

# Saul Centers



FIRST QUARTER 2009

*Report to Shareholders*

**Total** revenue for the three months ended March 31, 2009 ("2009 Quarter") increased 2.5% to \$39,689,000 compared to \$38,722,000 for the three months ended March 31, 2008 ("2008 Quarter"). Operating income, which is net income available to common stockholders before gain on property dispositions, income attributable to the noncontrolling interest and preferred stock dividends, increased 4.3% to \$11,550,000 for the 2009 Quarter compared to \$11,073,000 for the 2008 Quarter. The Company issued approximately \$79,300,000 of Series B preferred stock in March 2008, which increased the 2009 Quarter preferred stock dividends by \$1,688,000 as compared to the 2008 Quarter. Net income available to common stockholders was \$5,956,000 or \$0.33 per diluted share for the 2009 Quarter, compared to net income available to common stockholders of \$7,033,000 or \$0.39 per diluted share for the 2008 Quarter.

Same property revenue for the total portfolio decreased 0.5% for the 2009 Quarter compared to the 2008 Quarter and same property operating income decreased 3.3%. 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 5.5% for the 2009 Quarter compared to the 2008 Quarter. The primary cause of this decrease were vacancies during the quarter at three shopping centers; small shop space at Broadlands Village in Ashburn, Virginia; an anchor space at Seven Corners in Falls Church, Virginia; and an anchor space at White Oak in Silver Spring, Maryland. The vacant anchor space at both Seven Corners and White Oak has been re-leased but is not yet producing rental income. Increased property operating expenses and real estate taxes, net of recovered amounts and increased credit loss reserves also contributed to the decrease in property operating income for the 2009 Quarter. Same property operating income in the office portfolio increased 3.8% for the 2009 Quarter, largely due to increased lease termination fees.

As of March 31, 2009, 92.9% of the operating portfolio, including the Northrock development project which is phasing into service, was leased compared to 95.4% at March 31, 2008. On a same property basis, 93.3% of the portfolio was leased, compared to the prior year level of 95.5%.

Funds from operations (FFO) available to common shareholders (after deducting preferred stock dividends) decreased 7.0% to \$14,806,000 in the 2009 Quarter compared to \$15,919,000 for the 2008 Quarter. On a diluted per share basis, FFO available to common shareholders decreased 5.9% to \$0.64 per share for the 2009 Quarter compared to \$0.68 per share for the 2008 Quarter. FFO, a widely accepted non-GAAP financial measure of operating performance for REITs, is defined as net income plus income attributable to the noncontrolling interest, extraordinary items and real estate depreciation and amortization, excluding gains from property dispositions. FFO decreased in the 2009 Quarter primarily due to the increase in preferred stock dividends of \$1,688,000 (\$0.07 per diluted share) which was slightly offset by lower interest expense and lower general and administrative expense.

Approximately 93% of our debt is fixed-rate non-recourse property debt, none of which is due to mature until December 2011. The weighted average maturity of our loans outstanding is 7.4 years from now. We are in the process of refinancing mortgage debt on selected retail and office properties to extend maturity dates, in order to further strengthen our balance sheet.

For the Board,



B. Francis Saul II  
Chairman of the Board

June 10, 2009

## CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(Dollars in thousands, except per share amounts)</i>	For the Three Months Ended March 31,	
	2009	2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Revenue</b>		
Base rent	\$ 30,665	\$ 30,382
Expense recoveries	7,580	7,133
Percentage rent	233	314
Other	1,211	893
Total revenue	39,689	38,722
<b>Operating expenses</b>		
Property operating expenses	5,370	4,985
Provision for credit losses	327	183
Real estate taxes	4,416	4,011
Interest expense and amortization of deferred debt costs	8,196	8,604
Depreciation and amortization of deferred leasing costs	7,041	6,943
General and administrative	2,789	2,923
Total operating expenses	28,139	27,649
<b>Operating income before gain on property dispositions</b>	11,550	11,073
Non-operating item: Gain on property dispositions	–	205
<b>Net income</b>	11,550	11,278
Net income attributable to the noncontrolling interest	(1,809)	(2,148)
<b>Net income attributable to Saul Centers, Inc.</b>	9,741	9,130
Preferred dividends	(3,785)	(2,097)
<b>Net income available to common stockholders</b>	5,956	7,033
<b>Per share data attributable to common shareholders (diluted)</b>		
Net income attributable to Saul Centers, Inc. <sup>(a)</sup>	\$ 0.33	\$ 0.39
Funds from operations <sup>(b)</sup>	\$ 0.64	\$ 0.68

(a) Based upon diluted weighted average common shares outstanding of 17,889,538 and 17,943,111 for the three months ended March 31, 2009 and 2008, respectively.

(b) Assumes conversion of operating partnership units, combined with diluted weighted average common shares outstanding, for a total of 23,315,953 and 23,359,526 shares for the three months ended March 31, 2009 and 2008, respectively.

## CONSOLIDATED BALANCE SHEETS

<i>(Dollars in thousands except per share amounts)</i>	March 31, 2009	December 31, 2008
	<i>(Unaudited)</i>	
<b>Assets</b>		
Real estate investments		
Land	\$ 215,813	215,407
Buildings and equipment	715,813	713,154
Construction in progress	112,738	98,920
	1,044,364	1,027,481
Accumulated depreciation	(258,581)	(252,763)
	785,783	774,718
Cash and cash equivalents	20,261	13,006
Accounts receivable and accrued income, net	34,419	37,495
Deferred leasing costs, net	16,570	16,901
Prepaid expenses, net	2,576	2,981
Deferred debt costs, net	5,576	5,875
Other assets	7,015	2,897
Total assets	\$ 872,200	\$ 853,873
<b>Liabilities</b>		
Mortgage notes payable	\$ 569,437	\$ 567,495
Revolving credit facility outstanding	15,000	–
Dividends and distributions payable	12,868	12,864
Accounts payable, accrued expenses and other liabilities	25,049	22,394
Deferred income	22,868	23,233
Total liabilities	645,222	625,986
<b>Stockholders' equity</b>		
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, 17,872,360 and 17,863,214 shares issued and outstanding, respectively	179	179
Additional paid-in capital	164,686	164,278
Accumulated deficit	(119,879)	(118,865)
Total Saul Centers, Inc. stockholders' equity	224,314	224,920
Noncontrolling interest	2,664	2,967
Total stockholders' equity	226,978	227,887
Total liabilities and stockholders' equity	\$ 872,200	\$ 853,873

## CORPORATE PROFILE

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**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 51 community and neighborhood shopping centers and office properties totaling approximately 8.3 million square feet of leasable area. Over 80% of the property operating income is generated from properties in the metropolitan Washington, DC/Baltimore area.

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### DIRECTORS

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

### WEB SITE

[www.saulcenters.com](http://www.saulcenters.com)

### HEADQUARTERS

7501 Wisconsin Ave.  
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Phone: (301) 986-6200

### EXCHANGE LISTING

New York Stock Exchange  
Symbol: BFS

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### 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.

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*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.*