Reyes was employed by Ernst & Young.

Carl B. Phelps, age 60, became a Senior Vice President of PSI in January 1998 with overall responsibility for property acquisition and development. From June 1991 until joining PSI, he was a partner in the law firm of Andrews & Kurth, L.L.P., which performed legal services for PSI. From December 1982 through May 1991, his professional corporation was a partner in the law firm of Sachs & Phelps, then counsel to PSI.

Obren B. Gerich, age 60, a certified public accountant, has been a Vice President of PSI since 1980 and became Senior Vice President of PSI in November 1995. He was Chief Financial Officer of PSI until November 1991.

Marvin M. Lotz, age 56, has had overall responsibility for Public Storage's mini-warehouse operations since 1988. He became a Senior Vice President of PSI in November 1995. Mr. Lotz was an officer of PSI with responsibility for property acquisitions from 1983 until 1988.

David Goldberg, age 49, joined PSI's legal staff in June 1991. He became Senior Vice President and General Counsel of PSI in November 1995. From December 1982 until May 1991, he was a partner in the law firm of Sachs & Phelps, then counsel to PSI.

A. Timothy Scott, age 47, became a Senior Vice President and Tax Counsel of PSI and Vice President and Tax Counsel of the Public Storage REITs in November 1996. From June 1991 until joining PSI, Mr. Scott practiced tax law as a shareholder of the law firm of Heller, Ehrman, White & McAuliffe, counsel to PSI. Prior to June 1991, his professional corporation was a partner in the law firm of Sachs & Phelps, then counsel to PSI.

David P. Singleyn, age 37, a certified public accountant, has been employed by PSI since 1989 and became Vice President and Treasurer of PSI in November 1995. From 1987 to 1989, Mr. Singelyn was Controller of Winchell's Donut Houses, L.P.

Sarah Hass, age 43, became Secretary of PSI in February 1992. She became a Vice President of PSI in November 1995. She joined PSI's legal department in June 1991, rendering services on behalf of PSI. From 1987 until May 1991, her professional corporation was a partner in the law firm of Sachs & Phelps, then counsel to PSI, and from April 1986 until June 1987, she was associated with that firm, practicing in the area of securities law. From September 1979 until September 1985, Ms. Hass was associated with the law firm of Rifkind & Sterling, Incorporated.

Robert J. Abernethy, age 59, has been President of American Standard Development Company and of Self-Storage Management Company, which develop and operate mini-warehouses, since 1976 and 1977, respectively. Mr. Abernethy has been a director of PSI since its organization in 1980. He is a member of the board of trustees of John Hopkins University and a director of Marathon National Bank. Mr. Abernethy is a former member of the board of directors of the Los Angeles County Metropolitan Transportation Authority and the Metropolitan Water District of Southern California and a former Planning Commissioner and Telecommunications Commissioner and former Vice-Chairman of the Economic Development Commission of the City of Los Angeles.

Dann V. Angeloff, age 63, has been President of the Angeloff Company, a corporate financial advisory firm, since 1976. The Angeloff Company has rendered, and is expected to continue to render, financial advisory and securities brokerage services for PSI. Mr. Angeloff is the general partner of a limited partnership that owns a mini-warehouse operated by PSI and which secures a note owned by PSI. Mr. Angeloff has been a director of PSI since its organization in 1980. He is a director of Balboa Capital Corporation, Compensation Resource Group, Nicholas/Applegate Growth Equity Fund, Nicholas/Applegate Mutual Funds, ReadyPac Produce, Inc., Royce Medical Company, SupraLife International and WorldxChange Communications, Inc. He was a director of SPI from 1989 until June 1996.

William C. Baker, age 65, became a director of PSI in November 1991. Since January 1999, Mr. Baker has been President and Chief Executive Officer of Los Angeles Turf Club, Incorporated, which operates the Santa Anita Racetrack and is wholly-owned subsidiary of Magna International Inc. Since August 1998, he has been President of Meditrust Operating Company, a paired share real estate investment trust. From November 1997 until December 1998, he was Chairman of the Board and Chief Executive Officer of The Santa Anita Companies, Inc., a wholly-owned subsidiary of Meditrust Operating Company which then operated the Santa Anita Racetrack. From August 1996 until November 1997, he was Chairman of the Board and Chief Executive Officer of Santa Anita Operating Company and Chairman of the Board of Santa Anita Realty Enterprises, Inc., the companies which were merged with Meditrust in November 1997. From April 1993 through May 1995, Mr. Baker was President of Red Robin International, Inc., an operator and franchiser of casual dining restaurants in the United States and Canada. From January 1992 through December 1995 he was Chairman and Chief Executive Officer of Carolina Restaurant Enterprises, Inc., a franchisee of Red Robin International, Inc. Since 1991, he has been Chairman of the Board of Coast Newport Properties, a real estate brokerage company. From 1976 to 1988, he was a principal shareholder and Chairman and Chief Executive Officer of Del Taco, Inc., an operator and franchiser of fast food restaurants in California. Mr. Baker is a director of Callaway Golf Company and Meditrust Operating Company .

Thomas J. Barrack, Jr., age 51, became a director of PSI in February 1998. Mr. Barrack has been the Chairman and Chief Executive Officer of Colony Capital, Inc. since September, 1991. Colony Capital, Inc. is one of the largest real estate investors in America, having acquired properties in the U.S., Europe and Asia. Prior to founding Colony Capital, Inc., from 1987 to 1991, Mr. Barrack was a principal with the Robert M. Bass Group, Inc., the principal investment vehicle for Robert M. Bass of Fort Worth, Texas. From 1985 to 1987, Mr. Barrack was President of Oxford Ventures, Inc., a Canadian-based real estate development company. From 1984 to 1985 he was a Senior Vice President at E. F. Hutton Corporate Finance in New York. Mr. Barrack was appointed by President Ronald Reagan as Deputy Under Secretary at the U.S. Department of the Interior from 1982 to 1983. Mr. Barrack currently is a director of Continental Airlines, Inc., Harvey's Acquisition Corp. and Kennedy-Wilson, Inc.

Uri P. Harkham, age 50, became a director of PSI in March 1993. Mr. Harkham has been the President and Chief Executive Officer of the Jonathan Martin Fashion Group, which specializes in designing, manufacturing and marketing women's clothing, since its organization in 1976. Since 1978, Mr. Harkham has been the Chairman of the Board of Harkham Properties, a real estate firm specializing in buying and managing fashion warehouses in Los Angeles.

Daniel C. Staton, age 46, became a director of PSI on March 12, 1999 in connection with the merger of Storage Trust Realty, a real estate investment trust, with PSI. Mr. Staton was Chairman of the Board of Trustees of Storage Trust Realty from February 1998 until March 12, 1999 and a Trustee of Storage Trust Realty from November 1994 until March 12, 1999. He is President of Walnut Capital Partners, an investment and venture capital company. Mr. Staton was the Chief Operating Officer and Executive Vice President of Duke Realty Investments, Inc. from 1993 to 1997. He has been a director of Duke Realty Investments, Inc. since 1993. From 1981 to 1993, Mr. Staton was a principal owner of Duke Associates, the predecessor of Duke Realty Investments, Inc. Prior to joining Duke Associates in 1981, he was a partner and general manager of his own moving company, Gateway Van & Storage, Inc. in St. Louis, Missouri. From 1986 to 1988, Mr. Staton served as president of the Greater Cincinnati Chapter of the National Association of Industrial and Office Parks.

Pursuant to Articles 16 and 17 of the Partnership's Amended Certificate and Agreement of Limited Partnership (the "Partnership Agreement"), a copy of which is included in the Partnership's prospectus included in the Partnership's Registration Statement, File No. 2-89770, each of the General Partners continues to serve until (i) death, insanity, insolvency, bankruptcy or dissolution, (ii) withdrawal with the consent of the other general partner and a majority vote of the limited partners, or (iii) removal by a majority vote of the limited partners.

Each director of PSI serves until he resigns or is removed from office by PSI, and may resign or be removed from office at any time with or without cause. Each officer of PSI serves until he resigns or is removed by the board of directors of PSI. Any such officer may resign or be removed from office at any time with or without cause.

There have been no events under any bankruptcy act, no criminal proceedings, and no judgments or injunctions material to the evaluation of the ability of any director or executive officer of PSI during the past five years.

Section 16 (a) Beneficial Ownership Reporting Compliance

Based on a review of the reports filed under Section 16 (a) of the Securities Exchange Act of 1934 with respect to the Units that were submitted to the Partnership, the Partnership believes that with respect to the fiscal year ended December 31, 1998, B. Wayne Hughes, Jr. and Thomas J. Barrack, Jr., each of whom is a director of PSI, a General Partner of the Partnership, each filed his Initial Statement of Beneficial Ownership of Securities on Form 3 after its due date.

ITEM 11. EXECUTIVE COMPENSATION.

The Partnership has no subsidiaries, directors or officers. See Item 13 for a description of certain transactions between the Partnership and the General Partners and their affiliates.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

(a) At January 1, 1999, PSI beneficially owned more than 5% of the Units of the Partnership:

<TABLE>
<CAPTION>

Title of Class	Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
<S>	<C>	<C>	<C>
Units of Limited Partnership Interest	Public Storage, Inc. 701 Western Avenue Glendale, CA 91201-2394 (1)	77,780 Units (1)	60.77%

</TABLE>

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(1) These Units are held of record by SEI Arlington Acquisition Corporation, a wholly-owned subsidiary of PSI.

The Partnership is not aware of any other beneficial owners of more than 5% of the Units.

In January 1997, PSI completed a cash tender offer, which had commenced in December 1996, pursuant to which PSI acquired a total of 12,881 additional limited partnership units at $425 per Unit.

(b) The Partnership has no officers and directors.

The General Partners (or their predecessor-in-interest) have contributed $646,000 to the capital of the Partnership representing 1% of the aggregate capital contributions and as a result participate in the distributions to the limited partners and in the Partnership's profits and losses in the same proportion that the general partners' capital contribution bears to the total capital contribution. Information regarding ownership of the Units by PSI, a General Partner, is set forth under section (a) above. The directors and executive officers, as a group, do not own any Units.

(c) The Partnership knows of no contractual arrangements, the operation of the terms of which may at a subsequent date result in a change in control of the Partnership, except for articles 16, 17 and 21.1 of the Partnership's Amended Certificate and Agreement of Limited Partnership, a copy of which is included in the Partnership's prospectus included in the Partnership's Registration Statement File No. 2-89770. Those articles provide, in substance, that the limited partners shall have the right, by majority vote, to remove a general partner and that a general partner may designate a successor with the consent of the other general partner and a majority of the limited partners.

The Partnership owns interests in 41 properties (which exclude the property transferred to PSBPLP in January 1997); 34 of such properties are held in a general partnership comprised of the

Partnership and PSI. Under the terms of the partnership agreement relating to the ownership of the properties, PSI has the right to compel a sale of each property at any time after seven years from the date of acquisition at not less than its independently determined fair market value provided the Partnership receives its share of the net sales proceeds solely in cash. As of December 31, 1998, PSI has the right to require the Partnership to sell all of the Joint Venture's properties on these terms.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Partnership Agreement provides that the General Partners and their affiliates are entitled to the following compensation:

1. Incentive distributions equal to 10% of Cash Flow from Operations.

2. Provided the limited partners have received distributions equal to 100% of their investment plus a cumulative 8% per year (not compounded) on their investment (reduced by distributions other than from Cash Flow from Operations), subordinated incentive distributions equal to 15% of remaining Cash from Sales or Refinancings.

3. Provided the limited partners have received distributions equal to 100% of their capital contributions plus a cumulative 6% per year (not compounded) on their investment (reduced by distributions other than distributions from Cash Flow from Operations), brokerage commissions at the lesser of 3% of the sales price of a property or 50% of a competitive commission.

During 1998, approximately $400,000 was paid to PSI with respect to items 1, 2, and 3 above. The Partnership owns interests in 41 properties (which exclude the property transferred to PSBPLP in January 1997); 34 of such properties are held in a general partnership comprised of the Partnership and PSI.

The Partnership and the Joint Venture have a Management Agreement with PSI pursuant to which the Partnership and the Joint Venture pay PSI a fee of 6% of the gross revenues of the mini-warehouse spaces operated for the Partnership and the Joint Venture. During 1998, the Partnership and the Joint Venture paid fees of $949,000 to PSI pursuant to the Management Agreement.

Through 1996, the Joint Venture's business park was managed by a predecessor of PSBPLP pursuant to a Management Agreement which provides for the payment of a fee by the Joint Venture of 5% of the gross revenues of the commercial space operated for the Joint Venture. In January 1997, the Joint Venture, PSI and other related partnerships transferred a total of 35 business parks to PSBPLP, an operating partnership formed to own and operate business parks in which PSI has a significant interest. Included among the properties transferred was the Joint Venture's business park in exchange for a partnership interest in PSBPLP. The general partner of PSBPLP is PS Business Parks, Inc., a REIT traded on the American Stock Exchange.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) List of Documents filed as part of the Report.

1. Financial Statements: See Index to Financial Statements and Financial Statement Schedules.

2. Financial Statement Schedules: See Index to Financial Statements and Financial Statement Schedules.

3. Exhibits: See Exhibit Index contained herein.

(b) Reports on Form 8-K: None

(c) Exhibits: See Exhibit Index contained herein.

PS PARTNERS III, LTD.
INDEX TO EXHIBITS

3.1 Amended Certificate and Agreement of Limited Partnership. Previously filed with the Securities and Exchange Commission as Exhibit A to the Partnership's Prospectus included in Registration Statement No. 2-89770 and incorporated herein by reference.

10.1 Second Amended and Restated Management Agreement dated November 16, 1995, between the Partnership and Public Storage Management, Inc. Previously filed with the Securities and Exchange Commission as an exhibit to PS Partners, Ltd.'s Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference.

10.2 Amended Management Agreement dated February 21, 1995 between Storage Equities, Inc. and Public Storage Commercial Properties Group, Inc. Previously filed with the Securities and Exchange Commission as an exhibit to the Partnership's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference.

10.3 Participation Agreement dated as of May 11, 1984, among Storage Equities, Inc., the Partnership, Public Storage, Inc., B. Wayne Hughes and Kenneth Q. Volk, Jr. Previously filed with the Securities and Exchange Commission as an exhibit to Storage Equities, Inc. Annual Report on Form 10-K for the year ended December 31, 1984 and incorporated herein by reference.

27 Financial data schedule. Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Partnership has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PS PARTNERS III, LTD.
Dated: March 26, 1999 By: Public Storage, Inc., General Partner

By: /s/ B. Wayne Hughes
B. Wayne Hughes, Chairman of the Board

By: /s/ B. Wayne Hughes
B. Wayne Hughes, General Partner

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Partnership in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Capacity	Date
<S>	<C>	<C>
/s/ B. Wayne Hughes B. Wayne Hughes	Chairman of the Board and Chief Executive Officer of Public Storage, Inc. and General Partner (principal executive officer)	March 26, 1999
/s/ Harvey Lenkin Harvey Lenkin	President and Director of Public Storage, Inc.	March 26, 1999
/s/ B. Wayne Hughes, Jr. B. Wayne Hughes, Jr.	Vice President and Director of Public Storage, Inc.	March 26, 1999
/s/ John Reyes John Reyes	Senior Vice President and Chief Financial Officer of Public Storage, Inc. (principal financial officer and principal accounting officer)	March 26, 1999
/s/ Robert J. Abernethy Robert J. Abernethy	Director of Public Storage, Inc.	March 26, 1999
/s/ Dann V. Angeloff Dann V. Angeloff	Director of Public Storage, Inc.	March 26, 1999
/s/ William C. Baker	Director of Public Storage, Inc.	March 26, 1999

William C. Baker		
	Director of Public Storage, Inc.	
---------------------------- Thomas J. Barrack, Jr.		
/s/ Uri P. Harkham	Director of Public Storage, Inc.	March 26, 1999
---------------------------- Uri P. Harkham		
	Director of Public Storage, Inc.	
---------------------------- Daniel C. Staton		

</TABLE>

PS PARTNERS III, LTD.

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

(Item 14 (a))

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements or the notes thereto.

Report of Independent Auditors

The Partners
PS Partners III, Ltd.

We have audited the balance sheets of PS Partners III, Ltd. as of December 31, 1998 and 1997 and the related statements of income, partners' equity, and cash flows for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PS Partners III, Ltd. at December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

February 10, 1999
Los Angeles, CA

PS PARTNERS III, LTD.
BALANCE SHEETS
December 31, 1998 and 1997

<TABLE>
<CAPTION>

	1998	1997
ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	$ 3,122,000	$ 1,222,000
Rent and other receivables	16,000	133,000
Real estate facilities, at cost:		
Land	3,558,000	3,558,000
Buildings and equipment	13,062,000	12,770,000
	16,620,000	16,328,000
Less accumulated depreciation	(7,339,000)	(6,659,000)
	9,281,000	9,669,000

Investment in real estate entities	13,897,000	14,813,000
Other assets	21,000	20,000
	$ 26,337,000	$ 25,857,000

LIABILITIES AND PARTNERS' EQUITY

Accounts payable	$ 228,000	$ 200,000
Advance payments from renters	82,000	77,000
Partners' equity:		
Limited partners' equity, $500 per unit, 128,000 units authorized, issued and outstanding	25,683,000	25,240,000
General partner's equity	344,000	340,000
Total partners' equity	26,027,000	25,580,000
	$ 26,337,000	$ 25,857,000

</TABLE>

See accompanying notes.

PS PARTNERS III, LTD.
STATEMENTS OF INCOME
For the years ended December 31, 1998, 1997, and 1996

<TABLE>
<CAPTION>

<S>	<C> 1998	<C> 1997	<C> 1996
REVENUE:			
Rental income	$ 2,764,000	$ 2,636,000	$ 2,496,000
Equity in earnings of real estate entities	3,574,000	2,691,000	2,129,000
Interest income	133,000	47,000	23,000
	6,471,000	5,374,000	4,648,000
COSTS AND EXPENSES:			
Cost of operations	1,022,000	992,000	956,000
Management fees	166,000	158,000	149,000
Depreciation and amortization	680,000	655,000	595,000
Administrative	156,000	146,000	139,000
	2,024,000	1,951,000	1,839,000
NET INCOME	$ 4,447,000	$ 3,423,000	$ 2,809,000
Limited partners' share of net income ($31.30, $23.38, and $17.86 per unit in 1997, 1996, and 1995, respectively)	$ 4,006,000	$ 2,993,000	$ 2,286,000
General partner's share of net income	441,000	430,000	523,000
	$ 4,447,000	$ 3,423,000	$ 2,809,000

</TABLE>

See accompanying notes.

PS PARTNERS III, LTD.
STATEMENTS OF PARTNERS' EQUITY
For the years ended December 31, 1998, 1997, and 1996

<TABLE>
<CAPTION>

	Limited Partners	General Partners	Total
Balances at December 31, 1995	$ 27,980,000	$ 367,000	$ 28,347,000
Net income	2,286,000	523,000	2,809,000
Distributions	(4,454,000)	(545,000)	(4,999,000)
Balances at December 31, 1996	25,812,000	345,000	26,157,000
Net income	2,993,000	430,000	3,423,000
Distributions	(3,565,000)	(435,000)	(4,000,000)
Balances at December 31, 1997	25,240,000	340,000	25,580,000
Net income	4,006,000	441,000	4,447,000
Distributions	(3,563,000)	(437,000)	(4,000,000)
Balances at December 31, 1998	$ 25,683,000	$ 344,000	$ 26,027,000

</TABLE>

See accompanying notes.

PS PARTNERS III, LTD.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 1998, 1997, and 1996

<TABLE>
<CAPTION>

	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 4,447,000	$ 3,423,000	$ 2,809,000
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	680,000	655,000	595,000
Decrease (increase) in rent and other receivables	117,000	(105,000)	10,000
(Increase) decrease in other assets	(1,000)	31,000	(18,000)
Increase (decrease) in accounts payable	28,000	56,000	(29,000)
Increase (decrease) in advance payments from renters	5,000	(1,000)	(3,000)
Equity in earnings of real estate entities	(3,574,000)	(2,691,000)	(2,129,000)
Total adjustments	(2,745,000)	(2,055,000)	(1,574,000)
Net cash provided by operating activities	1,702,000	1,368,000	1,235,000
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:			
Distributions from real estate entities	4,490,000	3,870,000	4,152,000
Additions to real estate facilities	(292,000)	(305,000)	(261,000)
Net cash provided by investing activities	4,198,000	3,565,000	3,891,000
CASH FLOWS USED IN FINANCING ACTIVITIES:			
Distributions to partners	(4,000,000)	(4,000,000)	(4,999,000)
Net cash used in financing activities	(4,000,000)	(4,000,000)	(4,999,000)

Net increase in cash and cash equivalents	1,900,000	933,000	127,000
Cash and cash equivalents at the beginning of the period	1,222,000	289,000	162,000
Cash and cash equivalents at the end of the period	$ 3,122,000	$ 1,222,000	$ 289,000

</TABLE>

See accompanying notes.

PS PARTNERS III, LTD.
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PARTNERSHIP MATTERS

Description of Partnership

PS Partners III, Ltd. (the "Partnership") was formed with the proceeds of an interstate public offering. PSI Associates II, Inc. ("PSA"), an affiliate of Public Storage Management, Inc., organized the Partnership along with B. Wayne Hughes ("Hughes"). In September 1993, Storage Equities, Inc., now known as Public Storage, Inc. ("PSI") acquired the interest of PSA relating to its general partner capital contribution in the Partnership and was substituted as a co-general partner in place of PSA.

In 1995, there was a series of mergers among Public Storage Management, Inc. (which was the Partnership's mini-warehouse operator), Public Storage, Inc. and their affiliates (collectively, "PSMI"), culminating in the November 16, 1995 merger (the "PSMI Merger") of PSMI into Storage Equities, Inc. In the PSMI Merger, Storage Equities, Inc. was renamed Public Storage, Inc. and it acquired substantially all of PSMI's United States real estate operations, and became the operator of the mini-warehouse properties in which the Partnership has an interest.

The Partnership has invested in existing mini-warehouse storage facilities which offer self-service storage spaces for lease, usually on a month-to-month basis, to the general public and, to a lesser extent, in an existing business park facility which offers industrial and office space for lease.

The Partnership has ownership interests in 41 properties in 15 states (collectively referred to as the "Mini-Warehouse Properties"), which exclude a property transferred to PS Business Parks, L.P. ("PSBPLP") in January 1997. 34 of the properties are owned by SEI/PSP III Joint Ventures (the "Joint Venture"), a general partnership between the Partnership and PSI. The Partnership is the managing general partner of the Joint Venture, with ownership interests in the individual properties of the Joint Venture ranging from 49% to 89%.

As used hereinafter, the Joint Venture and PSBPLP are referred to as the "Real Estate Entities."

Basis of Presentation

The financial statements include the accounts of the Partnership. The accounts of the Joint Venture, which the Partnership does not control, are not consolidated with the Partnership and the Partnership's interest in the Joint Venture is accounted for on the equity method.

The Partnership does not control the Joint Venture because PSI has significant control rights with respect to the management of the properties, including the right to compel the sale of each property in the Joint Venture and the right to require the Partnership to submit operating budgets.

Under the terms of the general partnership agreement of the Joint Venture all depreciation and amortization with respect to each property is allocated solely to the Partnership until the limited partners recover their initial capital contribution. Thereafter, all depreciation and amortization is allocated solely to PSI until it recovers its initial capital contribution. All remaining depreciation and amortization is allocated to the Partnership and PSI in proportion to their ownership percentages.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PARTNERSHIP MATTERS (CONTINUED)

Under the terms of the general partnership agreement of the Joint Venture, for property acquisitions in which PSI issued convertible securities to the sellers for its interest, PSI's rights to receive cash flow distributions from the partnerships for any year after the first year of operation are subordinated to cash distributions to the Partnership equal to a cumulative annual 7% of its cash investment (not compounded). These agreements also specify that upon sale or refinancing of a property for more than its original purchase price, distribution of proceeds to PSI is subordinated to the return to the Partnership of the amount of its cash investment and the 7% distribution described above.

Depreciation and amortization

The Partnership and the Joint Venture depreciate the buildings and equipment on a straight-line method over estimated useful lives of 25 and 5 years, respectively. Leasing commissions relating to business park properties are expensed when incurred.

Revenue Recognition

Property rents are recognized as earned.

Allocation of Net Income

The General Partners' share of net income consists of an amount attributable to their 1% capital contribution and an additional percentage of cash flow (as defined, see Note 4) which relates to the General Partners' share of cash distributions as set forth in the Partnership Agreement. All remaining net income is allocated to the limited partners.

Per Unit Data

Per unit data is based on the number of limited partnership units (128,000) outstanding during the year.

Cash Distributions

The Partnership Agreement provides for quarterly distributions of cash flow from operations (as defined). Cash distributions per unit were $27.84, $27.84, and $34.80 for 1998, 1997, and 1996, respectively.

Cash and Cash Equivalents

For financial statement purposes, the Partnership considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PARTNERSHIP MATTERS (CONTINUED)

Environmental Cost

Substantially all of the real estate facilities in which the Partnership has an interest were acquired prior to the time that it was customary to conduct extensive environmental investigations in connection with the property acquisitions. During the fourth quarter of 1995, an independent environmental consulting firm completed environmental assessments on the properties of the Partnership and the Joint Venture to evaluate the environmental condition of, and potential environmental liabilities of such properties. Although there can be no assurance, the Partnership is not aware of any environmental contamination of the Mini-Warehouse Properties which individually or in the aggregate would be material to the Partnership's overall business, financial condition, or results of operations.

Segment Reporting

Effective January 1, 1998, the Partnership adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." SFAS No. 131 established standards for the way public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas and major customers. The Partnership only has one reportable segment as defined within SFAS No. 131, therefore the adoption of SFAS No. 131 had no effect on the Partnership's disclosures.

Use of Estimates

The preparation of the financial statements in conformity with 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.

2. REAL ESTATE FACILITIES

In 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121 ("Statement 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." Statement 121 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Statement 121 also addresses the method of accounting for long-lived assets that are expected to be disposed. The Partnership adopted Statement 121 in 1996 and the adoption had no effect.

3. INVESTMENT IN REAL ESTATE ENTITIES

During 1998, 1997, and 1996, the Partnership recognized earnings from the Real Estate Entities of $3,574,000, $2,691,000 and $2,129,000, respectively, and received cash distributions totaling $4,490,000, $3,870,000, and $4,152,000, respectively from the Real Estate Entities.

3. INVESTMENT IN REAL ESTATE ENTITIES (CONTINUED)

The accounting policies of the Real Estate Entities are similar to that of the Partnership. Summarized combined financial data with respect to the Real Estate Entities are as follows:

	1998	1997
For the year ended December 31,		
Total revenues	$ 103,798,000	$ 44,619,000
Minority interest in income	11,208,000	8,566,000
Net income	35,036,000	9,318,000
At December 31,		
Total assets, net of accumulated depreciation	$751,932,000	$367,590,000
Total liabilities	67,609,000	12,962,000
Total minority interest	153,015,000	168,665,000
Total equity	531,308,000	185,963,000

The increase in the size of the combined financial position and operating results, respectively, of the Real Estate Entities for the year ended December 31, 1998 and at December 31, 1998, respectively, as compared to prior periods, is the result of additional properties acquired by PSBLP during 1997 and 1998. PSI has a significant interest in PSBPLP.

Financial statements of the Joint Venture are filed with the Partnership's Form 10-K for 1998, in Item 14. PS Business Parks, Inc. is a registrant with the Securities and Exchange Commission, and its filings can be accessed through the Securities and Exchange Commission.

4. GENERAL PARTNERS' EQUITY

The General Partners have a 1% interest in the Partnership. In addition, the General Partners have a 10% interest in cash distributions attributable to operations, exclusive of distributions attributable to sales and refinancing proceeds.

Proceeds from sales and refinancings will be distributed entirely to the limited partners until the limited partners recover their investment plus a cumulative 8% annual return (not compounded); thereafter, the General Partners have a 15% interest in remaining proceeds.

5. RELATED PARTY TRANSACTIONS

The Partnership has a management agreement with PSI whereby PSI operates the Mini-Warehouse Properties for a fee equal to 6% of the facilities' monthly gross revenue (as defined).

In January 1997, the Joint Venture transferred its business park facility to PSBPLP in exchange for a partnership interest in PSBPLP.

PSI has a significant economic interest in PSBPLP.

6. LEASES

The Partnership has invested primarily in existing mini-warehouse storage facilities which offer self-service storage spaces for lease to the general public. Leases for such space are usually on a month-to-month basis.

7. TAXES BASED ON INCOME

Taxes based on income are the responsibility of the individual partners and, accordingly, the Partnership's financial statements do not reflect a provision for such taxes.

Unaudited taxable net income was $5,447,000, $6,537,000 and $2,358,000 for the years ended December 31, 1998, 1997 and 1996, respectively. The difference between taxable income and book income is primarily related to timing differences in depreciation expense.

PS PARTNERS III, LTD.
SCHEDULE III - REAL ESTATE
AND ACCUMULATED DEPRECIATION

<TABLE>
<CAPTION>

			Initial Cost		Costs subsequent to acquisition
Date Acquired	Description	Encumbrances	Land	Buildings & Improvements	Buildings & Improvements
<S>	<C>	<C>	<C>	<C>	<C>
6/84	Safe Place (Cincinnati)	$-	$402,000	$1,573,000	$451,000
6/84	Safe Place (Florence)	-	185,000	740,000	350,000
8/84	Medley	-	584,000	1,016,000	316,000
8/84	Oklahoma City	-	340,000	1,310,000	452,000
8/84	Kaplan (Irving)	-	677,000	1,592,000	366,000
8/84	Kaplan (Walnut Hill)	-	971,000	2,359,000	635,000
12/84	Pompano	-	399,000	1,386,000	516,000
		$-	$3,558,000	$9,976,000	$3,086,000

</TABLE>

<TABLE>
<CAPTION>

Gross Carrying Amount
At December 31, 1998

Date Acquired	Description	Land	Buildings & Improvements	Total	Accumulated Depreciation
<S>	<C>	<C>	<C>	<C>	<C>
6/84	Safe Place (Cincinnati)	$402,000	$2,024,000	$2,426,000	$1,154,000
6/84	Safe Place (Florence)	185,000	1,090,000	1,275,000	616,000
8/84	Medley	584,000	1,332,000	1,916,000	769,000
8/84	Oklahoma City	340,000	1,762,000	2,102,000	976,000
8/84	Kaplan (Irving)	677,000	1,958,000	2,635,000	1,103,000
8/84	Kaplan (Walnut Hill)	971,000	2,994,000	3,965,000	1,679,000
12/84	Pompano	399,000	1,902,000	2,301,000	1,042,000
		$3,558,000	$13,062,000	$16,620,000	$7,339,000

</TABLE>

PS PARTNERS III, LTD.
A CALIFORNIA LIMITED PARTNERSHIP
REAL ESTATE RECONCILIATION
SCHEDULE III (CONTINUED)

(A) The following is a reconciliation of cost and related accumulated depreciation.

Gross Carrying Cost Reconciliation

	Years Ended December 31,		
	1998	1997	1996
Balance at beginning of the period	$16,328,000	$16,023,000	$15,762,000
Additions during the period:			
Improvements, etc.	292,000	305,000	261,000
Balance at the close of the period	$16,620,000	$16,328,000	$16,023,000

Accumulated Depreciation Reconciliation

	Years Ended December 31,		
	1998	1997	1996
Balance at beginning of the period	$6,659,000	$6,004,000	$5,409,000
Additions during the period:			
Depreciation	680,000	655,000	595,000
Balance at the close of the period	$7,339,000	$6,659,000	$6,004,000

(B) The aggregate cost of real estate for Federal income tax purposes is $16,657,000.

Report of Independent Auditors

The Partners
SEI/PSP III Joint Ventures

We have audited the balance sheets of the SEI/PSP III Joint Ventures as of December 31, 1998 and 1997 and the related statements of income, partners' equity and cash flows for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedule listed in the Index at Item 14 (a). These financial statements and schedule are the responsibility of the Joint Ventures' management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SEI/PSP III Joint Ventures at December 31, 1998 and 1997, and the results of its operations and cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

February 10, 1999
Los Angeles, CA

SEI/PSP III JOINT VENTURES
BALANCE SHEETS
December 31, 1998 and 1997

<TABLE>
<CAPTION>

	1998	1997
ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	$303,000	$233,000
Rent and other receivables	96,000	111,000
Real estate facilities, at cost:		
Land	10,298,000	10,298,000
Buildings and equipment	57,195,000	56,161,000
	67,493,000	66,459,000
Less accumulated depreciation	(31,226,000)	(28,399,000)
	36,267,000	38,060,000
Investment in real estate entity	5,723,000	5,608,000
Other assets	129,000	124,000
	$42,518,000	$44,136,000

LIABILITIES AND PARTNERS' EQUITY		
Accounts payable	$706,000	$732,000
Advance payments from renters	409,000	399,000
Partners' equity:		
PS Partners III, Ltd.	13,897,000	14,813,000
Public Storage, Inc.	27,506,000	28,192,000
Total partners' equity	41,403,000	43,005,000
	$42,518,000	$44,136,000

</TABLE>

See accompanying notes.

SEI/PSP III JOINT VENTURES
STATEMENTS OF INCOME
For the years ended December 31, 1998, 1997, and 1996

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
REVENUE:			
Rental income	$13,049,000	$12,697,000	$13,345,000
Equity in earnings of real estate entity	489,000	344,000	-
	13,538,000	13,041,000	13,345,000
COSTS AND EXPENSES:			
Cost of operations	4,292,000	4,114,000	4,372,000
Management fees	783,000	762,000	792,000
Depreciation and amortization	2,827,000	2,683,000	2,946,000
	7,902,000	7,559,000	8,110,000
NET INCOME	$5,636,000	$5,482,000	$5,235,000
Partners' share of net income:			
PS Partners III, Ltd.'s share	$3,574,000	$2,691,000	$2,129,000
Public Storage Inc.'s share	2,062,000	2,791,000	3,106,000
	$5,636,000	$5,482,000	$5,235,000

</TABLE>

See accompanying notes.

SEI/PSP III JOINT VENTURES
STATEMENTS OF PARTNERS' EQUITY
For the years ended December 31, 1998, 1997, and 1996

<TABLE>
<CAPTION>

	PS Partners III, Ltd.	Public Storage Inc.	Total

<S> <C> <C> <C>

Balances at December 31, 1995	$18,015,000	$28,183,000	$46,198,000
Net income	2,129,000	3,106,000	5,235,000
Distributions	(4,152,000)	(2,992,000)	(7,144,000)
Balances at December 31, 1996	15,992,000	28,297,000	44,289,000
Net income	2,691,000	2,791,000	5,482,000
Distributions	(3,870,000)	(2,896,000)	(6,766,000)
Balances at December 31, 1997	14,813,000	28,192,000	43,005,000
Net income	3,574,000	2,062,000	5,636,000
Distributions	(4,490,000)	(2,748,000)	(7,238,000)
Balances at December 31, 1998	$13,897,000	$27,506,000	$41,403,000

</TABLE>

See accompanying notes.

SEI/PSP III JOINT VENTURES
STATEMENTS OF CASH FLOWS
For the years ended December 31, 1998, 1997, and 1996

<TABLE>
<CAPTION>

	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
<S>	<C>	<C>	<C>
Net income	$5,636,000	$5,482,000	$5,235,000
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	2,827,000	2,683,000	2,946,000
Decrease (increase) in rent and other receivables	15,000	(16,000)	(34,000)
(Increase) decrease in other assets	(5,000)	100,000	(78,000)
Decrease in accounts payable	(26,000)	(18,000)	(10,000)
Increase (decrease) in advance payments from renters	10,000	(34,000)	(1,000)
Equity in earnings of real estate entity	(489,000)	(344,000)	-
Total adjustments	2,332,000	2,371,000	2,823,000
Net cash provided by operating activities	7,968,000	7,853,000	8,058,000
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Distributions from real estate entity	374,000	135,000	-
Additions to real estate facilities	(1,034,000)	(1,229,000)	(967,000)
Net cash used in investing activities	(660,000)	(1,094,000)	(967,000)
CASH FLOWS USED IN FINANCING ACTIVITIES:			
Distributions to partners	(7,238,000)	(6,766,000)	(7,144,000)
Net cash used in financing activities	(7,238,000)	(6,766,000)	(7,144,000)
Net increase (decrease) in cash and cash equivalents	70,000	(7,000)	(53,000)
Cash and cash equivalents at the beginning of the period	233,000	240,000	293,000

Cash and cash equivalents at the end of the period	$303,000	$233,000	$240,000

</TABLE>

See accompanying notes.

SEI/PSP III JOINT VENTURES
STATEMENTS OF CASH FLOWS
For the years ended December 31, 1998, 1997, and 1996
(Continued)

<TABLE>
<CAPTION>

Supplemental schedule of noncash investing and financing activities:

	1998	1997	1996
<S>	<C>	<C>	<C>
Investment in real estate entity	$-	$(5,399,000)	$-
Transfer of real estate facility for interest in real estate entity, net	-	5,399,000	-

</TABLE>

See accompanying notes.

SEI/PSP III JOINT VENTURES
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

1. DESCRIPTION OF PARTNERSHIP

SEI/PSP III Joint Ventures (the "Joint Venture") was formed on December 31, 1990 in connection with the consolidation of 23 separate general partnerships between Public Storage Inc. ("PSI") and PS Partners III, Ltd. ("PSP III"). The Joint Venture, through its predecessor general partnerships, invested in existing mini-warehouse facilities which offer self-service storage spaces for lease, usually on a month-to-month basis, to the general public and, to a lesser extent, in existing business park facilities which offer industrial and office space for lease.

The Joint Venture owns 34 properties (referred to hereinafter as the "Mini-Warehouses"), which excludes one property which was transferred to PS Business Parks, L.P. ("PSBPLP") in January 1997. PSP III is the managing general partner of the Joint Venture, with its ownership interests in the properties of the Joint Venture ranging from 49% to 89%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PARTNERSHIP MATTERS

Basis of Presentation

The financial statements include the accounts of the Joint Venture.

Under the terms of the general partnership agreement of the Joint Venture, for property acquisitions in which PSI issued convertible securities to the sellers for its interest, PSI's right to receive cash flow distributions for any year after the first year of operation are subordinated to cash distributions to PSP III equal to a cumulative annual 7% of its cash investment (not compounded). In addition, upon sale or refinancing of a property for more than its original purchase price, distribution of proceeds to PSI is subordinated to the return to PSP III of the amount of its cash investment and the 7% distribution described above.

Depreciation and amortization

The Joint Venture depreciates the buildings and equipment on a straight-line method over estimated useful lives of 25 and 5 years, respectively. Leasing commissions relating to business park properties are expensed when incurred.

Revenue Recognition

Property rents are recognized as earned.

Allocation of Net Income to PSP III and PSI

Net income prior to depreciation is allocated to PSP III and PSI based upon their relative ownership interest in each property and the results of each property.

Under the terms of the general partnership agreement of the Joint Venture all depreciation and amortization with respect to each Joint Venture is allocated solely to PSP III until it recovers its initial capital contribution. Thereafter, all depreciation and amortization is allocated solely to PSI until it recovers its initial capital contribution. All remaining depreciation and amortization is allocated to PSP III and PSI in proportion to their ownership percentages.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PARTNERSHIP MATTERS (CONTINUED)

Cash Distributions

The general partnership agreement of the Joint Venture provides for regular distributions of cash flow from operations (as defined).

Cash and Cash Equivalents

For financial statement purposes, the Joint Venture considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Environmental Cost

Substantially all of the real estate facilities in which the Joint Venture has an interest were acquired prior to the time that it was customary to conduct extensive environmental investigations in connection with the property acquisitions. During the fourth quarter of 1995, an independent environmental consulting firm completed environmental assessments on the Joint Venture's properties to evaluate the environmental condition of, and potential environmental liabilities of such properties. Although there can be no assurance, the Joint Venture is not aware of any environmental contamination of the Mini-Warehouses which individually or in the aggregate would be material to the Joint Venture's overall business, financial condition or results of operations.

Use of Estimates

The preparation of the financial statements in conformity with 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.

Segment Reporting

Effective January 1, 1998, the Joint Venture adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." SFAS No. 131 established standards for the way public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas and major customers. The Joint Venture only has one reportable segment as defined within SFAS No. 131, therefore the adoption of SFAS No. 131 had no effect on the Joint Venture's disclosures.

3. REAL ESTATE FACILITIES

The State of Texas, Department of Transportation and the Joint Venture reached agreement on the terms of a conveyance in lieu of an exercise of the State's right of eminent domain of a parcel of land at the Joint Venture's East Ben White, Austin, Texas property. In January 1999, the Joint Venture received net settlement proceeds of approximately $771,000. The Joint Venture does not anticipate the recognition of a loss in 1999 as a result of the settlement.

3. REAL ESTATE FACILITIES (CONTINUED)

The City of Manchester, Airport Authority ("Airport Authority") intends to acquire the Joint Venture's Manchester, New Hampshire property either through the exercise of its right of eminent domain or pursuant to a conveyance in lieu of an exercise of such power. The Airport Authority intends to construct an extension of its runways, and relocate an adjoining road. The Joint Venture is currently negotiating with the Airport Authority to determine an equitable reparation settlement. The Joint Venture does not anticipate the recognition of a loss as a result of the taking.

In 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121 ("Statement 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." Statement 121 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Statement 121 also addresses the method of accounting for long-lived assets that are expected to be disposed. The Joint Venture adopted Statement 121 in 1996 and the adoption had no effect.

In January 1997, the Joint Venture, PSI and other affiliated partnerships of PSI transferred a total of 35 business parks to PSBPLP, an operating partnership formed to own and operate business parks in which PSI has a significant interest. Included among the properties transferred was the Joint Venture's business park in exchange for a partnership interest in PSBPLP. The general partner of PSBPLP is PS Business Parks, Inc. ("PSBP").

4. INVESTMENT IN REAL ESTATE ENTITY

In 1998 and 1997, the Joint Venture recognized $489,000 and $344,000, respectively, in equity in earnings of real estate entity with respect to the investment in PSBPLP, described in Note 3 above.

The accounting policies of PSBPLP are similar to that of the Joint Venture. Summarized combined financial data with respect to PSBPLP is as follows:

	1998	1997
For the year ended December 31,		
Total revenues	$90,260,000	$31,578,000
Minority interest in income	11,208,000	8,566,000
Net income	29,400,000	3,836,000
At December 31,		
Total assets, net of accumulated depreciation	$709,414,000	$323,454,000
Total liabilities	66,494,000	11,831,000
Total minority interest	153,015,000	168,665,000
Total equity	489,905,000	142,958,000

The increase in the size of the combined financial position and operating results, respectively, of the Real Estate Entity for the year ended December 31, 1998 and at December 31, 1998, respectively, as compared to prior periods, is the result of additional properties acquired by PSBLP during 1997 and 1998. PSI has a significant interest in PSBPLP.

4. INVESTMENT IN REAL ESTATE ENTITY (CONTINUED)

PS Business Parks, Inc., which owns PSBPLP, is a registrant with the Securities and Exchange Commission, and its filings can be accessed through the Securities and Exchange Commission.

5. RELATED PARTY TRANSACTIONS

The Joint Venture has a management agreement with PSI whereby PSI operates the Mini-Warehouses for a fee equal to 6% of the facilities' monthly gross revenue (as defined).

In January 1997, the Joint Venture transferred its business park facility to PSBPLP in exchange for a partnership interest in PSBPLP.

PSI has a significant economic interest in PSBPLP and PSBP.

6. LEASES

The Joint Venture has invested primarily in existing mini-warehouse storage facilities which offer self-service storage spaces for lease to the general public. Leases for such space are usually on a month-to-month basis.

7. TAXES BASED ON INCOME

Taxes based on income are the responsibility of PSP III and PSI and, accordingly, the Joint Venture's financial statements do not reflect a provision for such taxes.

Unaudited taxable net income was $5,640,000, $5,735,000 and $1,407,000 for the years ended December 31, 1998, 1997 and 1996, respectively. The difference between taxable income and book income is primarily related to timing differences in depreciation expense.

SEI/PSP III JOINT VENTURES
SCHEDULE III - REAL ESTATE
AND ACCUMULATED DEPRECIATION

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Date Acquired	Description	Encumbrances	Initial Cost: Land	Initial Cost: Buildings & Improvements	Costs subsequent to acquisition: Buildings & Improvements
<S>	<C>	<C>	<C>	<C>	<C>
6/84	Delran	$-	$279,000	$1,472,000	$253,000
5/84	Garland	-	356,000	844,000	198,000
6/84	Orange Blossom	-	226,000	924,000	213,000
8/84	Newport News	-	356,000	2,395,000	584,000
9/84	Cockrell Hill	-	380,000	913,000	1,028,000
11/84	Omaha	-	109,000	806,000	426,000
11/84	Manchester	-	164,000	1,643,000	225,000
12/84	Austin (Ben White)	-	325,000	474,000	190,000
12/84	Austin (Lamar)	-	643,000	947,000	360,000
12/84	Fort Worth	-	122,000	928,000	4,000
11/84	Hialeah	-	886,000	1,784,000	259,000
12/84	Montgomeryville	-	215,000	2,085,000	288,000
1/85	Bossier City	-	184,000	1,542,000	323,000
2/85	Simi Valley	-	737,000	1,389,000	257,000
3/85	Chattanooga	-	202,000	1,573,000	348,000
2/85	Hurst	-	231,000	1,220,000	204,000
3/85	Portland	-	285,000	941,000	220,000
5/85	Longwood	-	355,000	1,645,000	263,000
3/85	Fern Park	-	144,000	1,107,000	209,000
3/85	Fairfield	-	338,000	1,187,000	364,000
4/85	Laguna Hills	-	1,224,000	3,303,000	397,000
7/85	Columbus (Morse Rd.)	-	195,000	1,510,000	244,000
7/85	Columbus (Kenney Rd.)	-	199,000	1,531,000	267,000
5/85	Columbus (Busch Blvd.)	-	202,000	1,559,000	265,000
5/85	Columbus (Kinnear Rd.)	-	241,000	1,865,000	260,000
6/85	Grove City/ Marlane Drive	-	150,000	1,157,000	265,000
6/85	Reynoldsburg	-	204,000	1,568,000	255,000

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Date Acquired	Description	Gross Carrying Amount At December 31, 1998 Land	Buildings & Improvements	Total	Accumulated Depreciation
<S>	<C>	<C>	<C>	<C>	<C>
6/84	Delran	$279,000	$1,725,000	$2,004,000	$992,000
5/84	Garland	356,000	1,042,000	1,398,000	583,000
6/84	Orange Blossom	226,000	1,137,000	1,363,000	644,000
8/84	Newport News	356,000	2,979,000	3,335,000	1,670,000
9/84	Cockrell Hill	380,000	1,941,000	2,321,000	1,120,000
11/84	Omaha	109,000	1,232,000	1,341,000	719,000
11/84	Manchester	164,000	1,868,000	2,032,000	1,044,000
12/84	Austin (Ben White)	325,000	664,000	989,000	379,000
12/84	Austin (Lamar)	643,000	1,307,000	1,950,000	716,000
12/84	Fort Worth	122,000	932,000	1,054,000	526,000
11/84	Hialeah	886,000	2,043,000	2,929,000	1,157,000
12/84	Montgomeryville	215,000	2,373,000	2,588,000	1,313,000
1/85	Bossier City	184,000	1,865,000	2,049,000	1,026,000
2/85	Simi Valley	737,000	1,646,000	2,383,000	918,000
3/85	Chattanooga	202,000	1,921,000	2,123,000	1,035,000
2/85	Hurst	231,000	1,424,000	1,655,000	778,000
3/85	Portland	285,000	1,161,000	1,446,000	642,000
5/85	Longwood	355,000	1,908,000	2,263,000	1,033,000
3/85	Fern Park	144,000	1,316,000	1,460,000	714,000
3/85	Fairfield	338,000	1,551,000	1,889,000	832,000
4/85	Laguna Hills	1,224,000	3,700,000	4,924,000	2,031,000
7/85	Columbus (Morse Rd.)	195,000	1,754,000	1,949,000	924,000
7/85	Columbus (Kenney Rd.)	199,000	1,798,000	1,997,000	949,000
5/85	Columbus (Busch Blvd.)	202,000	1,824,000	2,026,000	969,000
5/85	Columbus (Kinnear Rd.)	241,000	2,125,000	2,366,000	1,126,000
6/85	Grove City/ Marlane Drive	150,000	1,422,000	1,572,000	742,000
6/85	Reynoldsburg	204,000	1,823,000	2,027,000	973,000

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SEI/PSP III JOINT VENTURES
SCHEDULE III - REAL ESTATE
AND ACCUMULATED DEPRECIATION

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Date Acquired	Description	Encumbrances	Initial Cost Land	Initial Cost Buildings & Improvements	Costs subsequent to acquisition Buildings & Improvements
<S>	<C>	<C>	<C>	<C>	<C>
5/85	Worthington	$-	$221,000	$1,824,000	$241,000
7/85	Westerville	-	199,000	1,517,000	300,000
5/85	Arlington	-	201,000	1,497,000	307,000
7/85	Springfield	-	90,000	699,000	208,000
7/85	Dayton (Needmore Road)	-	144,000	1,108,000	300,000
7/85	Dayton (Executive Blvd.)	-	160,000	1,207,000	356,000
7/85	Lilburn	-	331,000	969,000	181,000
		$-	$10,298,000	$47,133,000	$10,062,000

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Date Acquired	Description	Gross Carrying Amount At December 31, 1998 Land	Buildings & Improvements	Total	Accumulated Depreciation

<S>	<C>	<C>	<C>	<C>	<C>
5/85	Worthington	$221,000	$2,065,000	$2,286,000	$1,103,000
7/85	Westerville	199,000	1,817,000	2,016,000	967,000
5/85	Arlington	201,000	1,804,000	2,005,000	944,000
7/85	Springfield	90,000	907,000	997,000	475,000
7/85	Dayton (Needmore Road)	144,000	1,408,000	1,552,000	756,000
7/85	Dayton (Executive Blvd.)	160,000	1,563,000	1,723,000	823,000
7/85	Lilburn	331,000	1,150,000	1,481,000	603,000
		$10,298,000	$57,195,000	$67,493,000	$31,226,000

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SEI/PSP III JOINT VENTURES
A CALIFORNIA LIMITED PARTNERSHIP
REAL ESTATE RECONCILIATION
SCHEDULE III (CONTINUED)

(A) The following is a reconciliation of cost and related accumulated depreciation.

Gross Carrying Cost Reconciliation

	Years Ended December 31,		
	1998	1997	1996
Balance at beginning of the period	$66,459,000	$74,692,000	$73,725,000
Additions during the period:			
Improvements, etc.	1,034,000	1,229,000	967,000
Deductions during the period:			
Disposition of real estate	-	(9,462,000)	-
Balance at the close of the period	$67,493,000	$66,459,000	$74,692,000

Accumulated Depreciation Reconciliation

	Years Ended December 31,		
	1998	1997	1996
Balance at beginning of the period	$28,399,000	$29,779,000	$26,833,000
Additions during the period:			
Depreciation	2,827,000	2,683,000	2,946,000
Deductions during the period:			
Disposition of real estate	-	(4,063,000)	-
Balance at the close of the period	$31,226,000	$28,399,000	$29,779,000

(B) The aggregate cost of real estate for Federal income tax purposes is $67,294,000.

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