Saul Centers

2014
First Quarter Report

MESSAGE to our shareholders

Total revenue for the quarter ended March 31, 2014 ("2014 Quarter") increased to $52.9 million from $49.2 million for the quarter ended March 31, 2013 ("2013 Quarter"). Operating income, which is net income before the impact of change in fair value of derivatives, loss on early extinguishment of debt and gains on sales of property and casualty settlements, if any, increased to $12.7 million for the 2014 Quarter from $3.4 million for the 2013 Quarter.

Net income attributable to common stockholders was $7.1 million ($0.34 per diluted share) for the 2014 Quarter compared to a loss of $4.6 million ($0.23 per diluted share) for the 2013 Quarter. The increase in net income attributable to common stockholders for the 2014 Quarter was primarily the result of (a) depreciation expense recognized in the 2013 Quarter as a result of the reduction in the depreciable life of Van Ness Square ($6.2 million), (b) lower preferred stock redemption charges ($5.2 million), (c) increased property operating income ($2.5 million), and (d) lower predevelopment expenses related to Park Van Ness ($1.8 million), partially offset by (e) higher noncontrolling interest ($4.0 million).

Same property revenue increased 8.3% and same property operating income increased 6.9% for the 2014 Quarter compared to the 2013 Quarter. Same property operating income equals property revenue minus the sum of (a) property operating expenses, (b) provision for credit losses and (c) real estate taxes and the comparisons exclude the results of properties not in operation for the entirety of the comparable reporting periods. Shopping center same property operating income increased 6.7% primarily due to the $1.5 million impact of a lease termination at Seven Corners. Mixed-use same property operating income increased 7.3% primarily due to higher base rent and lower real estate taxes at 601 Pennsylvania Avenue.

As of March 31, 2014, 94.3% of the commercial portfolio was leased (all properties except the apartments at Clarendon Center), compared to 91.5% at March 31, 2013. On a same property basis, 94.3% of the portfolio was leased at March 31, 2014, compared to 92.8% at March 31, 2013. As of March 31, 2014, the apartments at Clarendon Center were 98.8% leased compared to 100% as of March 31, 2013.

Funds from operations ("FFO") available to common shareholders (after deducting preferred stock dividends and redemption charges) increased 93.8% to $19.7 million ($0.71 per diluted share) in the 2014 Quarter from $10.2 million ($0.37 per diluted share) in the 2013 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. The increase in FFO available to common shareholders for the 2014 Quarter was primarily due to (a) lower preferred stock redemption charges ($5.2 million), (b) increased property operating income ($2.5 million), and (c) lower predevelopment expenses ($1.8 million).

In March 2014, we completed the demolition of Van Ness Square and are developing Park Van Ness, a 271 unit residential project near the Van Ness Metro station in northwest Washington DC, with approximately 9,000 square feet of street-level retail, below street-level structured parking, and amenities including a community room, landscaped courtyards, a fitness room and a rooftop pool and deck. Construction is projected to be completed by late 2015. The total cost of the project, excluding predevelopment expense and land, which the Company has owned, is expected to be approximately $93.0 million, a portion of which will be financed with a $71.6 million construction-to-permanent loan.

In two separate transactions in January and April 2014, the Company purchased for a combined $17.4 million, including acquisition costs, two single-tenant retail properties totaling 52,800 square feet, located at 1580 and 1582 Rockville Pike in Rockville, Maryland, conveniently located near the Twinbrook Metro station. The properties are contiguous with and an expansion of the Company's 1500 Rockville Pike. When combined with 1500 Rockville Pike, the three properties comprise 9.2 acres which are zoned for development potential of up to 1.1 million square feet of mixed-use space. The Company is actively engaged in a plan for redevelopment but has not committed to any timetable for commencement of construction.

For the Board,

B. Francis Saul II
Chairman of the Board
May 27, 2014

CONSOLIDATED Statements of Operations

(Dollars in thousands, except per share amounts)	For the Three Months Ended March 31, 2014 (Unaudited)	2013 (Unaudited)
Revenue		
Base rent	$ 40,563	$ 39,740
Expense recoveries	8,789	7,614
Percentage rent	452	600
Other	3,143	1,232
Total revenue	52,947	49,186
Operating expenses		
Property operating expenses	7,585	5,949
Provision for credit losses	203	264
Real estate taxes	5,453	5,763
Interest expense and amortization of deferred debt costs	11,467	11,717
Depreciation and amortization of deferred leasing costs	10,180	16,352
General and administrative	4,680	3,404
Acquisition related costs	163	–
Predevelopment expenses	503	2,349
Total operating expenses	40,234	45,798
Operating income	12,713	3,388
Change in fair value of derivatives	(2)	10
Net income	12,711	3,398
(Income) loss attributable to the noncontrolling interest	(2,424)	1,586
Net income attributable to Saul Centers, Inc.	10,287	4,984
Preferred stock redemption	–	(5,228)
Preferred dividends	(3,206)	(4,364)
Net income attributable to common stockholders	$ 7,081	$ (4,608)
Per share data attributable to common shareholders (diluted)		
Net income (loss) attributable to Saul Centers, Inc. [(a)]	$ 0.34	$ (0.23)
Funds from operations [(b)]	$ 0.71	$ 0.37

(a) Based upon diluted weighted average common shares outstanding of 20,663,445 and 20,179,263 for the three months ended March 31, 2014 and 2013, respectively.

(b) Assumes conversion of operating partnership units, combined with diluted weighted average common shares outstanding, for a total of 27,726,884 and 27,093,492 shares for the three months ended March 31, 2014 and 2013, respectively.

CONSOLIDATED Balance Sheets

(Dollars in thousands)	March 31, 2014	December 31, 2013
	(Unaudited)	
Assets		
Real estate investments		
Land	$ 364,146	$ 354,967
Buildings and equipment	1,097,921	1,094,605
Construction in progress	11,880	9,867
	1,473,947	1,459,439
Accumulated depreciation	(372,041)	(364,663)
	1,101,906	1,094,776
Cash and cash equivalents	15,351	17,297
Accounts receivable and accrued income, net	43,748	43,884
Deferred leasing costs, net	25,996	26,052
Prepaid expenses, net	3,390	4,047
Deferred debt costs, net	9,345	9,675
Other assets	4,861	2,944
Total assets	$ 1,204,597	$ 1,198,675
Liabilities		
Mortgage notes payable	$ 814,635	$ 820,068
Revolving credit facility payable	—	—
Dividends and distributions payable	14,308	13,135
Accounts payable, accrued expenses and other liabilities	23,255	20,141
Deferred income	31,990	30,205
Total liabilities	884,188	883,549
Stockholders' equity		
Preferred stock	180,000	180,000
Common stock	206	206
Additional paid-in capital	273,351	270,428
Accumulated deficit and other comprehensive loss	(175,308)	(173,956)
Total Saul Centers, Inc. stockholders' equity	278,249	276,678
Noncontrolling interest	42,160	38,448
Total stockholders’ equity	320,409	315,126
Total liabilities and stockholders' equity	$ 1,204,597	$ 1,198,675

CORPORATE PROFILE

Saul Centers, Inc. is a self-managed, self-administered equity Real Estate Investment Trust (REIT) headquartered in Bethesda, Maryland. Saul Centers currently operates and manages a real estate portfolio comprised of 59 properties which includes (a) 56 community and neighborhood shopping centers and mixed-use properties with approximately 9.3 million square feet of leasable area and (b) three land and development properties. Over 85% of the Company's property operating income is generated by properties in the metropolitan Washington, DC/Baltimore area.

DIRECTORS

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HEADQUARTERS

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EXCHANGE LISTING

New York Stock Exchange (NYSE) Symbol:

Common Stock:	BFS
Preferred Stock:	BFS.PrA
	BFS.PrC

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.