

Saul Centers



Report to
Shareholders



First Quarter
2010

Message to our Shareholders

Total revenue for the three months ended March 31, 2010 ("2010 Quarter") increased 10.0% to \$43,648,000 compared to \$39,689,000 for the three months ended March 31, 2009 ("2009 Quarter"). Operating income, which is net income available to common stockholders before income attributable to the noncontrolling interest and preferred stock dividends, increased 8.9% to \$12,574,000 for the 2010 Quarter compared to \$11,550,000 for the 2009 Quarter. Net income available to common stockholders was \$6,768,000, or \$0.37 per diluted share, for the 2010 Quarter compared to net income available to common stockholders of \$5,956,000, or \$0.33 per diluted share, for the 2009 Quarter.

Same property revenue for the total portfolio increased 8.6% for the 2010 Quarter compared to the 2009 Quarter and same property operating income increased 4.2%. 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 increased 7.3% for the 2010 Quarter compared to the 2009 Quarter. The primary cause of this increase was the collection of rents and other past due charges from a former anchor tenant. Excluding this one-time revenue, same property shopping center operating income declined 1.3% from the prior year. Same property operating income in the office portfolio decreased 5.7% for the 2010 Quarter compared to the 2009 Quarter primarily due to a decrease in lease termination fees.

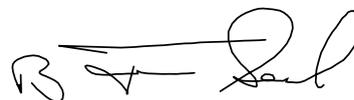
As of March 31, 2010, 91.6% of the operating portfolio was leased compared to 92.9% at March 31, 2009. On a same property basis, 92.7% of the portfolio was leased, compared to the prior year level of 93.3%. The 2010 leasing percentages decreased due to a net decrease of approximately 52,000 square feet of leased space, of which approximately 30,000 square feet was attributable to Avenel Business Park.

Funds from operations (FFO) available to common shareholders (after deducting preferred stock dividends) increased 7.1% to \$15,862,000 in the 2010 Quarter compared to \$14,806,000 for the 2009 Quarter. On a diluted per share basis, FFO available to common shareholders increased 4.7% to \$0.67 per share for the

2010 Quarter compared to \$0.64 per share for the 2009 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 from property dispositions and extraordinary items. FFO increased in the 2010 Quarter primarily due to the collection of rents and other past due charges from a former anchor tenant (\$1,939,000 or \$0.08 per diluted share) offset in part by a decline in property operating income largely due to snow removal expense, net of tenant recoveries, from severe winter storms impacting the Mid-Atlantic region primarily in February 2010 (approximately \$1,200,000 or \$0.05 per diluted share).

We remain committed to, and confident in, the long-term performance of our core retail and office properties. We are prepared to endure the potential for continued economic stress, with cash reserves and a strong balance sheet.

For the Board,



B. Francis Saul II
Chairman of the Board
May 11, 2010



Seven Corners, Falls Church, VA

Consolidated Statements of Operations

<i>(Dollars in thousands, except per share amounts)</i>	For the Three Months Ended March 31,	
	2010 <i>(Unaudited)</i>	2009 <i>(Unaudited)</i>
Revenue		
Base rent	\$ 31,695	\$ 30,665
Expense recoveries	8,727	7,580
Percentage rent	358	233
Other	2,868	1,211
Total revenue	43,648	39,689
Operating expenses		
Property operating expenses	7,679	5,370
Provision for credit losses	197	327
Real estate taxes	4,685	4,416
Interest expense and amortization of deferred debt costs	8,591	8,196
Depreciation and amortization of deferred leasing costs	7,073	7,041
General and administrative	2,849	2,789
Total operating expenses	31,074	28,139
Net income	12,574	11,550
Net income attributable to the noncontrolling interest	(2,021)	(1,809)
Net income attributable to Saul Centers, Inc.	10,553	9,741
Preferred dividends	(3,785)	(3,785)
Net income available to common stockholders	\$ 6,768	\$ 5,956
Per share data attributable to common shareholders (diluted)		
Net income attributable to Saul Centers, Inc. ^(a)	\$ 0.37	\$ 0.33
Funds from operations ^(b)	\$ 0.67	\$ 0.64

(a) Based upon diluted weighted average common shares outstanding of 18,165,372 and 17,899,538 for the three months ended March 31, 2010 and 2009, respectively.

(b) Assumes conversion of operating partnership units, combined with diluted weighted average common shares outstanding, for a total of 23,581,787 and 23,315,953 shares for the three months ended March 31, 2010 and 2009, respectively.

Consolidated Balance Sheets

(Dollars in thousands except per share amounts)

	March 31, 2010	December 31, 2009
	<i>(Unaudited)</i>	
Assets		
Real estate investments		
Land	\$ 223,286	\$ 223,193
Buildings and equipment	742,471	740,442
Construction in progress	165,400	147,589
	1,131,157	1,111,224
Accumulated depreciation	(282,271)	(276,310)
	848,886	834,914
Cash and cash equivalents	19,432	20,607
Accounts receivable and accrued income, net	38,599	37,503
Deferred leasing costs, net	15,191	15,609
Prepaid expenses, net	2,532	3,096
Deferred debt costs, net	7,291	7,537
Other assets	8,454	6,308
Total assets	\$ 940,385	\$ 925,574
Liabilities		
Mortgage notes payable	\$ 572,236	\$ 576,069
Construction loans payable	71,760	60,737
Dividends and distributions payable	12,260	12,220
Accounts payable, accrued expenses and other liabilities	26,923	23,395
Deferred income	26,952	27,090
Total liabilities	710,131	699,511
Stockholders' equity		
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, 18,125,152 and 18,012,416 shares issued and outstanding, respectively	181	180
Additional paid-in capital	173,239	169,363
Accumulated deficit	(123,925)	(124,167)
Total Saul Centers, Inc. stockholders' equity	228,823	224,704
Noncontrolling interest	1,431	1,359
Total stockholders' equity	230,254	226,063
Total liabilities and stockholders' equity	\$ 940,385	\$ 925,574

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 52 community and neighborhood shopping centers and office properties totaling approximately 8.4 million square feet of leasable area. Over 82% of the property operating income is generated from properties in the metropolitan Washington, DC/Baltimore area.

DIRECTORS

B. Francis Saul II
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 John E. Chapoton
Gilbert M. Grosvenor
Philip C. Jackson, Jr.
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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.