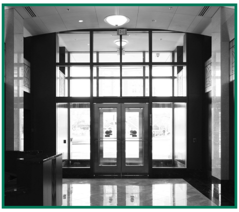
Saul Centers



2011

Third Quarter Report

MESSAGE

TO OUR SHAREHOLDERS

Total revenue for the three months ended September 30, 2011 ("2011 Quarter") increased 8.4% to $42,878,000, compared to $39,551,000 for the three months ended September 30, 2010 ("2010 Quarter"). Operating income, which is net income available to common stockholders before income attributable to noncontrolling interests and preferred stock dividends, decreased 16.8% to $8,656,000 for the 2011 Quarter, compared to $10,411,000 for the 2010 Quarter. Net income available to common stockholders was $1,719,000, or $0.09 per share, for the 2011 Quarter compared to $9,046,000, or $0.49 per share, for the 2010 Quarter.

On September 23, 2011, the Company acquired three Giant Food-anchored neighborhood shopping centers, located in the metropolitan Washington DC / Baltimore area, totaling 635,000 square feet of leasable area. The shopping centers were purchased for an aggregate price of $168,500,000 plus acquisition costs of approximately $2,439,000. Because the properties were acquired just prior to the end of the quarter, their impact on revenue and operating income for the quarter is negligible, however, the acquisition costs were immediately expensed and adversely impacted net income available to common stockholders for the quarter.

Operating income for the 2011 Quarter decreased due to Clarendon Center, portions of which continue to be in their initial lease-up period, because interest and depreciation expense exceeded property operating income by approximately $1,351,000. The Company's operating income also declined due to a $1,303,000 decrease in same property operating income, offset in part by the $540,000 addition to operating income generated by properties acquired during 2010 and 2011. The decrease in net income available to common stockholders for the 2011 Quarter was primarily caused by (1) a $3,591,000 gain on sale of real estate and $1,700,000 gain on casualty settlement, both of which occurred in the 2010 Quarter, (2) $2,439,000 of property acquisition costs described above and, (3) a $1,755,000 decline in operating income, all of which were partially offset by a $2,176,000 decrease in income attributable to noncontrolling interests.

Same property revenue decreased 3.2% for the 2011 Quarter and same property operating income decreased 4.4%. The same property comparisons exclude the operating results of properties not in operation for each of the comparable reporting quarters. For the shopping center portfolio, same property operating income decreased 3.6% due primarily to reduced base rent and increased provision for credit losses resulting primarily from two anchor tenant bankruptcies and, to a lesser extent, vacancies at several core shopping centers. For the mixed-use portfolio, same property operating income decreased 7.3%, primarily due to a decrease in occupancy that occurred in the latter part of 2010 and the first quarter of 2011.

For the nine months ended September 30, 2011 ("2011 Period"), total revenue increased 3.4% to $127,390,000, compared to $123,251,000 for the nine months ended September 30, 2010 ("2010 Period"), and operating income decreased 25.4% to $25,168,000, compared to $33,769,000 for the 2010 Period. Net income available to common stockholders was $7,856,000, or $0.42 per share, for the 2011 Period, compared to $17,702,000, or $0.97 per share, for the 2010 Period. Same property revenue decreased 6.3% and same property operating income decreased 6.7%. For the shopping center portfolio, same property operating income decreased 4.6%, primarily due to the collection in the prior year of $1,939,000 of rents and other past due charges from a former anchor tenant. Excluding the one-time revenue, shopping center same property operating income decreased 1.9%, due to reduced base rent and increased provision for credit losses resulting primarily from the two tenant bankruptcies and, to a lesser extent, increased vacancies at several core

shopping centers. For the mixed-use portfolio, same property operating income decreased 14.2% for the 2011 Period, primarily due to decreased occupancy.

As of September 30, 2011, 89.7% of the commercial portfolio was leased (all properties except the apartments at Clarendon Center), compared to 92.0% at September 30, 2010. On a same property basis, 89.2% of the commercial portfolio was leased, compared to the prior year level of 92.0%. The Clarendon Center apartments were 100% leased at September 30, 2011. The 2011 commercial leasing percentages were impacted by a net decrease of approximately 233,000 square feet of leased space, of which approximately 70,000 square feet was caused by the SuperFresh and Borders Books bankruptcies, 48,000 square feet resulted from the early lease termination of a local grocer and 75,000 square feet was an increase in office vacancies in the mixed-use properties.

Funds from operations (FFO) available to common shareholders (after deducting preferred stock dividends) decreased 20.4% to $10,727,000 in the 2011 Quarter compared to $13,488,000 in the 2010 Quarter. On a diluted per share basis, FFO available to common shareholders decreased 22.8% to $0.44 per share for the 2011 Quarter compared to $0.57 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 and losses from property dispositions and extraordinary items. FFO decreased in the 2011 Quarter primarily due to property acquisition costs ($2,439,000 or $0.10 per share). Clarendon Center operations adversely impacted FFO by $127,000 during the 2011 Quarter because (a) interest expense capitalized decreased and the construction loan was replaced with higher rate permanent financing during March 2011, causing an increase in interest expense ($2,513,000 or $0.10 per share) which was partially offset by (b) property operating income ($2,386,000 or $0.10 per share).

FFO available to common shareholders for the 2011 Period decreased 9.9% to $35,234,000 from $39,120,000 during the 2010 Period. Per share FFO available to common shareholders for the 2011 Period decreased 12.1% to $1.45 per share from $1.65 per share for the 2010 Period. FFO decreased in the 2011 Period primarily due to (1) reduced occupancy in the same property mixed-use portfolio ($2,841,000 or $0.12 per share), (2) property acquisition costs ($2,513,000 or $0.10 per share), (3) prior year collection of rents and other past due charges from a former anchor tenant ($1,939,000 or $0.08 per share), (4) non-cash expense caused by the decrease in fair value of interest rate swaps ($1,374,000 or $0.06 per share) and (5) the adverse impact of the commencement of operations at Clarendon Center ($744,000 or $0.03 per share) caused by a $5,970,000 increase in interest expense, net of amounts capitalized, in excess of $5,226,000 of property operating income, the combined impact of which were partially offset by (1) the prior year expense associated with the Thruway refinancing ($4,479,000 or $0.18 per share) and (2) the prior year net expense associated with snow removal ($1,200,000 or $0.05 per share).

For the Board,

B. Francis Saul II
Chairman of the Board
December 1, 2011

CONSOLIDATED
STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

Revenue

Base rent
Expense recoveries
Percentage rent
Other
Total revenue

Operating expenses

Property operating expenses
Provision for credit losses
Real estate taxes
Interest expense and amortization of deferred debt costs
Depreciation and amortization of deferred leasing costs
General and administrative
Total operating expenses

Operating income

Acquisition related costs
Decrease in fair value of derivatives
Gain on property sale
Gain on casualty settlement
Loss on early extinguishment of debt
Loss from operations of property sold

Net income

Income attributable to the noncontrolling interests

Net income attributable to Saul Centers, Inc.

Preferred dividends

Net income available to common stockholders

Per share data attributable to common shareholders (diluted)

Net income attributable to Saul Centers, Inc.[a]

Funds from operations[b]

(a) Based upon diluted weighted average common shares outstanding of 18,936,683 and 18,440,269 for the three months and 18,842,823 and 18,305,898 for the nine months ended September 30, 2011 and 2010, respectively.

For the Three Months Ended September 30, 2011	2010	For the Nine Months Ended September 30 2011	2010
(Unaudited)		*(Unaudited)*	
$ 34,390	$ 31,243	$ 101,280	$ 94,713
6,994	6,938	21,211	22,583
209	238	1,037	927
1,285	1,132	3,862	5,028
42,878	39,551	127,390	123,251
5,829	5,199	18,289	17,706
595	345	1,628	699
4,743	4,367	13,881	13,498
11,250	8,781	32,714	26,259
8,512	7,031	25,308	21,365
3,293	3,417	10,402	9,955
34,222	29,140	102,222	89,482
8,656	10,411	25,168	33,769
(2,439)	(170)	(2,513)	(170)
(217)	–	(1,374)	–
–	3,591	–	3,591
–	1,700	198	1,700
–	–	–	(4,479)
–	(29)	–	(96)
6,000	15,503	21,479	34,315
(496)	(2,672)	(2,268)	(5,258)
5,504	12,831	19,211	29,057
(3,785)	(3,785)	(11,355)	(11,355)
$ 1,719	$ 9,046	$ 7,856	$ 17,702
$ 0.09	$ 0.49	$ 0.42	$ 0.97
$ 0.44	$ 0.57	$ 1.45	$ 1.65

(b) Assumes conversion of operating partnership units, combined with diluted weighted average common shares outstanding, for a total of 24,353,098 and 23,856,684 shares for the three months and 24,259,238 and 23,722,313 shares for the nine months ended September 30, 2011 and 2010, respectively.

CONSOLIDATED
BALANCE SHEETS

(Dollars in thousands except per share amounts)

Assets

Real estate investments

- Land
- Buildings and equipment
- Construction in progress

Accumulated depreciation

Cash and cash equivalents

Accounts receivable and accrued income, net

Deferred leasing costs, net

Prepaid expenses, net

Deferred debt costs, net

Other assets

Total assets

Liabilities

Mortgage notes payable

Revolving credit facility payable

Construction loans payable

Dividends and distributions payable

Accounts payable, accrued expenses and other liabilities

Deferred income

Total liabilities

Stockholders' equity

Preferred stock, 1,000,000 shares authorized:

- Series A Cumulative Redeemable, 40,000 shares issued and outstanding
- Series B Cumulative Redeemable, 31,731 shares issued and outstanding
- Common stock, $0.01 par value, 30,000,000 shares authorized, 19,121,915 and 18,557,059 shares issued and outstanding, respectively

Additional paid-in capital

Accumulated deficit

Accumulated other comprehensive loss

Total Saul Centers, Inc. stockholders' equity

Noncontrolling interest

Total stockholders' equity

Total liabilities and stockholders' equity

September 30, 2011	December 31, 2010
(Unaudited)	
$ 323,298	$ 275,044
1,077,186	870,143
12,780	78,849
1,413,264	1,224,036
(318,117)	(296,786)
1,095,147	927,250
11,447	12,968
37,407	36,417
25,010	17,835
5,843	3,024
6,969	7,192
14,702	9,202
$ 1,196,525	$ 1,013,888
$ 826,018	$ 601,147
8,000	–
–	110,242
13,162	12,415
25,101	23,544
32,300	26,727
904,581	774,075
100,000	100,000
79,328	79,328
191	186
211,897	189,787
(141,472)	(128,926)
(2,674)	(419)
247,270	239,956
44,674	(143)
291,944	239,813
$ 1,196,525	$ 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 9.5 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

B. Francis Saul II
B. Francis Saul III
Philip D. Caraci
The Honorable
John E. Chapoton
Gilbert M. Grosvenor
Philip C. Jackson, Jr.
General Paul X. Kelley
Charles R. Longsworth
Patrick F. Noonan
Mark Sullivan III
The Honorable
James W. Symington
John R. Whitmore

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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 common shareholders to automatically invest some of or all dividends in additional shares of common stock. 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 common 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.