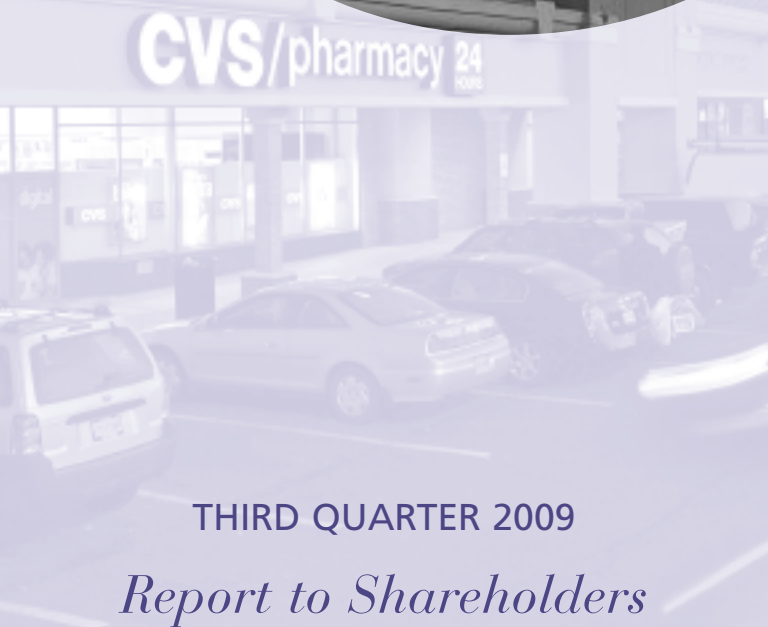


# Saul Centers



THIRD QUARTER 2009

*Report to Shareholders*

**Total** revenue for the three months ended September 30, 2009 ("2009 Quarter") decreased 1.6% to \$40,273,000 compared to \$40,947,000 for the three months ended September 30, 2008 ("2008 Quarter"). Operating income, which is net income available to common stockholders before gain on property dispositions, loss on early extinguishment of debt, income attributable to the noncontrolling interest and preferred stock dividends, increased 0.8% to \$11,349,000 for the 2009 Quarter compared to \$11,264,000 for the 2008 Quarter. Net income available to common stockholders was \$5,822,000 or \$0.32 per diluted share for the 2009 Quarter, compared to net income available to common stockholders of \$5,736,000 or \$0.32 per diluted share for the 2008 Quarter. Results for the 2008 Quarter were impacted by a one-time non-cash depreciation charge of \$1,112,000 arising from the demolition of a portion of the Smallwood Village Center in conjunction with the Company's redevelopment of the property

Same property revenue for the total portfolio decreased 2.3% for the 2009 Quarter compared to the 2008 Quarter and same property operating income decreased 2.0%. 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 2.9% for the 2009 Quarter compared to the 2008 Quarter. The primary cause of this decrease was a decline in base rent due to decreased leasing levels, and to a lesser extent, reduced other income, primarily due to reduced lease termination fees collected during the 2009 Quarter. Same property operating income in the office portfolio increased 1.4% for the 2009 Quarter.

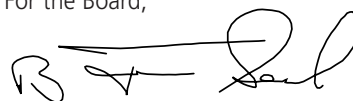
For the nine months ended September 30, 2009 ("2009 Period"), total revenue decreased 0.3% to \$119,378,000 compared to \$119,774,000 for the nine months ended September 30, 2008 ("2008 Period") and operating income decreased 3.0% to \$33,473,000 compared to \$34,512,000 for the 2008 Period. Net income available to common stockholders was \$15,712,000 or \$0.88 per diluted share for the 2009 Period, compared to \$19,212,000 or \$1.07 per diluted share for the 2008 Period. Overall same property revenue for the total portfolio decreased 1.5% for the 2009 Period compared to the 2008 Period and same property operating income decreased 3.1%. For the 2009 Period, shopping center same property operating income decreased 4.3% due to overall increases in tenant vacancies and credit loss reserves. Same property operating income in the office portfolio increased 1.1% for the 2009 Period, due primarily to lease termination fees received, which were largely offset by increased tenant vacancy at Avenel Business Park.

As of September 30, 2009, 91.8% of the operating portfolio, including the Northrock and Westview Village development projects which are phasing into service, was leased compared to 94.7% at September 30, 2008. On a same property basis, 92.9% of the portfolio was leased, compared to the prior year level of 94.7%. The 2009 leasing percentages declined due to a net decrease of approximately 147,000 square feet of leased space.

Funds from operations (FFO) available to common shareholders (after deducting preferred stock dividends) decreased 8.3% to \$14,648,000 in the 2009 Quarter compared to \$15,966,000 for the 2008 Quarter. On a diluted per share basis, FFO available to common shareholders decreased 7.4% to \$0.63 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 available to common shareholders for the 2009 Period decreased 11.8% to \$41,666,000 from \$47,263,000 during the 2008 Period. Per share FFO available to common shareholders for the 2009 Period decreased 11.4% to \$1.79 per diluted share compared to \$2.02 per diluted share for the 2008 Period. FFO decreased in the 2009 Period primarily due to the expense associated with the second quarter financing activities (\$2,023,000 or \$0.09 per diluted share), increased preferred stock dividends (\$1,687,000 or \$0.07 per diluted share), and to a lesser extent, decreased property operating income. During the 2009 second quarter, the Company refinanced mortgage debt on four properties, due to mature December 2011 and incurred expense totaling \$1,660,000 related to this early retirement. The Company also modified its existing revolving credit agreement which was due to expire in December 2010. Interest expense and amortization of deferred debt costs includes \$363,000 associated with the modification. Therefore, total expense recognized in the 2009 Period for these financing activities was \$2,023,000. As a result of these debt refinancings, only \$19 million of the Company's remaining fixed-rate mortgage debt will mature prior to 2012.

For the Board,



B. Francis Saul II  
Chairman of the Board  
November 20, 2009

## CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(Dollars in thousands, except per share amounts)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
<b>Revenue</b>				
Base rent	\$ 31,776	\$ 31,466	\$ 93,572	\$ 93,599
Expense recoveries	7,145	7,652	21,773	21,730
Percentage rent	214	253	775	799
Other	1,138	1,576	3,258	3,646
Total revenue	40,273	40,947	119,378	119,774
<b>Operating expenses</b>				
Property operating expenses	4,919	5,360	15,134	14,872
Provision for credit losses	189	236	748	660
Real estate taxes	4,531	4,241	13,567	12,530
Interest expense and amortization of deferred debt costs	8,942	8,568	25,920	25,877
Depreciation and amortization of deferred leasing costs	7,084	8,487	21,208	22,419
General and administrative	3,259	2,791	9,328	8,904
Total operating expenses	28,924	29,683	85,905	85,262
<b>Operating income</b>	11,349	11,264	33,473	34,512
Loss on early extinguishment of debt	–	–	(1,660)	–
Gain on property dispositions	–	–	–	205
<b>Net income</b>	11,349	11,264	31,813	34,717
Net income attributable to the noncontrolling interest	(1,742)	(1,743)	(4,746)	(5,837)
<b>Net income attributable to Saul Centers, Inc.</b>	9,607	9,521	27,067	28,880
Preferred dividends	(3,785)	(3,785)	(11,355)	(9,668)
<b>Net income available to common stockholders</b>	\$ 5,822	\$ 5,736	\$ 15,712	\$ 19,212
<b>Per share data attributable to common shareholders (diluted)</b>				
Net income attributable to Saul Centers, Inc. <sup>(a)</sup>	\$ 0.32	\$ 0.32	\$ 0.88	\$ 1.07
Funds from operations <sup>(b)</sup>	\$ 0.63	\$ 0.68	\$ 1.79	\$ 2.02

(a) Based upon diluted weighted average common shares outstanding of 17,926,992 and 17,991,006 for the three months and 17,914,238 and 17,970,586 for the nine months ended September 30, 2009 and 2008, respectively.

(b) Assumes conversion of operating partnership units, combined with diluted weighted average common shares outstanding, for a total of 23,343,407 and 23,407,421 shares for the three months and 23,330,653 and 23,387,001 shares for the nine months ended September 30, 2009 and 2008, respectively.

## CONSOLIDATED BALANCE SHEETS

<i>(Dollars in thousands except per share amounts)</i>	September 30, 2009	December 31, 2008
	<i>(Unaudited)</i>	
<b>Assets</b>		
Real estate investments		
Land	\$ 223,035	\$ 215,407
Buildings and equipment	738,125	713,154
Construction in progress	126,066	98,920
	1,087,226	1,027,481
Accumulated depreciation	(270,413)	(252,763)
	816,813	774,718
Cash and cash equivalents	14,297	13,006
Accounts receivable and accrued income, net	36,815	37,495
Deferred leasing costs, net	16,170	16,901
Prepaid expenses, net	4,860	2,981
Deferred debt costs, net	7,466	5,875
Other assets	8,294	2,897
Total assets	\$ 904,715	\$ 853,873
<b>Liabilities</b>		
Mortgage notes payable	\$ 569,634	\$ 548,265
Construction loans payable	48,294	19,230
Dividends and distributions payable	12,179	12,864
Accounts payable, accrued expenses and other liabilities	27,295	22,394
Deferred income	24,015	23,233
Total liabilities	681,417	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, 17,896,010 and 17,863,214 shares issued and outstanding, respectively	179	179
Additional paid-in capital	165,794	164,278
Accumulated deficit	(123,541)	(118,865)
Total Saul Centers, Inc. stockholders' equity	221,760	224,920
Noncontrolling interest	1,538	2,967
Total stockholders' equity	223,298	227,887
Total liabilities and stockholders' equity	\$ 904,715	\$ 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 52 community and neighborhood shopping centers and office properties totaling approximately 8.4 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.  
Suite 1500  
Bethesda, MD 20814-6522  
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.*