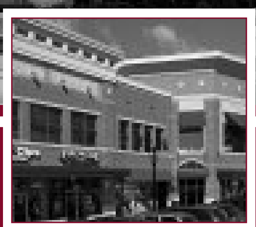
Saul Centers



2011

First Quarter Report

MESSAGE

TO OUR SHAREHOLDERS

Total revenue for the three months ended March 31, 2011 ("2011 Quarter") decreased 4.1% to $41,820,000 compared to $43,613,000 for the three months ended March 31, 2010 ("2010 Quarter"). Operating income, which is net income available to common stockholders before income attributable to the noncontrolling interest and preferred stock dividends, decreased 33.4% to $8,406,000 for the 2011 Quarter compared to $12,612,000 for the 2010 Quarter. Net income available to common stockholders was $3,524,000, or $0.19 per diluted share, for the 2011 Quarter compared to net income available to common stockholders of $6,768,000, or $0.37 per diluted share, for the 2010 Quarter. From time to time, non-recurring events impact earnings and the 2011 Quarter was negatively affected by two such occurrences. The $3,244,000 decline in net income compared to the 2010 Quarter was almost entirely due to 1) the collection in the 2010 Quarter of $1,939,000 of past due rents from a former tenant , and 2) a loss of $1,435,000 arising from the start of operations during the initial lease-up period at the newly constructed Clarendon Center when construction interest expense and depreciation and amortization exceeded the property operating income. Also of significance during the 2011 Quarter were the offsetting affects of a $1,100,000 property income decline due to reduced occupancy in the Mixed-Use portfolio, and a comparative $1,200,000 property income increase due to lower 2011 snow removal expenses.

Same property revenue for the total portfolio decreased 10.1% for the 2011 Quarter compared to the 2010 Quarter and same property operating income decreased 8.6%. The same property comparisons exclude the results of operations of properties not in operation for each of the comparable reporting quarters. Same property operating income in the shopping center portfolio decreased 6.5% for the 2011 Quarter compared to the 2010 Quarter. The primary cause of this decrease was the prior year's collection of rents and other past due charges from a former anchor tenant. Excluding this one-time revenue, same property shopping center operating income increased 1.7% compared to the prior year. Same property operating income in the mixed-use portfolio decreased 16.3% for the 2011 Quarter compared to the 2010 Quarter, primarily due to decreased occupancy.

As of March 31, 2011, 89.6% of the commercial portfolio (all properties except Clarendon Center's apartments) was leased compared to 91.6% at March 31, 2010. On a same property basis, 90.2% of the commercial portfolio was leased, compared to the prior year level of 91.6%. The Clarendon Center apartments were 92.2% leased at March 31, 2011. The 2011 commercial leasing percentages decreased due to a net decrease of approximately 115,000 square feet of leased space, of which approximately 94,000 square feet was attributable to mixed-use properties.

Funds from operations (FFO) available to common shareholders (after deducting preferred stock dividends) decreased 18.9% to $12,871,000 in the 2011 Quarter compared to $15,862,000 for the 2010 Quarter. On a diluted per share basis, FFO available to common shareholders decreased 20.9% to $0.53 per share for the 2011 Quarter compared to $0.67 per share for the 2010 Quarter. FFO, a widely accepted non-GAAP financial measure of operating performance for REITs, is defined as net income plus real estate depreciation and amortization, and excluding gains from property dispositions and extraordinary items. FFO decreased in the 2011 Quarter compared to the 2010 Quarter primarily due to (1) the collection of rents and other past due charges from a former anchor tenant in the 2010 Quarter ($1,939,000 or $0.08 per diluted share), (2) reduced occupancy in the Mixed-Use portfolio ($1,101,000 or $0.05 per diluted share) and (3) the start of operations at Clarendon Center ($489,000 or $0.02 per diluted share), all of which was partially offset by (4) the improvement in property operating income resulting from reduced snow removal expense, net of tenant recoveries, compared to the 2010 Quarter ($1,200,000 or $0.05 per diluted share).

In light of the current favorable long-term interest rate environment and the potential for future interest rate increases, in late March 2011, the Company replaced its Clarendon Center construction loan with long-term financing. The new 15-year, $125 million loan requires monthly payments of principal and interest based upon a 5.31% interest rate and 25 year amortization schedule. The loan proceeds repaid the $104 million outstanding under the construction loan, and provided net cash proceeds of approximately $20 million, which will be used primarily to fund the remaining Clarendon Center development costs. We most recently entered into an agreement to borrow $73 million secured by the Seven Corners shopping center. The new 15-year loan will not close until April 2012, but the interest rate is locked at 5.84%. Proceeds from this loan will be used to pay off our remaining 2012 loan maturities and provide cash of $10 million.

For the Board,

B. Francis Saul II

Chairman of the Board
June 13, 2011

CONSOLIDATED
STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)	For the Three Months Ended March 31, 2011 *(Unaudited)*	2010 *(Unaudited)*
Revenue		
Base rent	$ 32,697	$ 31,665
Expense recoveries	7,426	8,722
Percentage rent	375	358
Other	1,322	2,868
Total revenue	41,820	43,613
Operating expenses		
Property operating expenses	6,633	7,638
Provision for credit losses	515	197
Real estate taxes	4,482	4,682
Interest expense and amortization of deferred debt costs	10,294	8,591
Depreciation and amortization of deferred leasing costs	8,324	7,044
General and administrative	3,166	2,849
Total operating expenses	33,414	31,001
Operating income	8,406	12,612
Acquisition related costs	(74)	–
Income from continuing operations	8,332	12,612
Funds from operations of property sold	–	(38)
Net income	8,332	12,574
Net income attributable to the noncontrolling interest	(1,023)	(2,021)
Net income attributable to Saul Centers, Inc.	7,309	10,553
Preferred dividends	(3,785)	(3,785)
Net income available to common stockholders	$ 3,524	$ 6,768
Per share data attributable to common shareholders (diluted)		
Net income attributable to Saul Centers, Inc. [a]	$ 0.19	$ 0.37
Funds from operations [b]	$ 0.53	$ 0.67

(a) Based upon diluted weighted average common shares outstanding of 18,754,173 and 18,166,372 for the three months ended March 31, 2011 and 2010, respectively.

(b) Assumes conversion of operating partnership units, combined with diluted weighted average common shares outstanding, for a total of 24,169,588 and 23,581,787 shares for the three months ended March 31, 2011 and 2010, respectively.

CONSOLIDATED
BALANCE SHEETS

(Dollars in thousands except per share amounts)	March 31, 2011	December 31, 2010
	(Unaudited)	
Assets		
Real estate investments		
Land	$ 278,313	$ 275,044
Buildings and equipment	906,417	870,143
Construction in progress	50,677	78,849
	1,235,407	1,224,036
Accumulated depreciation	(303,958)	(296,786)
	931,449	927,250
Cash and cash equivalents	33,106	12,968
Accounts receivable and accrued income, net	36,771	36,417
Deferred leasing costs, net	18,248	17,835
Prepaid expenses, net	2,694	3,024
Deferred debt costs, net	7,211	7,192
Other assets	13,854	9,202
Total assets	$ 1,043,333	$ 1,013,888
Liabilities		
Mortgage notes payable	$ 722,132	$ 601,147
Construction loans payable	19,409	110,242
Dividends and distributions payable	12,464	12,415
Accounts payable, accrued expenses and other liabilities	20,663	23,544
Deferred income	26,737	26,727
Total liabilities	801,405	774,075
Stockholders' equity		
Preferred stock, 1,000,000 shares authorized:		
Series A Cumulative Redeemable, 40,000 shares issued and outstanding	100,000	100,000
Series B Cumulative Redeemable, 31,731 shares issued and outstanding	79,328	79,328
Common stock, $0.01 par value, 30,000,000 shares authorized, 18,691,702 and 18,557,059 shares issued and outstanding, respectively	187	186
Additional paid-in capital	195,477	189,787
Accumulated deficit	(132,144)	(128,926)
Accumulated other comprehensive income (loss)	21	(419)
Total Saul Centers, Inc. stockholders' equity	242,869	239,956
Noncontrolling interest	(941)	(143)
Total stockholders' equity	241,928	239,813
Total liabilities and stockholders' equity	$ 1,043,333	$ 1,013,888

CORPORATE PROFILE

SAUL CENTERS, INC. is a self-managed, self-administered equity real estate investment trust headquartered in Bethesda, Maryland. Saul Centers operates and manages a real estate portfolio of 55 community and neighborhood shopping center and mixed-use properties totaling approximately 9.0 million square feet of leasable area. Over 85% of the property operating income is generated from properties in the metropolitan Washington, DC/Baltimore area.

DIRECTORS

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Gilbert M. Grosvenor
Philip C. Jackson, Jr.
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EXCHANGE LISTING

New York Stock Exchange Symbol:
BFS

DIVIDEND REINVESTMENT PLAN

Saul Centers, Inc. offers a dividend reinvestment plan which enables its shareholders to automatically invest some of or all dividends in additional shares. The plan provides shareholders with a convenient and cost-free way to increase their investment in Saul Centers. Shares purchased under the dividend reinvestment plan are issued at a 3% discount from the market price of the stock on the dividend payment date. The Plan's prospectus is available for review in the Shareholders Information section of the Company's web site.

To receive more information please call our shareholder relations representative at (301) 986-6016.

Certain matters discussed within this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and as such may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of Saul Centers to be different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although Saul Centers believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be attained. These risks are detailed from time to time in the Company's filings with the Securities and Exchange Commission.