Saul Centers

2012 First Quarter Report

MESSAGE

TO OUR SHAREHOLDERS

Total revenue for the quarter ended March 31, 2012 ("2012 Quarter") increased to $47.1 million from $41.7 million for the three months ended March 31, 2011 ("2011 Quarter"). Operating income, which is net income available to common stockholders before income attributable to noncontrolling interests and preferred stock dividends, increased to $9.3 million for the 2012 Quarter from $8.3 million for the 2011 Quarter. Net income available to common stockholders was $4.1 million, or $0.21 per diluted share, for the 2012 Quarter compared to $3.5 million, or $0.19 per diluted share, for the 2011 Quarter. The revenue increase was primarily caused by $3.3 million of rents received from shopping centers acquired in 2011 and $2.5 million of revenue generated by the Clarendon Center development, offset in part by decreased revenue at properties impacted by reduced leasing levels. Operating income increased $0.7 million from the core properties and $0.4 million from the recently acquired shopping centers. In part, because rental income has not commenced for 28,000 square feet of leased office space, Clarendon Center had little impact on the quarterly change in operating income.

Same property revenue decreased 1.0% for the 2012 Quarter compared to the 2011 Quarter, but same property operating income increased 0.6%, due to lower property operating expenses. The same property comparisons exclude the operating results of properties not in operation for the entirety of the comparable reporting periods. Shopping center portfolio same property operating income decreased 0.5% and, primarily due to improved leasing at Washington Square, the mixed-use portfolio same property operating income increased 5.3%.

As of March 31, 2012, 90.9% of the commercial portfolio was leased (all properties except the apartments at Clarendon Center, which were 98% leased), compared to 89.6% at March 31, 2011. On a same property basis, 90.4% of the portfolio was leased compared to the prior year level of 90.2%. The 2012 leasing percentages were impacted by a net increase of approximately 33,000 square feet of space leased in the mixed-use portfolio caused by increases at Washington Square, offset in part by a net decrease of approximately 19,000 square feet of space leased in the shopping center portfolio.

Funds from operations (FFO) available to common shareholders (after deducting preferred stock dividends) increased 19.0% to $15.3 million in the 2012 Quarter from $12.9 million in the 2011 Quarter. On a diluted per share basis, FFO available to common shareholders increased 9.4% to $0.58 per share for the 2012 Quarter from $0.53 per share for the 2011 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 and losses from property dispositions, impairment charges on depreciable real estate assets and extraordinary items. FFO increased in the 2012 Quarter primarily due to $1.7 million generated by the three recently acquired shopping center properties and $0.5 million generated by the recently completed Clarendon Center.

Subsequent to the end of the 2012 Quarter, we completed two significant financings. On April 11, we closed on a $73.0 million mortgage secured by Seven Corners. The proceeds were used to pay-off the $63.0 million remaining balance of existing debt secured by Seven Corners and six other shopping center properties. The new loan's 5.84% interest rate replaces 7.67% for the prior loan. On May 21, we replaced our $150.0 million revolving credit facility with a new $175.0 million facility, which will allow us greater borrowing flexibility at a lower interest rate for the next four years. The Company has no additional debt maturities for the balance of 2012.

For the Board,

B. Francis Saul II
Chairman of the Board
June 5, 2012

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)	For the Three Months Ended March 31, 2012 (Unaudited)	2011 (Unaudited)
Revenue		
Base rent	$ 37,588	$ 32,697
Expense recoveries	7,709	7,426
Percentage rent	406	375
Other	1,401	1,235
Total revenue	47,104	41,733
Operating expenses		
Property operating expenses	5,789	6,633
Provision for credit losses	352	515
Real estate taxes	5,844	4,482
Interest expense and amortization of deferred debt costs	12,771	10,294
Depreciation and amortization of deferred leasing costs	9,778	8,324
General and administrative	3,247	3,166
Total operating expenses	37,781	33,414
Operating income	9,323	8,319
Change in fair value of derivatives	(3)	87
Acquisition related costs	–	(74)
Net income	9,320	8,332
Income attributable to the noncontrolling interest	(1,456)	(1,023)
Net income attributable to Saul Centers, Inc.	7,864	7,309
Preferred dividends	(3,785)	(3,785)
Net income available to common stockholders	$ 4,079	$ 3,524
Per share data attributable to common shareholders (diluted)		
Net income attributable to Saul Centers, Inc. [a]	$ 0.21	$ 0.19
Funds from operations [b]	$ 0.58	$ 0.53

(a) Based upon diluted weighted average common shares outstanding of 19,449,222 and 18,753,173 for the three months ended March 31, 2012 and 2011, respectively.

(b) Assumes conversion of operating partnership units, combined with diluted weighted average common shares outstanding, for a total of 26,363,451 and 24,169,588 shares for the three months ended March 31, 2012 and 2011, respectively.

CONSOLIDATED BANCE SHEETS

(Dollars in thousands except per share amounts)	March 31, 2012	December 31, 2011
	(Unaudited)	
Assets		
Real estate investments		
Land	$ 324,183	$ 324,183
Buildings and equipment	1,094,078	1,092,533
Construction in progress	1,263	1,129
	1,419,524	1,417,845
Accumulated depreciation	(333,518)	(326,397)
	1,086,006	1,091,448
Cash and cash equivalents	10,994	12,323
Accounts receivable and accrued income, net	37,763	39,094
Deferred leasing costs, net	25,611	25,876
Prepaid expenses, net	3,257	3,868
Deferred debt costs, net	6,719	7,090
Other assets	15,126	12,870
Total assets	$1,185,476	$ 1,192,569
Liabilities		
Mortgage notes payable	$ 818,295	$ 823,871
Revolving credit facility payable	4,000	8,000
Dividends and distributions payable	13,279	13,219
Accounts payable, accrued expenses and other liabilities	23,544	22,992
Deferred income	30,762	31,281
Total liabilities	889,880	899,363
Stockholders' equity		
Preferred stock	179,328	179,328
Common stock	195	193
Additional paid-in capital	223,622	217,829
Accumulated deficit and other comprehensive loss	(150,040)	(147,522)
Total Saul Centers, Inc. stockholders' equity	253,105	249,828
Noncontrolling interest	42,491	43,378
Total stockholders’ equity	295,596	293,206
Total liabilities and stockholders' equity	$ 1,185,476	$ 1,192,569

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 58 community and neighborhood shopping center and mixed-use properties totaling approximately 9.5 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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HEADQUARTERS

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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.