Section 1: 10-Q (10-Q)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended June 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-12254

SAUL CENTERS, INC.

(Exact name of registrant as specified in its charter)

Maryland	**52-1833074**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

7501 Wisconsin Avenue, Bethesda, Maryland 20814
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code (301) 986-6200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	*Name of exchange on which registered:*	*Trading symbol:*
Common Stock, Par Value $0.01 Per Share	New York Stock Exchange	BFS
Depositary Shares each representing 1/100th of a share of 6.125% Series D Cumulative Redeemable Preferred Stock, Par Value $0.01 Per Share	New York Stock Exchange	BFS/PRD
Depositary Shares each representing 1/100th of a share of 6.000% Series E Cumulative Redeemable Preferred Stock, Par Value $0.01 Per Share	New York Stock Exchange	BFS/PRE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock, par value $0.01 per share outstanding as of July 31, 2020: 23.2 million.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Dollars in thousands, except per share amounts)	June 30, 2020	December 31, 2019
Assets		
Real estate investments		
Land	$ 503,802	$ 453,322
Buildings and equipment	1,505,909	1,292,631
Construction in progress	101,359	335,644
	2,111,070	2,081,597
Accumulated depreciation	(584,002)	(563,474)
	1,527,068	1,518,123
Cash and cash equivalents	66,457	13,905
Accounts receivable and accrued income, net	57,926	52,311
Deferred leasing costs, net	27,057	24,083
Prepaid expenses, net	1,579	5,363
Other assets	6,549	4,555
Total assets	$ 1,686,636	$ 1,618,340
Liabilities		
Notes payable	$ 791,534	$ 821,503
Term loan facility payable	74,741	74,691
Revolving credit facility payable	173,642	86,371
Construction loan payable	134,650	108,623
Dividends and distributions payable	19,358	19,291
Accounts payable, accrued expenses and other liabilities	30,311	35,199
Deferred income	24,114	29,306
Total liabilities	1,248,350	1,174,984
Equity		
Preferred stock, 1,000,000 shares authorized:		
Series D Cumulative Redeemable, 30,000 shares issued and outstanding	75,000	75,000
Series E Cumulative Redeemable, 44,000 shares issued and outstanding	110,000	110,000
Common stock, $0.01 par value, 40,000,000 shares authorized, 23,342,699 and 23,231,240 shares issued and outstanding, respectively	233	232
Additional paid-in capital	416,793	410,926
Distributions in excess of accumulated earnings	(229,918)	(221,177)
Total Saul Centers, Inc. equity	372,108	374,981
Noncontrolling interests	66,178	68,375
Total equity	438,286	443,356
Total liabilities and equity	$ 1,686,636	$ 1,618,340

The Notes to Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Dollars in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue				
Rental revenue	$ 52,002	$ 55,953	$ 107,418	$ 112,756
Other	1,218	2,188	2,745	5,135
Total revenue	53,220	58,141	110,163	117,891
Expenses				
Property operating expenses	6,410	7,115	13,446	15,116
Real estate taxes	7,351	6,819	14,504	13,967
Interest expense, net and amortization of deferred debt costs	12,019	10,793	21,613	21,860
Depreciation and amortization of deferred leasing costs	12,600	11,524	23,881	23,167
General and administrative	4,632	5,140	9,682	9,954
Total expenses	43,012	41,391	83,126	84,064
Net Income	10,208	16,750	27,037	33,827
Noncontrolling interests				
Income attributable to noncontrolling interests	(1,880)	(3,518)	(5,445)	(7,148)
Net income attributable to Saul Centers, Inc.	8,328	13,232	21,592	26,679
Preferred stock dividends	(2,798)	(2,953)	(5,596)	(5,906)
Net income available to common stockholders	$ 5,530	$ 10,279	$ 15,996	$ 20,773
Per share net income available to common stockholders				
Basic and diluted	$ 0.24	$ 0.45	$ 0.69	$ 0.91

The Notes to Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2020	2019	2020	2019
Net income	$ 10,208	$ 16,750	$ 27,037	$ 33,827
Other comprehensive income				
Change in unrealized loss on cash flow hedge	—	(127)	—	(173)
Total comprehensive income	10,208	16,623	27,037	33,654
Comprehensive income attributable to noncontrolling interests	(1,880)	(3,473)	(5,445)	(7,103)
Total comprehensive income attributable to Saul Centers, Inc.	8,328	13,150	21,592	26,551
Preferred stock dividends	(2,798)	(2,953)	(5,596)	(5,906)
Total comprehensive income available to common stockholders	$ 5,530	$ 10,197	$ 15,996	$ 20,645

The Notes to Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

(Dollars in thousands, except per share amounts)	Preferred Stock	Common Stock	Additional Paid-in Capital	Distributions in Excess of Accumulated Earnings	Accumulated Other Comprehensive (Loss)	Total Saul Centers, Inc.	Noncontrolling Interests	Total
Balance at January 1, 2020	$ 185,000	$ 232	$ 410,926	$ (221,177)	$ —	$ 374,981	$ 68,375	$ 443,356
Issuance of shares of common stock:								
83,978 shares pursuant to dividend reinvestment plan	—	1	4,080	—	—	4,081	—	4,081
11,745 shares due to exercise of stock options and issuance of directors' deferred stock	—	—	956	—	—	956	—	956
Issuance of 15,101 partnership units pursuant to dividend reinvestment plan	—	—	—	—	—	—	734	734
Net income	—	—	—	13,264	—	13,264	3,565	16,829
Distributions payable preferred stock:								
Series D, $38.28 per share	—	—	—	(1,148)	—	(1,148)	—	(1,148)
Series E, $37.50 per share	—	—	—	(1,650)	—	(1,650)	—	(1,650)
Distributions payable common stock ($0.53/share) and distributions payable partnership units ($0.53/unit)	—	—	—	(12,364)	—	(12,364)	(4,188)	(16,552)
Balance, March 31, 2020	185,000	233	415,962	(223,075)	—	378,120	68,486	446,606
Issuance of shares of common stock:								
12,627 shares pursuant to dividend reinvestment plan	—	—	407	—	—	407	—	407
3,109 shares due to exercise of stock options and issuance of directors' deferred stock	—	—	424	—	—	424	—	424
Net income	—	—	—	8,328	—	8,328	1,880	10,208
Distributions payable preferred stock:								
Series D, $38.28 per share	—	—	—	(1,148)	—	(1,148)	—	(1,148)
Series E, $37.50 per share	—	—	—	(1,650)	—	(1,650)	—	(1,650)
Distributions payable common stock ($0.53/share) and distributions payable partnership units ($0.53/unit)	—	—	—	(12,373)	—	(12,373)	(4,188)	(16,561)
Balance, June 30, 2020	$ 185,000	$ 233	$ 416,793	$ (229,918)	$ —	372,108	$ 66,178	$ 438,286

(Dollars in thousands, except per share amounts)	Preferred Stock	Common Stock	Additional Paid-in Capital	Distributions in Excess of Accumulated Earnings	Accumulated Other Comprehensive (Loss)	Total Saul Centers, Inc.	Noncontrolling Interests	Total
Balance at January 1, 2019	$ 180,000	$ 227	$ 384,533	$ (208,593)	$ (255)	$ 355,912	$ 69,308	$ 425,220
Issuance of shares of common stock:								
120,347 shares pursuant to dividend reinvestment plan	—	1	6,170	—	—	6,171	—	6,171
485 shares due to exercise of stock options and issuance of directors' deferred stock	—	1	419	—	—	420	—	420
Issuance of 13,742 partnership units pursuant to dividend reinvestment plan	—	—	—	—	—	—	705	705
Net income	—	—	—	13,447	—	13,447	3,630	17,077
Change in unrealized loss on cash flow hedge	—	—	—	—	(34)	(34)	(12)	(46)
Distributions payable preferred stock:								
Series C, $42.97 per share	—	—	—	(1,805)	—	(1,805)	—	(1,805)
Series D, $38.28 per share	—	—	—	(1,148)	—	(1,148)	—	(1,148)
Distributions payable common stock ($0.53/share) and distributions payable partnership units ($0.53/unit)	—	—	—	(12,108)	—	(12,108)	(4,155)	(16,263)
Balance, March 31, 2019	180,000	229	391,122	(210,207)	(289)	360,855	69,476	430,331
Issuance of shares of common stock:								
99,804 shares pursuant to dividend reinvestment plan	—	1	5,127	—	—	5,128	—	5,128
48,772 shares due to exercise of stock options and issuance of directors' deferred stock	—	—	2,798	—	—	2,798	—	2,798
Issuance of 20,041 partnership units pursuant to dividend reinvestment plan	—	—	—	—	—	—	1,029	1,029
Net income	—	—	—	13,232	—	13,232	3,518	16,750
Change in unrealized loss on cash flow hedge	—	—	—	—	(95)	(95)	(32)	(127)
Distributions payable preferred stock:								
Series C, $42.97 per share	—	—	—	(1,805)	—	(1,805)	—	(1,805)
Series D, $38.28 per share	—	—	—	(1,148)	—	(1,148)	—	(1,148)
Distributions payable common stock ($0.53/share) and distributions payable partnership units ($0.53/unit)	—	—	—	(12,181)	—	(12,181)	(4,166)	(16,347)
Balance, June 30, 2019	$ 180,000	$ 230	$ 399,047	$ (212,109)	$ (384)	366,784	$ 69,825	$ 436,609

The Notes to Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Dollars in thousands)	Six months ended June 30, 2020	Six months ended June 30, 2019
Cash flows from operating activities:		
Net income	$ 27,037	$ 33,827
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of deferred leasing costs	23,881	23,167
Amortization of deferred debt costs	760	760
Compensation costs of stock grants and options	851	1,142
Credit losses on operating lease receivables	2,300	556
(Increase) decrease in accounts receivable and accrued income	(7,915)	1,718
Additions to deferred leasing costs	(5,644)	(581)
Decrease in prepaid expenses	3,784	3,369
Increase in other assets	(1,994)	(3,590)
Increase in accounts payable, accrued expenses and other liabilities	3,881	6,666
Decrease in deferred income	(5,192)	(3,202)
Net cash provided by operating activities	41,749	63,832
Cash flows from investing activities:		
Acquisitions of real estate investments	—	(24)
Additions to real estate investments	(10,763)	(7,857)
Additions to development and redevelopment projects	(28,164)	(60,718)
Net cash used in investing activities	(38,927)	(68,599)
Cash flows from financing activities:		
Proceeds from notes payable	—	22,100
Repayments on notes payable	(30,293)	(48,715)
Proceeds from revolving credit facility	90,000	36,000
Repayments on revolving credit facility	(3,000)	(35,000)
Proceeds from construction loan	25,977	48,731
Additions to deferred debt costs	(101)	(420)
Proceeds from the issuance of:		
Common stock	5,016	13,375
Partnership units	734	1,734
Distributions to:		
Series C preferred stockholders	—	(3,610)
Series D preferred stockholders	(2,296)	(2,296)
Series E preferred stockholders	(3,300)	—
Common stockholders	(24,639)	(24,145)
Noncontrolling interests	(8,368)	(8,303)
Net cash provided by (used in) financing activities	49,730	(549)
Net increase (decrease) in cash and cash equivalents	52,552	(5,316)
Cash and cash equivalents, beginning of period	13,905	14,578
Cash and cash equivalents, end of period	$ 66,457	$ 9,262
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 21,015	$ 21,186
Increase (decrease) in accrued real estate investments and development costs	$ (8,769)	$ 3,029

1. Organization, Basis of Presentation

Saul Centers, Inc. (“Saul Centers”) was incorporated under the Maryland General Corporation Law on June 10, 1993, and operates as a real estate investment trust (a “REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”). The Company is required to annually distribute at least 90% of its REIT taxable income (excluding net capital gains) to its stockholders and meet certain organizational and other requirements. Saul Centers has made and intends to continue to make regular quarterly distributions to its stockholders. Saul Centers, together with its wholly-owned subsidiaries and the limited partnerships of which Saul Centers or one of its subsidiaries is the sole general partner, are referred to collectively as the “Company.” B. Francis Saul II serves as Chairman of the Board of Directors, Chief Executive Officer and President of Saul Centers.

The Company, which conducts all of its activities through its subsidiaries, Saul Holdings Limited Partnership, a Maryland limited partnership (the “Operating Partnership”) and two subsidiary limited partnerships (the “Subsidiary Partnerships,” and, collectively with the Operating Partnership, the “Partnerships”), engages in the ownership, operation, management, leasing, acquisition, renovation, expansion, development and financing of community and neighborhood shopping centers and mixed-use properties, primarily in the Washington, DC/Baltimore metropolitan area.

As of June 30, 2020, the Company’s properties (the “Current Portfolio Properties”) consisted of 50 shopping center properties (the “Shopping Centers”), seven mixed-use properties, which are comprised of office, retail and multi-family residential uses (the “Mixed-Use Properties”) and three (non-operating) development properties.

Because the properties are located primarily in the Washington, DC/Baltimore metropolitan area, the Company is subject to a concentration of credit risk related to these properties. A majority of the Shopping Centers are anchored by one or more major tenants. As of June 30, 2020, 33 of the Shopping Centers were anchored by a grocery store and offer primarily day-to-day necessities and services. Giant Food, a tenant at 11 Shopping Centers, individually accounted for 5.3% of the Company's total revenue for the six months ended June 30, 2020. No other tenant individually accounted for 2.5% or more of the Company’s total revenue, excluding lease termination fees, for the six months ended June 30, 2020.

The accompanying consolidated financial statements of the Company include the accounts of Saul Centers and its subsidiaries, including the Operating Partnership and Subsidiary Partnerships, which are majority owned by Saul Centers. Substantially all assets and liabilities of the Company as of June 30, 2020 and December 31, 2019, are comprised of the assets and liabilities of the Operating Partnership. The debt arrangements which are subject to recourse are described in Note 5. All significant intercompany balances and transactions have been eliminated in consolidation.

The Operating Partnership is a variable interest entity ("VIE") because the limited partners do not have substantive kick-out or participating rights. The Company is the primary beneficiary of the Operating Partnership because it has the power to direct its activities and the rights to absorb 74.6% of its net income. Because the Operating Partnership is consolidated into the financial statements of the Company, classification of it as a VIE has no impact on the consolidated financial statements of the Company.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for the fair presentation of the financial position and results of operations of the Company for the interim periods have been included. All such adjustments are of a normal recurring nature. These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2019, which are included in its Annual Report on Form 10-K. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted pursuant to those instructions. The results of operations for interim periods are not necessarily indicative of results to be expected for the year.

2. Summary of Significant Accounting Policies

Our significant accounting policies disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019 have not changed significantly in amount or composition.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates and assumptions relate to collectability of operating lease receivables and impairment of real estate properties. Actual results could differ from those estimates.

Accounts Receivable, Accrued Income and Allowance for Doubtful Accounts

Accounts receivable primarily represent amounts currently due from tenants in accordance with the terms of their respective leases. Individual leases are assessed for collectability and upon the determination that the collection of rents is not probable, accrued rent and accounts receivable are reduced by recording an allowance for the uncollectible portion, which is reflected as an adjustment to rental revenue. Revenue from leases where collection is not probable is recorded on a cash basis until collectability is determined to be probable. Further, we assess whether operating lease receivables, at the portfolio level, are appropriately valued based upon an analysis of balances outstanding, historical bad debt levels and current economic trends.

At June 30, 2020 and December 31, 2019, accounts receivable was comprised of:

(In thousands)	June 30, 2020	December 31, 2019
Rents currently due	$ 11,727	$ 7,235
Deferred rents	3,229	474
Straight-line rent	42,917	42,088
Other receivables	3,478	2,967
Allowance for doubtful accounts	(3,425)	(453)
Total	$ 57,926	$ 52,311

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (''FASB'') issued Accounting Standards Update (''ASU'') 2016-02, ''Leases'' ("ASU 2016-02"). ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, interim periods within those years, and requires a modified retrospective transition approach for all leases existing at the date of initial application, with an option to use certain practical expedients for those existing leases. Upon adoption of ASU 2016-02 effective January 1, 2019, we elected the practical expedient for all leases with respect to lease identification, lease classification, and initial direct costs. We made a policy election not to separate lease and nonlease components and have accounted for each lease component and the related nonlease components together as a single component. There were no significant changes to our lessor accounting for operating leases as a result of ASU 2016-02.

We lease Shopping Centers and Mixed-Use Properties to lessees in exchange for monthly payments that cover rent, and where applicable, reimbursement for property taxes, insurance, and certain property operating expenses. Our leases were determined to be operating leases and generally range in term from one to 15 years.

Some of our leases have termination options and/or extension options. Termination options allow the lessee to terminate the lease prior to the end of the lease term, provided certain conditions are met. Termination options generally require advance notification from the lessee and payment of a termination fee. Termination fees are recognized as revenue over the modified lease term. Extension options are subject to terms and conditions stated in the lease.

On January 1, 2019, a right of use asset and corresponding lease liability related to our headquarters lease were recorded in other assets and other liabilities, respectively. The lease expires on February 28, 2022, with one option to renew for an additional five years. The right of use asset and corresponding lease liability totaled $1.3 million and $1.3 million, respectively, at June 30, 2020.

Due to the business disruptions and challenges severely affecting the global economy caused by the novel strain of coronavirus ("COVID-19") pandemic, many lessees have requested rent relief, including rent deferrals and other lease concessions. The lease modification guidance in ASU 2016-02 does not contemplate the rapid execution of concessions for multiple tenants in response to sudden liquidity constraints of lessees. In April 2020, the FASB staff issued a question and answer document that provided guidance allowing the Company to elect to either apply the lease modification accounting framework or not, with such election applied consistently to leases with similar characteristics and similar circumstances. The Company has elected to apply such relief, which, in the case of rent deferrals, results in the accrual of rent due from tenants and defers the payment of that rent to a future date and will monitor the collectability of rent receivables.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses" ("ASU 2016-13"). ASU 2016-13 replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of information to support credit loss estimates. ASU 2016-13 is effective for annual periods beginning after December 15, 2019, including interim periods within those years. The adoption of ASU 2016-13 effective January 1, 2020 did not have a material impact on our consolidated financial statements and related disclosures because the vast majority of the Company's receivables relate to operating leases which are accounted for under ASC 842, "Leases."

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the presentation used for the six months ended June 30, 2020.

3. Real Estate

Construction In Progress

Construction in progress includes land, preconstruction and development costs of active projects. Preconstruction costs include legal, zoning and permitting costs and other project carrying costs incurred prior to the commencement of construction. Development costs include direct construction costs and indirect costs incurred subsequent to the start of construction such as architectural, engineering, construction management and carrying costs consisting of interest, real estate taxes and insurance. During the six months ended June 30, 2020, assets totaling $253.7 million were placed in service in conjunction with the substantial completion of The Waycroft and Ashbrook Marketplace. Construction in progress as of June 30, 2020 and December 31, 2019, is composed of the following:

(in thousands)	June 30, 2020	December 31, 2019
The Waycroft	$ 32,298	$ 255,443
7316 Wisconsin Avenue	48,442	44,638
Ashbrook Marketplace	8,669	19,128
Other	11,950	16,435
Total	$ 101,359	$ 335,644

Deferred Leasing Costs

Deferred leasing costs consist of commissions paid to third-party and internal leasing agents, internal costs such as payroll-related fringe benefits which are direct and incremental to successful commercial leases, amounts attributed to in-place leases associated with acquired properties and lease inducement costs. Effective with the adoption of ASU 2016-02 on January 1, 2019, all costs incurred prior to the execution of a lease are charged to expense and not capitalized. Unamortized deferred leasing costs are charged to expense if the applicable lease is terminated prior to expiration of the initial lease term. Deferred leasing costs are amortized over the term of the lease or remaining term of acquired leases. Collectively, deferred leasing costs totaled $27.1 million and $24.1 million, net of accumulated amortization of $43.4 million and $41.6 million, as of June 30, 2020 and December 31, 2019, respectively. Amortization expense, included in depreciation and amortization of deferred leasing costs in the Consolidated Statements of Operations, totaled $2.7 million and $3.2 million for the six months ended June 30, 2020 and 2019, respectively.

Real Estate Investment Properties

Depreciation is calculated using the straight-line method and estimated useful lives of generally between 35 and 50 years for base buildings, or a shorter period if management determines that the building has a shorter useful life, and up to 20 years for certain other improvements that extend the useful lives. Leasehold improvement expenditures are capitalized when certain criteria are met, including when the Company supervises construction and will own the improvements. Tenant improvements are amortized, over the shorter of the lives of the related leases or the useful life of the improvements, using the straight-line method. Depreciation expense in the Consolidated Statements of Operations totaled $21.2 million and $20.0 million for the six months ended June 30, 2020 and 2019, respectively. Repairs and maintenance expense totaled $5.2 million and $6.6 million for the six months ended June 30, 2020 and 2019, respectively, and is included in property operating expenses in the Consolidated Statements of Operations.

As of June 30, 2020, we have not identified any impairment triggering events, including the impact of COVID-19 and corresponding tenant requests for rent relief. Therefore, under applicable GAAP guidance, no impairment charges were recorded.

4. Noncontrolling Interests - Holders of Convertible Limited Partnership Units in the Operating Partnership

As of June 30, 2020, the B. F. Saul Company and certain other affiliated entities, each of which is controlled by B. Francis Saul II and his family members (collectively, the “Saul Organization”) holds a 25.4% limited partnership interest in the Operating Partnership represented by approximately 7.9 million convertible limited partnership units. These units are convertible into shares of Saul Centers’ common stock, at the option of the unit holder, on a one-for-one basis provided that, in accordance with the Company's Articles of Incorporation, the rights may not be exercised at any time that the Saul Organization beneficially owns, directly or indirectly, in the aggregate more than 39.9% of the value of the outstanding common stock and preferred stock of Saul Centers (the “Equity Securities”). As of June 30, 2020, approximately 1.8 million units were convertible into shares of Saul Centers common stock.

The impact of the Saul Organization’s approximately 25.4% limited partnership interest in the Operating Partnership is reflected as Noncontrolling Interests in the accompanying consolidated financial statements. Fully converted partnership units and diluted weighted average common stock outstanding for the three months ended June 30, 2020 and 2019, were approximately 31.2 million and 30.8 million, respectively, and for the six months ended June 30, 2020 and 2019, were approximately 31.2 million and 30.8 million, respectively.

5. Notes Payable, Revolving Credit Facility, Interest and Amortization of Deferred Debt Costs

The principal amount of the Company’s outstanding debt totaled approximately $1.2 billion at June 30, 2020, of which approximately $934.1 million was fixed-rate debt and approximately $249.5 million was variable rate debt outstanding under the credit facility. The carrying value of the properties collateralizing the notes payable totaled approximately $1.1 billion as of June 30, 2020.

At June 30, 2020, the Company had a $400.0 million credit facility comprised of a $325.0 million revolving facility and a $75.0 million term loan. As of June 30, 2020, the applicable spread for borrowings was 140 basis points under the revolving credit facility and 135 basis points under the term loan. Letters of credit may be issued under the revolving credit facility. As of June 30, 2020, based on the value of the Company’s unencumbered properties, approximately $150.3 million was available under the revolving credit facility, $174.5 million was outstanding and approximately $185,000 was committed for letters of credit.

On February 10, 2020, the Company repaid in full the remaining principal balance of $9.2 million of the mortgage loan secured by Boca Valley Plaza, which was scheduled to mature on May 10, 2020.

On March 3, 2020, the Company repaid in full the remaining principal balance of $7.1 million of the mortgage loan secured by Palm Springs Center, which was scheduled to mature on June 1, 2020.

During the six months ended June 30, 2020, the Company borrowed $71.0 million under its revolving credit facility to provide additional liquidity and flexibility as the effects of the COVID-19 pandemic continue to evolve.

Saul Centers and certain consolidated subsidiaries of the Operating Partnership have guaranteed the payment obligations of the Operating Partnership under the credit facility. The Operating Partnership is the guarantor of (a) a portion of the Park Van Ness mortgage (approximately $6.7 million of the $67.3 million outstanding balance at June 30, 2020, which guarantee will be reduced to (i) $3.3 million on October 1, 2020 and (ii) zero on October 1, 2021), (b) a portion of the Broadlands mortgage (approximately $3.9 million of the $30.8 million outstanding balance at June 30, 2020), (c) a portion of the Avenel Business Park mortgage (approximately $6.3 million of the $25.8 million outstanding balance at June 30, 2020) and (d) a portion of The Waycroft mortgage (approximately $23.6 million of the $136.2 million outstanding balance at June 30, 2020). All other notes payable are non-recourse. The guarantee on the Kentlands Square II mortgage loan was released on February 5, 2020.

At December 31, 2019, the principal amount of the Company's outstanding debt totaled approximately $1.1 billion, of which $938.4 million was fixed rate debt and $162.5 million was variable rate debt, including $87.5 million outstanding under an unsecured revolving credit facility. The carrying value of the properties collateralizing the notes payable totaled approximately $1.1 billion as of December 31, 2019.

At June 30, 2020, the scheduled maturities of debt, including scheduled principal amortization, for years ending December 31, were as follows:

(In thousands)	Balloon Payments		Scheduled Principal Amortization	Total
July 1 through December 31, 2020	$ —		$ 14,167	$ 14,167
2021	11,012		28,996	40,008
2022	211,002	(a)	29,609	240,611
2023	84,225		30,021	114,246
2024	66,164		29,326	95,490
2025	20,363		26,291	46,654
Thereafter	532,910		99,518	632,428
Principal amount	$ 925,676		$ 257,928	1,183,604
Unamortized deferred debt costs				9,037
Net				$ 1,174,567

(a) Includes $174.5 million outstanding under the revolving credit facility.

Deferred debt costs consist of fees and costs incurred to obtain long-term financing, construction financing and the credit facility. These fees and costs are being amortized on a straight-line basis over the terms of the respective loans or agreements, which approximates the effective interest method. Deferred debt costs totaled $9.0 million and $9.7 million, net of accumulated amortization of $7.9 million and $7.5 million, at June 30, 2020 and December 31, 2019, respectively, and are reflected as a reduction of the related debt in the Consolidated Balance Sheets.

Interest expense, net and amortization of deferred debt costs for the three and six months ended June 30, 2020 and 2019, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2020	2019	2020	2019
Interest incurred	$ 12,837	$ 12,988	$ 25,856	$ 25,868
Amortization of deferred debt costs	387	375	760	760
Capitalized interest	(1,137)	(2,522)	(4,905)	(4,668)
Interest expense	12,087	10,841	21,711	21,960
Less: Interest income	68	48	98	100
Interest expense, net and amortization of deferred debt costs	$ 12,019	$ 10,793	$ 21,613	$ 21,860

6. Equity

The consolidated statements of operations for the six months ended June 30, 2020 and 2019, reflect noncontrolling interests of $5.4 million and $7.1 million, respectively, representing income attributable to the Saul Organization for each period.

At June 30, 2020, the Company had outstanding 3.0 million depositary shares, each representing 1/100th of a share of 6.125% Series D Cumulative Redeemable Preferred Stock (the "Series D Stock"). The depositary shares may be redeemed at the Company's option, in whole or in part, on or after January 23, 2023, at the $25.00 liquidation preference, plus accrued but unpaid dividends to but not including the redemption date. The depositary shares pay an annual dividend of $1.53125 per share, equivalent to 6.125% of the $25.00 liquidation preference. The Series D Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and is not convertible into any other securities of the Company except in connection with certain changes in control or delisting events. Investors in the depositary shares generally have no voting rights, but will have limited voting rights if the Company fails to pay dividends for six or more quarters (whether or not declared or consecutive) and in certain other events.

At June 30, 2020, the Company had outstanding 4.4 million depositary shares, each representing 1/100th of a share of 6.000% Series E Cumulative Redeemable Preferred Stock (the "Series E Stock"). The depositary shares may be redeemed at the Company's option, in whole or in part, on or after September 17, 2024, at the $25.00 liquidation preference, plus accrued but unpaid dividends to but not including the redemption date. The depositary shares pay an annual dividend of $1.50 per share, equivalent to 6.000% of the $25.00 liquidation preference. The Series E Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and is not convertible into any other securities of the Company except in connection with certain changes in control or delisting events. Investors in the depositary shares generally have no voting rights, but will have limited voting rights if the Company fails to pay dividends for six or more quarters (whether or not declared or consecutive) and in certain other events.

Per Share Data

Per share data for net income (basic and diluted) is computed using weighted average shares of common stock. Convertible limited partnership units and employee stock options are the Company's potentially dilutive securities. For all periods presented, the convertible limited partnership units are non-dilutive. The following table sets forth, for the indicated periods, weighted averages of the number of common shares outstanding, basic and dilutive, the effect of dilutive options and the number of options which are not dilutive because the average price of the Company's common stock was less than the exercise prices. The treasury stock method was used to measure the effect of the dilution.

	Three months ended June 30,		Six months ended June 30,	
(In thousands)	2020	2019	2020	2019
Weighted average common stock outstanding-Basic	23,338	22,939	23,317	22,879
Effect of dilutive options	—	55	2	50
Weighted average common stock outstanding-Diluted	23,338	22,994	23,319	22,929
Non-dilutive options	1,516	698	1,370	568
Years non-dilutive options were issued	2011 through 2020	2016, 2017 and 2019	2014 through 2020	2016, 2017 and 2019

7. Related Party Transactions

The Chairman, Chief Executive Officer and President, the Executive Vice President-Real Estate, the Executive Vice President-Chief Legal and Administrative Officer and the Senior Vice President-Chief Accounting Officer of the Company are also officers of various members of the Saul Organization and their management time is shared with the Saul Organization. Their annual compensation is fixed by the Compensation Committee of the Board of Directors, with the exception of the Senior Vice President-Chief Accounting Officer whose share of annual compensation allocated to the Company is determined by the shared services agreement (described below).

The Company participates in a multiemployer 401K plan with entities in the Saul Organization which covers those full-time employees who meet the requirements as specified in the plan. Company contributions, which are included in general and administrative expense or property operating expenses in the Consolidated Statements of Operations, at the discretionary amount of up to six percent of the employee's cash compensation, subject to certain limits, were $200,900 and $180,100 for the six months ended June 30, 2020 and 2019, respectively. All amounts contributed by employees and the Company are fully vested.

The Company also participates in a multiemployer nonqualified deferred compensation plan with entities in the Saul Organization which covers those full-time employees who meet the requirements as specified in the plan. According to the plan, which can be modified or discontinued at any time, participating employees defer 2% of their compensation in excess of a specified amount. For the six months ended June 30, 2020 and 2019, the Company credited to employee accounts $109,400 and $113,200, respectively, which is the sum of accrued earnings and up to three times the amount deferred by employees and is included in general and administrative expense. All amounts contributed by employees and credited by the Company are fully vested. The cumulative unfunded liability under this plan was $3.3 million and $3.1 million, at June 30, 2020 and December 31, 2019, respectively, and is included in accounts payable, accrued expenses and other liabilities in the Consolidated Balance Sheets.

The Company has entered into a shared services agreement (the “Agreement”) with the Saul Organization that provides for the sharing of certain personnel and ancillary functions such as computer hardware, software, and support services and certain direct and indirect administrative personnel. The method for determining the cost of the shared services is provided for in the Agreement and is based upon head count, estimates of usage or estimates of time incurred, as applicable. The terms of the Agreement and the payments made thereunder are deemed reasonable by management and are reviewed annually by the Audit Committee of the Board of Directors, which consists entirely of independent directors. Billings by the Saul Organization for the Company’s share of these ancillary costs and expenses for the six months ended June 30, 2020 and 2019, which included rental expense for the Company’s headquarters lease, totaled approximately $4.2 million and $4.4 million, net, respectively. The amounts are generally expensed as incurred and are primarily reported as general and administrative expenses in the Consolidated Statements of Operations. As of June 30, 2020 and December 31, 2019, accounts payable, accrued expenses and other liabilities included approximately $740,300 and $918,700, respectively, representing amounts due to the Saul Organization for the Company’s share of these ancillary costs and expenses.

The Company has entered into a shared third-party predevelopment cost agreement (the “Predevelopment Agreement”) with the B. F. Saul Real Estate Investment Trust (the “Trust”). The Predevelopment Agreement relates to the sharing of third-party predevelopment costs incurred in connection with the planning of the future redevelopment of certain adjacent real estate assets in the Twinbrook area of Rockville, Maryland. The costs will be shared on a pro rata basis based on the acreage owned by each entity and neither party is obligated to advance funds to the other.

On November 5, 2019, the Company entered into an agreement (the "Contribution Agreement") to acquire from the Trust, approximately 6.8 acres of land and its leasehold interest in approximately 1.3 acres of contiguous land, together in each case with the improvements located thereon, located at the Twinbrook Metro Station in Rockville, Maryland (the “Contributed Property”). In exchange for the Contributed Property, the Company will issue to the Saul Trust 1,416,071 limited partnership units at an agreed upon value of $56.00 per unit, representing an aggregate value of $79.3 million for the Contributed Property. Deed to the Contributed Property and the units were placed in escrow until certain conditions of the Contribution Agreement are satisfied.

In August 2016, the Company entered into an agreement to acquire from the Trust approximately 13.7 acres of land located at the intersection of Ashburn Village Boulevard and Russell Branch Parkway in Ashburn, Virginia. The transaction closed on May 9, 2018, and the Company issued 176,680 limited partnership units to the Trust. The Company constructed a shopping center, Ashbrook Marketplace, and may be obligated to issue additional limited partnership units to the Trust in the second quarter of 2021. As of June 30, 2020, the Company estimates this obligation to range in value from $3.5 million to $4.0 million, based on projected net operating income of Ashbrook Marketplace for the 12 months ending May 31, 2021.

The Company subleases its corporate headquarters space from a member of the Saul Organization. The lease commenced in March 2002, expires in 2022, and provides for base rent increases of 3% per year, with payment of a pro-rata share of operating expenses over a base year amount. The Agreement requires each party to pay an allocation of total rental payments based on a percentage proportionate to the number of employees employed by each party. The Company’s rent expense for its headquarters location was $407,600 and $386,100 for the six months ended June 30, 2020 and 2019, respectively, and is included in general and administrative expense.

The B. F. Saul Insurance Agency, Inc., a subsidiary of the B. F. Saul Company and a member of the Saul Organization, is a general insurance agency that receives commissions and fees in connection with the Company’s insurance program. Such commissions and fees amounted to $224,400 and $172,800 for the six months ended June 30, 2020 and 2019, respectively.

8. Stock-based Employee Compensation, Stock Option Plans, and Deferred Compensation Plan for Directors

In 2004, the Company established a stock incentive plan (the "Plan"), as amended. Under the Plan, options were granted at an exercise price not less than the market value of the common stock on the date of grant and expire ten years from the date of grant. Officer options vest ratably over four years following the grant and are charged to expense using the straight-line method over the vesting period. Director options vest immediately and are charged to expense as of the date of grant.

The Company uses the fair value method to value and account for employee stock options. The fair value of options granted is determined at the time of each award using the Black-Scholes model, a widely used method for valuing stock-based employee compensation, and the following assumptions: (1) Expected Volatility determined using the most recent trading history of the Company’s common stock (month-end closing prices) corresponding to the average expected term of the options; (2) Average Expected Term of the options is based on prior exercise history, scheduled vesting and the expiration date; (3) Expected Dividend Yield determined by management after considering the Company’s current and historic dividend yield rates, the Company’s yield in relation to other retail REITs and the Company’s market yield at the grant date; and (4) a Risk-free Interest Rate based upon the market yields of US Treasury obligations with maturities corresponding to the average expected term of the options at the grant date. The Company amortizes the value of options granted ratably over the vesting period and includes the amounts as compensation expense in general and administrative expenses.

Pursuant to the Plan, the Compensation Committee established a Deferred Compensation Plan for Directors for the benefit of the Company’s directors and their beneficiaries, which replaced a previous Deferred Compensation and Stock Plan for Directors. Annually, directors are given the ability to make an election to defer all or part of their fees and have the option to have their fees paid in cash, in shares of common stock or in a combination of cash and shares of common stock upon separation from the Board. If a director elects to have their fees paid in stock, fees earned during a calendar quarter are aggregated and divided by the closing market price of the Company’s common stock on the first trading day of the following quarter to determine the number of shares to be credited to the director. During the six months ended June 30, 2020, 4,920 shares were credited to director's deferred fee accounts and 6,837 shares were issued. As of June 30, 2020, the director's deferred fee accounts comprise 112,491 shares.

Effective April 24, 2020, the Company granted 238,000 options to its directors and certain officers. The following table summarizes the assumptions used in the valuation of the 2020 and 2019 option grants. During the six months ended June 30, 2020, stock option expense totaling $700,700 was included in general and administrative expense in the Consolidated Statements of Operations. As of June 30, 2020, the estimated future expense related to unvested stock options was $2.2 million.

	Directors		Officers	
Grant date	May 3, 2019	April 24, 2020	May 3, 2019	April 24, 2020
Exercise price	$ 55.71	$ 50.00	$ 55.71	$ 50.00
Volatility	0.236	0.258	0.206	0.240
Expected life (years)	5.0	5.0	7.0	7.0
Assumed yield	3.75%	3.80%	3.80%	3.85%
Risk-free rate	2.33%	0.36%	2.43%	0.51%

The table below summarizes the option activity for the six months ended June 30, 2020:

	Number of Shares	Weighted Average Exercise Price per share	Aggregate Intrinsic Value
Outstanding at January 1	1,309,614	$ 53.38	$ 2,528,463
Granted	238,000	50.00	—
Exercised	(10,749)	49.19	85,268
Expired/Forfeited	(21,250)	53.96	—
Outstanding at June 30	1,515,615	52.87	—
Exercisable at June 30	978,240	53.03	—

The intrinsic value measures the price difference between the options' exercise price and the closing share price quoted by the New York Stock Exchange as of the date of measurement. The intrinsic value for shares exercised during the period was calculated by using the closing share price on the date of exercise. At June 30, 2020, the final trading day of the second quarter, the closing share price of $32.27 was lower than the exercise price of all outstanding options. The weighted average remaining contractual life of the Company's outstanding and exercisable options is 6.3 years and 4.3 years, respectively.

The Compensation Committee has also approved an annual award of 200 shares of the Company's common stock as additional compensation to each director serving on the Board of Directors as of the date of the annual meeting of stockholders. The issuance of these shares may not be deferred.

9. Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are reasonable estimates of their fair value. The aggregate fair value of the notes payable with fixed-rate payment terms was determined using Level 3 data in a discounted cash flow approach, which is based upon management's estimate of borrowing rates and loan terms currently available to the Company for fixed-rate financing and, assuming long-term interest rates of approximately 3.50% and 3.55%, would be approximately $940.8 million and $957.4 million, respectively, compared to the principal balance of $934.1 million and $938.4 million at June 30, 2020 and December 31, 2019, respectively. A change in any of the significant inputs may lead to a change in the Company's fair value measurement of its debt.

10. Commitments and Contingencies

Neither the Company nor the current portfolio properties are subject to any material litigation, nor, to management's knowledge, is any material litigation currently threatened against the Company, other than routine litigation and administrative proceedings arising in the ordinary course of business. Management believes that these items, individually or in the aggregate, will not have a material adverse impact on the Company or the current portfolio properties.

11. Business Segments

The Company has two reportable business segments: Shopping Centers and Mixed-Use Properties. The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 2). The Company evaluates performance based upon income and cash flows from real estate of the combined properties in each segment. All of our properties within each segment generate similar types of revenues and expenses related to tenant rent, reimbursements and operating expenses. Although services are provided to a range of tenants, the types of services provided to them are similar within each segment. The properties in each portfolio have similar economic characteristics and the nature of the products and services provided to our tenants and the method to distribute such services are consistent throughout the portfolio. Certain reclassifications have been made to prior year information to conform to the 2020 presentation.

(In thousands)	Shopping Centers	Mixed-Use Properties	Corporate and Other	Consolidated Totals
Three months ended June 30, 2020				
Real estate rental operations:				
Revenue	$ 38,329	$ 14,891	$ —	$ 53,220
Expenses	(8,364)	(5,397)	—	(13,761)
Income from real estate	29,965	9,494	—	39,459
Interest expense, net and amortization of deferred debt costs	—	—	(12,019)	(12,019)
Depreciation and amortization of deferred leasing costs	(7,258)	(5,342)	—	(12,600)
General and administrative	—	—	(4,632)	(4,632)
Net income (loss)	$ 22,707	$ 4,152	$ (16,651)	$ 10,208
Capital investment	$ 4,687	$ 12,652	$ —	$ 17,339
Total assets	$ 977,654	$ 642,621	$ 66,361	$ 1,686,636

(In thousands)	Shopping Centers	Mixed-Use Properties	Corporate and Other	Consolidated Totals
Three months ended June 30, 2019				
Real estate rental operations:				
Revenue	$ 42,259	$ 15,882	$ —	$ 58,141
Expenses	(8,552)	(5,382)	—	(13,934)
Income from real estate	33,707	10,500	—	44,207
Interest expense, net and amortization of deferred debt costs	—	—	(10,793)	(10,793)
Depreciation and amortization of deferred leasing costs	(7,375)	(4,149)	—	(11,524)
General and administrative	—	—	(5,140)	(5,140)
Net income (loss)	$ 26,332	$ 6,351	$ (15,933)	$ 16,750
Capital investment	$ 8,967	$ 36,209	$ —	$ 45,176
Total assets	$ 970,028	$ 590,294	$ 8,840	$ 1,569,162
Six Months Ended June 30, 2020				
Real estate rental operations:				
Revenue	$ 79,900	$ 30,263	$ —	$ 110,163
Expenses	(17,286)	(10,664)	—	(27,950)
Income from real estate	62,614	19,599	—	82,213
Interest expense, net and amortization of deferred debt costs	—	—	(21,613)	(21,613)
Depreciation and amortization of deferred leasing costs	(14,644)	(9,237)	—	(23,881)
General and administrative	—	—	(9,682)	(9,682)
Net income (loss)	$ 47,970	$ 10,362	$ (31,295)	$ 27,037
Capital investment	$ 8,889	$ 30,038	$ —	$ 38,927
Total assets	$ 977,654	$ 642,621	$ 66,361	$ 1,686,636
Six Months Ended June 30, 2019				
Real estate rental operations:				
Revenue	$ 85,417	$ 32,474	$ —	$ 117,891
Expenses	(18,240)	(10,843)	—	(29,083)
Income from real estate	67,177	21,631	—	88,808
Interest expense, net and amortization of deferred debt costs	—	—	(21,860)	(21,860)
Depreciation and amortization of deferred leasing costs	(14,657)	(8,510)	—	(23,167)
General and administrative	—	—	(9,954)	(9,954)
Net income (loss)	$ 52,520	$ 13,121	$ (31,814)	$ 33,827
Capital investment	$ 13,580	$ 55,019	$ —	$ 68,599
Total assets	$ 970,028	$ 590,294	$ 8,840	$ 1,569,162

12. Impact of COVID-19

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. As a result, the COVID-19 pandemic is negatively affecting almost every industry directly or indirectly.

The actions taken by federal, state and local governments to mitigate the spread of COVID-19 by ordering closure of nonessential businesses and ordering residents to generally stay at home, and subsequent phased re-openings, have resulted in many of our tenants announcing mandated or temporary closures of their operations and/or requesting adjustments to their lease terms. Experts predict that the COVID-19 pandemic will trigger a period of global economic slowdown or a global recession. COVID-19 could have a material and adverse effect on or cause disruption to our business or financial condition, results from operations, cash flows and the market value and trading price of our securities.

While the Company's grocery stores, pharmacies, banks and home improvement stores generally remain open, restaurants, if open, are operating at limited capacity, with many offering only delivery and curbside pick-up, and most health, beauty supply and services, fitness centers, and other non-essential businesses are in various phases of re-opening depending on location. The Company is generally not charging late fees or delinquent interest on past due rent payments and, in many cases, rent deferral agreements are being negotiated to allow tenants temporary relief where needed. As of August 5, 2020, approximately 80% of the Company's contractual base rent and operating expense and real estate tax recoveries for April, May and June 2020 has been paid. Of the 20% unpaid, rent subject to executed deferral agreements totaled approximately $3.9 million, which represents 8% of total billings and 37% of the total unpaid balance for such period.

The following is a summary of the Company's consolidated total rent collections for the second quarter rent billings, including minimum rent, operating expense recoveries, and real estate tax reimbursements as of August 5, 2020:

2020 Second Quarter

- 80% of 2020 Second Quarter total billings has been paid by our tenants (comprised of 82%, 78% and 79%, for April, May and June 2020, respectively.)
  - 74% of retail
  - 94% of office
  - 100% of residential
  - Additionally, rent deferral agreements comprising approximately 8% of 2020 Second Quarter total billings have been executed (or 37% of the total unpaid balance, including 17% with anchor/national tenants). The executed deferrals typically cover three months of rent and are generally scheduled to be repaid during 2021 and 2022. As a condition to granted rent deferrals, we have sought and received extended lease terms, or waivers of certain adjacent use or common area restrictions.

13. Subsequent Events

The Company has reviewed operating activities for the period subsequent to June 30, 2020, and determined there are no subsequent events required to be disclosed.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section should be read in conjunction with the consolidated financial statements of the Company and the accompanying notes in "Item 1. Financial Statements" of this report and the more detailed information contained in the Company's Form 10-K for the year ended December 31, 2019. Historical results and percentage relationships set forth in Item 1 and this section should not be taken as indicative of future operations of the Company. Capitalized terms used but not otherwise defined in this section have the meanings given to them in Item 1 of this Form 10-Q.

Forward-Looking Statements

Certain statements contained herein constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not guarantees of performance. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "plans," "intends," "estimates," "anticipates," "expects," "believes" or similar expressions in this Form 10-Q. Although management believes that the expectations reflected in such forward-looking statements are based upon present expectations and reasonable assumptions, our actual results could differ materially from those set forth in the forward-looking statements. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, unless required by law. The following are some of the risks and uncertainties, although not all risks and uncertainties, that could cause our actual results to differ materially from those presented in our forward-looking statements:

- challenging domestic and global credit markets and their effect on discretionary spending;
- the ability of our tenants to pay rent;
- our reliance on shopping center "anchor" tenants and other significant tenants;
- our substantial relationships with members of The Saul Organization;
- risks of financing, such as increases in interest rates, restrictions imposed by our debt, our ability to meet existing financial covenants and our ability to consummate planned and additional financings on acceptable terms;
- our development activities;
- our access to additional capital;
- our ability to successfully complete additional acquisitions, developments or redevelopments, or if they are completed, whether such acquisitions, developments or redevelopments perform as expected;
- risks generally incident to the ownership of real property, including adverse changes in economic conditions, changes in the investment climate for real estate, changes in real estate taxes and other operating expenses, adverse changes in governmental rules and fiscal policies, the relative illiquidity of real estate and environmental risks;
- risks related to our status as a REIT for federal income tax purposes, such as the existence of complex regulations relating to our status as a REIT, the effect of future changes to REIT requirements as a result of new legislation and the adverse consequences of the failure to qualify as a REIT; and
- an epidemic or pandemic (such as the outbreak and worldwide spread of COVID-19), and the measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities implement to address it, which may (as with COVID-19) precipitate or exacerbate one or more of the above-mentioned and/or other risks, and significantly disrupt or prevent us from operating our business in the ordinary course for an extended period.

Additional information related to these risks and uncertainties are included in "Risk Factors" (Part I, Item 1A of this Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2019), "Quantitative and Qualitative Disclosures about Market Risk" (Part I, Item 3 of this Form 10-Q and Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2019), and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" (Part I, Item 2 of this Form 10-Q).

Impact of COVID-19

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. As a result, the COVID-19 pandemic is negatively affecting almost every industry directly or indirectly.

The actions taken by federal, state and local governments to mitigate the spread of COVID-19 by ordering closure of nonessential businesses and ordering residents to generally stay at home, and subsequent phased re-openings, have resulted in many of our tenants announcing mandated or temporary closures of their operations and/or requesting adjustments to their lease terms. Experts predict that the COVID-19 pandemic will trigger a period of global economic slowdown or a global recession. COVID-19 could have a material and adverse effect on or cause disruption to our business or financial condition, results from operations, cash flows and the market value and trading price of our securities.

If the effects of COVID-19 result in continued deterioration of economic and market conditions, or if the Company's expected holding period for assets changes, subsequent tests for impairment could result in impairment charges in the future. The Company can provide no assurance that material impairment charges with respect to the Company's investment properties will not occur during the remaining quarters in 2020 or future periods. As of June 30, 2020, we have not identified any impairment triggering events, including the impact of COVID-19 and corresponding tenant requests for rent relief. Therefore, under applicable GAAP guidance, no impairment charges have been recorded. However, we have yet to see the long-term effects of COVID-19 and the extent to which it may impact our tenants in the future. Indications of a tenant's inability to continue as a going concern, changes in our view or strategy relative to a tenant's business or industry as a result of COVID-19, or changes in our long-term hold strategies, could be indicative of an impairment triggering event. Accordingly, the Company will continue to monitor circumstances and events in future periods to determine whether impairment charges are warranted.

While the Company's grocery stores, pharmacies, banks and home improvement stores generally remain open, restaurants, if open, are operating at limited capacity with many offering only delivery and curbside pick-up, and most health, beauty supply and services, fitness centers, and other non-essential businesses are in various phases of re-opening depending on location. As of August 5, 2020, approximately 80% of the Company's contractual base rent and operating expense and real estate tax recoveries for April, May and June 2020 has been paid. Of the 20% unpaid, rent subject to executed deferral agreements totaled approximately $3.9 million, which represents 8% of total billings and 37% of the total unpaid balance for such period. The Company is generally not charging late fees or delinquent interest on these past due payments and, in many cases, additional rent deferral agreements are being negotiated to allow tenants temporary relief where needed. The deferral agreements being negotiated, generally, permit tenants to defer 30 to 90 days of rent, operating expense and real estate tax recovery payments until a later time in their lease term with repayment typically occurring over a 12-month period generally commencing in 2021. We expect that our rent collections will continue to be below our tenants' contractual rent obligations for so long as governmental orders require non-essential businesses to remain at limited capacity or closed and residents to stay at home. We will continue to accrue rental revenue during the deferral period. However, we anticipate that some tenants eventually will not be able to pay amounts due and we will incur losses against our rent receivables. The extent and timing of the recognition of such losses will depend on future developments, which are highly uncertain and cannot be predicted. Rent collections during the second quarter and rent relief requests to-date may not be indicative of collections or requests in any future period.

The following is a summary of the Company's consolidated total rent collections for the second quarter and July rent billings, including minimum rent, operating expense recoveries, and real estate tax reimbursements as of August 5, 2020:

2020 Second Quarter

- 80% of 2020 Second Quarter total billings has been paid by our tenants (comprised of 82%, 78% and 79%, for April, May and June 2020, respectively.)
    - 74% of retail
    - 94% of office
    - 100% of residential
    - Additionally, rent deferral agreements comprising approximately 8% of 2020 Second Quarter total billings have been executed (or 37% of the total unpaid balance, including 17% with anchor/national tenants). The executed deferrals typically cover three months of rent and are generally scheduled to be repaid during 2021 and 2022. As a condition to granted rent deferrals, we have sought and received extended lease terms, or waivers of certain adjacent use or common area restrictions.

July 2020

- 84% of July 2020 total billings has been paid by our tenants.
  - 79% of retail
  - 94% of office
  - 99% of residential

Additionally, rent deferral agreements comprising approximately 2% of July total billings have been executed (or 10% of the total unpaid balance, including 6% with anchor/national tenants). These deferrals are structured similarly to the second quarter deferrals.

The Company strongly encouraged small business tenants to apply for Paycheck Protection Program loans, as available, under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The Company has information that many tenants applied for these loans and several tenants have communicated that loan proceeds are being received and have subsequently remitted rental payments.

As of July 31, 2020, the Company had $53.4 million of cash and cash equivalents and borrowing availability of approximately $200.3 million under its unsecured revolving credit facility.

The extent of the effects of COVID-19 on the Company’s business, results of operations, cash flows, and growth prospects is highly uncertain and will ultimately depend on future developments, none of which can be predicted with any certainty. See Item 1A. Risk Factors. However, we believe the actions we have taken and are continuing to take will help minimize interruptions to operations and will put the Company in the best position to participate in the recovery when the time comes. Management and the Board of Directors will continue to actively monitor the effects of the pandemic, including governmental directives in the jurisdictions in which we operate and the recommendations of public health authorities, and will, as needed, take further measures to adapt the Company’s business in the best interests of our stockholders and personnel. The extent to which COVID-19 impacts our operations and those of our tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the outbreak, the actions taken to contain the outbreak or mitigate its impact, and the direct and indirect economic effects of the outbreak and containment measures, among others.

The Company was able to transition all but a limited number of essential employees to remote work and does not anticipate any adverse impact on its ability to continue to operate its business. Transitioning to a largely remote workforce has not had any material adverse impact on the Company’s financial reporting systems, internal controls over financial reporting or disclosure controls and procedures. Currently, we have a limited number of employees coming into offices as needed. We have also made temporary changes to lower overhead expenses including salary reductions, a corporate hiring freeze, reduction of the company retirement plan match percentage, elimination of business travel and discretionary spending such as professional seminars.

General

The following discussion is based primarily on the consolidated financial statements of the Company as of and for the three and six months ended June 30, 2020.

Overview

The Company’s primary strategy is to continue to focus on diversification of its assets through development of transit-centric, residential mixed-use projects in the Washington, D.C. metropolitan area. The Company’s operating strategy also includes improvement of the operating performance and internal growth of its Shopping Centers and supplementing its development of residential mixed-used projects with selective redevelopment and renovations of its core Shopping Centers. The residential component of The Waycroft, a project with 491 apartment units and 60,000 square feet of retail space, on North Glebe Road, within two blocks of the Ballston Metro Station, in Arlington, Virginia was placed into service in April 2020. The Company also has a development pipeline of zoned sites, either in its portfolio (some of which are currently shopping center operating properties) or under contract, for development of up to 3,700 apartment units and 975,000 square feet of retail and office space. All such sites are located adjacent to red line Metro stations in Montgomery County, Maryland.

The Company intends to selectively add free-standing pad site buildings within its Shopping Center portfolio, and replace underperforming tenants with tenants that generate strong traffic, generally anchor stores such as supermarkets, drug stores and fitness centers, as evidenced by the March 2020 addition of a 69,000 square foot Giant Food at Seven Corners and the June

2020 addition of a 36,000 square foot LA Fitness at Broadlands Village and the coming addition of a 54,000 square foot 99 Ranch grocery store at Shops at Fairfax. The Company currently has signed leases or leases under negotiation for 12 pad sites within its core portfolio. The pad sites are expected to be completed and operational by late 2021.

In recent years, there has been a limited amount of quality properties for sale and pricing of those properties has escalated. Accordingly, management believes acquisition opportunities for investment in existing and new shopping center and mixed-use properties in the near future is uncertain. Nevertheless, because of the Company’s conservative capital structure, including its cash and capacity under its revolving credit facility, management believes that the Company is positioned to take advantage of additional investment opportunities as attractive properties are identified and market conditions improve. (See “Item 1. Business - Capital Policies”.) It is management’s view that several of the sub-markets in which the Company operates have, or are expected to have in the future, attractive supply/demand characteristics. The Company will continue to evaluate acquisition, development and redevelopment as integral parts of its overall business plan.

Prior to the COVID-19 pandemic, economic conditions within the local Washington, DC metropolitan area had remained relatively stable. Issues facing the Federal government relating to taxation, spending and interest rate policy will likely continue to impact the office, retail and residential real estate markets over the coming years. Because the majority of the Company’s property operating income is produced by our Shopping Centers, we continually monitor the implications of government policy changes, as well as shifts in consumer demand between on-line and in-store shopping, on future shopping center construction and retailer store expansion plans. Based on our observations, we continue to adapt our marketing and merchandising strategies in ways to maximize our future performance. The Company's commercial leasing percentage, on a same property basis, which excludes the impact of properties not in operation for the entirety of the comparable periods, decreased to 94.7% at June 30, 2020, from 95.2% at June 30, 2019. We expect the volume of lease renewals in 2020, and the rental rates at which leases renew, will be negatively impacted by the effects of COVID-19 when comparing executed retail leases to prior year leasing activity.

The Company maintains a ratio of total debt to total asset value of under 50%, which allows the Company to obtain additional secured borrowings if necessary. As of June 30, 2020, amortizing fixed-rate mortgage debt with staggered maturities from 2021 to 2035 represented approximately 78.9% of the Company’s notes payable, thus minimizing refinancing risk. The Company’s variable-rate debt consists of $249.5 million outstanding under the credit facility. As of June 30, 2020, the Company has loan availability of approximately $150.3 million under its $325.0 million unsecured revolving credit facility.

Although it is management’s present intention to concentrate future acquisition and development activities on transit-centric, primarily residential mixed-use properties in the Washington, D.C./Baltimore metropolitan area, the Company may, in the future, also acquire other types of real estate in other areas of the country as opportunities present themselves. The Company plans to continue to diversify in terms of property types, locations, size and market, and it does not set any limit on the amount or percentage of assets that may be invested in any one property or any one geographic area.

The following table sets forth average annualized base rent per square foot and average annualized effective rent per square foot for the Company's Commercial properties (all properties except for The Waycroft, Clarendon Center and Park Van Ness apartments). For purposes of this table, annualized effective rent is annualized base rent minus amortized tenant improvements and amortized leasing commissions. The $0.60 per square foot decrease in base rent in the 2020 Period compared to the 2019 Period is primarily attributable to a 77,888 square foot increase in commercial space relating to completed developments projects. The space is fully leased, but rent has not yet commenced.

	Six months ended June 30,				
	2020	2019	2018	2017	2016
Base rent	$ 19.58	$ 20.18	$ 20.27	$ 19.19	$ 18.68
Effective rent	$ 17.88	$ 18.28	$ 18.35	$ 17.37	$ 16.87

Recent Developments

From 2014 through 2016, in separate transactions, the Company purchased four adjacent properties on North Glebe Road in Arlington, Virginia, for an aggregate $54.0 million. The Company has substantially completed construction of The Waycroft, a project with 491 apartment units and 60,000 square feet of retail space on 2.8 acres of land, and apartment occupancy commenced in April 2020. The total cost of the project, including acquisition of land, is expected to be approximately $275.0 million, plus approximately $19.0 million of capitalized interest. A portion of the cost is being financed with a $157.0 million construction-to-permanent loan. Including approximately $18.9 million of capitalized interest and costs of $3.7 million which are accrued and unpaid, costs incurred through June 30, 2020 total approximately $273.2 million, of which $136.2 million has been financed by the loan. Leases have been executed for a 41,500 square foot Target and 12,600 square feet of retail shop space, resulting in approximately 90% of the planned retail space being leased. Target is scheduled to begin operating in August 2020. An additional 5,900 square feet of retail space is expected to be operational during the second half of 2020. Applications have been received for 217 residential leases, totaling approximately 44.2% of the available units, with 189 units occupied as of August 5, 2020.

Albertson's/Safeway is currently a tenant at seven of the Company's shopping centers, two locations of which are subleased to other grocers. In February 2017, the Company terminated the lease with Albertson's/Safeway at Broadlands Village. The Company executed a lease with Aldi Food Market for 20,000 square feet of this space, which opened in November 2017, and has executed a lease with LA Fitness for substantially all of the remaining space. LA Fitness opened for business on June 16, 2020.

In the fourth quarter of 2018, the Company substantially completed construction of the shell of a 16,000 square foot small shop expansion at Burtonsville Town Square and construction of interior improvements for the final two tenants are underway. Delivery of the first leased tenant spaces occurred in late 2018, and tenant openings began in the first quarter of 2019. The total development cost was $5.7 million. Leases have been executed for all of the space. In addition, a lease has been executed with Taco Bell, which commenced construction in January 2020 of a free-standing building on a pad site within the property and is expected to commence operations during the third quarter of 2020.

In May 2018, the Company acquired from the Saul Trust, in exchange for 176,680 limited partnership units, approximately 13.7 acres of land located at the intersection of Ashburn Village Boulevard and Russell Branch Parkway in Ashburn, Virginia. The Company has substantially completed construction of Ashbrook Marketplace, an approximately 86,000 square foot neighborhood shopping center. A 29,000 square foot Lidl grocery store opened in November 2019, and the shopping center is 100% leased. The first small shop opened for business in April 2020, and the remaining tenants are scheduled to open throughout 2020, subject to the removal of COVID-19 occupancy restrictions. All four pad sites have been leased and are in various stages of construction or obtaining permit approvals. The Company may be obligated to issue additional limited partnership units to the Saul Trust in the second quarter of 2021. As of June 30, 2020, the Company estimates this obligation to range in value from $3.5 million to $4.0 million, based on projected net operating income of Ashbrook Marketplace for the 12 months ending May 31, 2021.

In September 2018, the Company purchased for $35.5 million, plus $0.7 million of acquisition costs, an office building and the underlying ground located at 7316 Wisconsin Avenue in Bethesda, Maryland. In December 2018, the Company purchased for $4.5 million, including acquisition costs, an interest in an adjacent parcel of land and retail building. The purchase price was funded through the Company's revolving credit facility. The Company has completed development plans for the combined property for the development of up to 366 apartment units and 10,300 square feet of retail space. In July 2019, the Montgomery County Planning Commission unanimously approved the Company's site plan. Design and construction documents are being prepared and a site plan amendment has been submitted incorporating final design parameters. Additional approvals from the Washington Metropolitan Area Transit Authority and the Maryland Transit Administration are in process and are expected to be received by the fourth quarter of 2020. Effective September 1, 2019, the asset was removed from service and transferred to construction in progress. The Company is currently performing interior demolition in preparation for future development. The timing of construction will depend on issuance of final building permits and market conditions.

On November 5, 2019, the Company entered into an agreement (the "Contribution Agreement") to acquire from the Saul Trust, approximately 6.8 acres of land and its leasehold interest in approximately 1.3 acres of contiguous land, together in each case with the improvements located thereon, located at the Twinbrook Metro Station in Rockville, Maryland (the “Contributed Property”). In exchange for the Contributed Property, the Company will issue to the Saul Trust 1,416,071 limited partnership units at an agreed upon value of $56.00 per unit, representing an aggregate value of $79.3 million for the Contributed Property. Deed to the Contributed Property and the units were placed in escrow until certain conditions of the Contribution Agreement are satisfied.

The Company, as contract purchaser, has filed with the City of Rockville a site plan for Phase I of the Twinbrook Quarter development and is conducting community meetings and a hearing before the planning commission is scheduled for the third quarter of 2020. The plan includes an 80,000 square foot Wegmans grocery store, 29,000 square feet of retail shop space, 460 residential units and 237,000 square feet of office space. The phasing of these improvements and the timing of construction will depend on removal of contingencies, final site plan approval, building permit approval and market conditions. The total development potential of this 8.1 acre site, when combined with the Company’s adjacent 10.3 acre site, totals 1,865 residential units, 473,000 square feet of retail space, and 431,000 square feet of office space.

Critical Accounting Policies

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which requires management to make certain estimates and assumptions that affect the reporting of financial position and results of operations. If judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied resulting in a different presentation of the financial statements. The Company has identified the following policies that, due to estimates and assumptions inherent in these policies, involve a relatively high degree of judgment and complexity.

Real Estate Investments

Real estate investment properties are stated at historic cost less depreciation. Although the Company intends to own its real estate investment properties over a long term, from time to time it will evaluate its market position, market conditions, and other factors and may elect to sell properties that do not conform to the Company's investment profile. Management believes that the Company's real estate assets have generally appreciated in value since their acquisition or development and, accordingly, the aggregate current value exceeds their aggregate net book value and also exceeds the value of the Company's liabilities as reported in the financial statements. Because the financial statements are prepared in conformity with GAAP, they do not report the current value of the Company's real estate investment properties.

If there is an event or change in circumstance that indicates a potential impairment in the value of a real estate investment property, the Company prepares an analysis to determine whether the carrying value of the real estate investment property exceeds its estimated fair value. The Company considers both quantitative and qualitative factors including recurring operating losses, significant decreases in occupancy, and significant adverse changes in legal factors and business climate. If impairment indicators are present, the projected cash flows of the property over its remaining useful life, on an undiscounted basis, are compared to the carrying value of that property. The Company assesses its undiscounted projected cash flows based upon estimated capitalization rates, historic operating results and market conditions that may affect the property. If the carrying value is greater than the undiscounted projected cash flows, an impairment loss is recognized equivalent to an amount required to adjust the carrying amount to its then estimated fair value. The fair value of any property is sensitive to the actual results of any of the aforementioned estimated factors, either individually or taken as a whole. Should the actual results differ from management's projections, the valuation could be negatively or positively affected.

Legal Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business, which are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, the Company believes the final outcome of current matters will not have a material adverse effect on its financial position or the results of operations. Upon determination that a loss is probable to occur, the estimated amount of the loss is recorded in the financial statements. Both the amount of the loss and the point at which its occurrence is considered probable can be difficult to determine.

Results of Operations

Three months ended June 30, 2020 (the "2020 Quarter") compared to the three months ended June 30, 2019 (the "2019 Quarter")

Revenue

	Three months ended June 30,		2019 to 2020 Change	
(Dollars in thousands)	2020	2019	Amount	Percent
Base rent	$ 45,504	$ 46,874	$ (1,370)	(2.9)%
Expense recoveries	8,186	8,677	(491)	(5.7)%
Percentage rent	145	330	(185)	(56.1)%
Other property revenue	338	390	(52)	(13.3)%
Credit losses on operating lease receivables	(2,171)	(318)	(1,853)	582.7 %
Rental revenue	52,002	55,953	(3,951)	(7.1)%
Other revenue	1,218	2,188	(970)	(44.3)%
Total revenue	$ 53,220	$ 58,141	$ (4,921)	(8.5)%

Base rent includes $(557,000) and $4,300 for the 2020 Quarter and 2019 Quarter, respectively, to recognize base rent on a straight-line basis. In addition, base rent includes $349,700 and $367,500, for the 2020 Quarter and 2019 Quarter, respectively, to recognize income from the amortization of in-place leases acquired in connection with purchased real estate investment properties.

Total revenue decreased 8.5% in the 2020 Quarter compared to the 2019 Quarter, as described below.

Base Rent. The $1.4 million decrease in base rent in the 2020 Quarter compared to the 2019 Quarter is primarily attributable to lower straight-line rental income across the Shopping Center portfolio ($1.2 million).

Expense Recoveries. Expense recoveries decreased 5.7% in the 2020 Quarter compared to the 2019 Quarter primarily due to a decrease in recoverable property operating expenses.

Credit Losses on Operating Lease Receivables. Credit losses on operating lease receivables for the 2020 Quarter increased $1.9 million from the 2019 Quarter. The increase is primarily due to increased reserves across the Shopping Center portfolio as a result of the impact of COVID-19 on tenant operations.

Other Revenue. Other revenue decreased $1.0 million primarily due to lower parking income ($0.5 million) and lower lease termination fees ($0.4 million).

Expenses

	Three months ended June 30,		2019 to 2020 Change	
(Dollars in thousands)	2020	2019	Amount	Percent
Property operating expenses	$ 6,410	$ 7,115	$ (705)	(9.9)%
Real estate taxes	7,351	6,819	532	7.8 %
Interest expense, net and amortization of deferred debt costs	12,019	10,793	1,226	11.4 %
Depreciation and amortization of deferred leasing costs	12,600	11,524	1,076	9.3 %
General and administrative	4,632	5,140	(508)	(9.9)%
Total expenses	$ 43,012	$ 41,391	$ 1,621	3.9 %

Total expenses increased 3.9% in the 2020 Quarter compared to the 2019 Quarter, as described below. The Waycroft mixed-use development opened in April 2020 and, concurrent with the opening, interest, real estate taxes and all other costs associated with the residential portion of the property, including depreciation, began to be charged to expense, while revenue continues to grow as occupancy increases (collectively, $4.9 million).

Property Operating Expenses. Property operating expenses decreased 9.9% in the 2020 Quarter primarily due to the deferral of non-essential property expenses in response to the impact of COVID-19. The Company continues to complete emergency repairs and handle life and safety issues as needed.

Real Estate Taxes. Real estate taxes increased 7.8% in the 2020 Quarter primarily due to the substantial completion of The Waycroft ($0.3 million) and cessation of capitalization of those taxes.

Interest Expense, net and Amortization of Deferred Debt Costs. Interest expense, net and amortization of deferred debt costs increased 11.4% in the 2020 Quarter primarily due to the opening of The Waycroft in April 2020 ($2.6 million), partially offset by an increase in capitalized interest related to 7316 Wisconsin Avenue ($0.6 million).

Depreciation and Amortization of Deferred Leasing Costs. Depreciation and amortization increased 9.3% in the 2020 Quarter primarily due to The Waycroft being placed in service, as noted above ($1.5 million).

General and Administrative. General and administrative expenses decreased 9.9% in the 2020 Quarter primarily due to reduced overhead expenses including salary reductions, a corporate hiring freeze, elimination of business travel and discretionary spending such as professional seminars.

Six months ended June 30, 2020 (the "2020 Period") compared to the six months ended June 30, 2019 (the "2019 Period")

Revenue

	Six Months Ended June 30,		2019 to 2020 Change	
(Dollars in thousands)	2020	2019	Amount	Percent
Base rent	$ 91,852	$ 93,485	$ (1,633)	(1.7)%
Expense recoveries	16,802	18,489	(1,687)	(9.1)%
Percentage rent	435	613	(178)	(29.0)%
Other property revenue	629	725	(96)	(13.2)%
Credit losses on operating lease receivables	(2,300)	(556)	(1,744)	313.7 %
Rental revenue	107,418	112,756	(5,338)	(4.7)%
Other revenue	2,745	5,135	(2,390)	(46.5)%
Total revenue	$ 110,163	$ 117,891	$ (7,728)	(6.6)%

Base rent includes $(200,600) and $(211,600) for the 2020 Period and the 2019 Period, respectively, to recognize base rent on a straight-line basis. In addition, base rent includes $702,600 and $727,600 for the 2020 Period and the 2019 Period, respectively, to recognize income from the amortization of in-place leases acquired in connection with purchased real estate investment properties.

Total revenue decreased 6.6% in the 2020 Period compared to the 2019 Period, as described below.

Base Rent. The $1.6 million decrease in base rent in the 2020 Period compared to 2019 Period is primarily attributable to (a) lower straight-line rental income across the Shopping Center portfolio ($1.0 million) and (b) lower base rent, primarily due to the lease expiration and re-leasing of the grocery anchors at Seven Corners, which opened in March 2020, and at Shops at Fairfax, projected to open in the third quarter of 2020 (collectively, $0.5 million).

Expense Recoveries. Expense recoveries decreased 9.1% in the 2020 Period primarily due to a decrease in recoverable property operating expenses, largely repairs and maintenance and snow removal.

Credit Losses on Operating Lease Receivables. Credit losses on operating lease receivables for the 2020 Period represents 2.09% of the Company’s revenue, an increase from 0.47% for the 2019 Period. The increase is primarily due to increased reserves across the Shopping Center portfolio as a result of the impact of COVID-19 on tenant operations.

Other Revenue. Other revenue decreased $2.4 million primarily due to lower lease termination fees ($1.7 million) and lower parking income ($0.7 million).

Expenses

(Dollars in thousands)	Six Months Ended June 30, 2020	2019	2019 to 2020 Change Amount	Percent
Property operating expenses	$ 13,446	$ 15,116	$ (1,670)	(11.0)%
Real estate taxes	14,504	13,967	537	3.8 %
Interest expense, net and amortization of deferred debt costs	21,613	21,860	(247)	(1.1)%
Depreciation and amortization of deferred leasing costs	23,881	23,167	714	3.1 %
General and administrative	9,682	9,954	(272)	(2.7)%
Total expenses	$ 83,126	$ 84,064	$ (938)	(1.1)%

Total expenses decreased 1.1% in the 2020 Period compared to the 2019 Period, as described below. The Waycroft mixed-use development opened in April 2020 and, concurrent with the opening, interest, real estate taxes and all other costs associated with the residential portion of the property, including depreciation, began to be charged to expense, while revenue continues to grow as occupancy increases (collectively, $4.9 million).

Property Operating Expenses. Property operating expenses decreased 11.0% in the 2020 Period primarily due to the deferral of non-essential property expenses in response to the impact of COVID-19. The Company continues to complete emergency repairs and handle life and safety issues as needed.

Real Estate Taxes. Real estate taxes increased 3.8% in the 2020 Period primarily due to the substantial completion of The Waycroft ($0.3 million) and cessation of capitalization of those taxes.

Depreciation and Amortization of Deferred Leasing Costs. The increase in depreciation and amortization to $23.9 million in the 2020 Period from $23.2 million in the 2019 Period was primarily due to The Waycroft being placed in service ($1.5 million), partially offset by 7316 Wisconsin Avenue, which was taken out of service in the third quarter of 2019 ($0.5 million).

General and Administrative. General and administrative expenses decreased 2.7% primarily due to reduced overhead expenses including salary reductions, a corporate hiring freeze, elimination of business travel and discretionary spending such as professional seminars.

Same property revenue and same property operating income

Same property revenue and same property operating income are non-GAAP financial measures of performance and improve the comparability of these measures by excluding the results of properties which were not in operation for the entirety of the comparable reporting periods.

We define same property revenue as total revenue minus the revenue of properties not in operation for the entirety of the comparable reporting periods, and we define same property operating income as net income plus (a) interest expense, net and amortization of deferred debt costs, (b) depreciation and amortization of deferred leasing costs, (c) general and administrative expenses, and (d) change in fair value of derivatives, minus (e) gains on property dispositions and (f) the operating income of properties which were not in operation for the entirety of the comparable periods.

Other REITs may use different methodologies for calculating same property revenue and same property operating income. Accordingly, our same property revenue and same property operating income may not be comparable to those of other REITs.

Same property revenue and same property operating income are used by management to evaluate and compare the operating performance of our properties, and to determine trends in earnings, because these measures are not affected by the cost of our funding, the impact of depreciation and amortization expenses, gains or losses from the acquisition and sale of operating real estate assets, general and administrative expenses or other gains and losses that relate to ownership of our properties. We believe the exclusion of these items from property revenue and property operating income is useful because the resulting measures capture the actual revenue generated and actual expenses incurred by operating our properties.

Same property revenue and same property operating income are measures of the operating performance of our properties but do not measure our performance as a whole. Such measures are therefore not substitutes for total revenue, net income or operating income as computed in accordance with GAAP.

The tables below provide reconciliations of total property revenue and property operating income under GAAP to same property revenue and operating income for the indicated periods. The same property results for the three and six months ended June 30, 2020 and 2019 include 49 Shopping Centers and six Mixed-Use properties.

Same property revenue

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Total revenue	$ 53,220	$ 58,141	$ 110,163	$ 117,891
Less: Acquisitions, dispositions and development properties	(570)	(194)	(700)	(1,083)
Total same property revenue	$ 52,650	$ 57,947	$ 109,463	$ 116,808
Shopping Centers	$ 38,058	$ 42,259	$ 79,499	$ 85,417
Mixed-Use properties	14,592	15,688	29,964	31,391
Total same property revenue	$ 52,650	$ 57,947	$ 109,463	$ 116,808
Total Shopping Center revenue	$ 38,329	$ 42,259	$ 79,900	$ 85,417
Less: Shopping Center acquisitions, dispositions and development properties	(271)	—	(401)	—
Total same Shopping Center revenue	$ 38,058	$ 42,259	$ 79,499	$ 85,417
Total Mixed-Use property revenue	$ 14,891	$ 15,882	$ 30,263	$ 32,474
Less: Mixed-Use acquisitions, dispositions and development properties	(299)	(194)	(299)	(1,083)
Total same Mixed-Use revenue	$ 14,592	$ 15,688	$ 29,964	$ 31,391

The $5.3 million decrease in same property revenue for the 2020 Quarter compared to the 2019 Quarter, was primarily due to (a) higher credit losses on operating lease receivables and corresponding reserves (collectively, $2.8 million), (b) lower expense recoveries due to decreased recoverable expenses ($0.5 million), (c) lower parking income ($0.5 million), (d) lower lease termination fees ($0.4 million), (e) lower base rent, primarily due to the lease expiration and re-leasing of the grocery anchor at Shops at Fairfax, which is projected to open in the third quarter of 2020 ($0.3 million) and (f) lower percentage rent ($0.2 million).

The $7.3 million decrease in same property revenue for the 2020 Period, compared to the 2019 Period, was primarily due to (a) higher credit losses on operating lease receivables and corresponding reserves (collectively, $2.7 million), (b) lower expense recoveries due to decreased recoverable expenses ($1.7 million), (c) lower lease termination fees ($1.1 million), (d) lower parking income ($0.6 million), (e) lower base rent, primarily due to the lease expiration and re-leasing of the grocery anchors at Seven Corners, which opened in March 2020, and at Shops at Fairfax, which is projected to open in the third quarter of 2020 (collectively, $0.5 million) and (f) lower percentage rent ($0.2 million).

Same property operating income

(In thousands)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Net income	$ 10,208	$ 16,750	$ 27,037	$ 33,827
Add: Interest expense, net and amortization of deferred debt costs	12,019	10,793	21,613	21,860
Add: Depreciation and amortization of deferred leasing costs	12,600	11,524	23,881	23,167
Add: General and administrative	4,632	5,140	9,682	9,954
Property operating income	39,459	44,207	82,213	88,808
Add (Less): Acquisitions, dispositions and development properties	363	12	258	(617)
Total same property operating income	$ 39,822	$ 44,219	$ 82,471	$ 88,191
Shopping Centers	$ 29,762	$ 33,707	$ 62,306	$ 67,177
Mixed-Use properties	10,060	10,512	20,165	21,014
Total same property operating income	$ 39,822	$ 44,219	$ 82,471	$ 88,191
Shopping Center operating income	$ 29,965	$ 33,707	$ 62,614	$ 67,177
Less: Shopping Center acquisitions, dispositions and development properties	(203)	—	(308)	—
Total same Shopping Center operating income	$ 29,762	$ 33,707	$ 62,306	$ 67,177
Mixed-Use property operating income	$ 9,494	$ 10,500	$ 19,599	$ 21,631
Add (Less): Mixed-Use acquisitions, dispositions and development properties	566	12	566	(617)
Total same Mixed-Use property operating income	$ 10,060	$ 10,512	$ 20,165	$ 21,014

The $4.4 million decrease in same property operating income in the 2020 Quarter compared to the 2019 Quarter was primarily due to (a) higher credit losses on operating lease receivables and corresponding reserves (collectively, $2.8 million), (b) lower lease termination fees ($0.4 million), (c) lower expense recoveries, net of recoverable expenses ($0.4 million), (d) lower parking income, net of parking expenses ($0.3 million), (e) lower base rent, primarily due to the lease expiration and re-leasing of the grocery anchor at Shops at Fairfax, which is projected to open in the third quarter of 2020 ($0.3 million) and (f) lower percentage rent ($0.2 million).

The $5.7 million decrease in same property operating income in the 2020 Period compared to the 2019 Period was primarily due to (a) higher credit losses on operating lease receivables and corresponding reserves (collectively, $2.7 million), (b) lower lease termination fees ($1.1 million), (c) lower base rent, primarily due to the lease expiration and re-leasing of the grocery anchors at Seven Corners, which opened in March 2020, and at Shops at Fairfax, which is projected to open in the third quarter of 2020 (collectively, $0.5 million), (d) lower parking income, net of parking expenses ($0.4 million) and (e) lower percentage rent ($0.2 million).

Liquidity and Capital Resources

Cash and cash equivalents totaled $66.5 million and $9.3 million at June 30, 2020 and 2019, respectively. The Company's cash flow is affected by its operating, investing and financing activities, as described below.

(In thousands)	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Net cash provided by operating activities	$ 41,749	$ 63,832
Net cash used in investing activities	(38,927)	(68,599)
Net cash provided by (used in) financing activities	49,730	(549)
Increase (decrease) in cash and cash equivalents	$ 52,552	$ (5,316)

Operating Activities

Net cash provided by operating activities represents cash received primarily from rental revenue, plus other revenue, less property operating expenses, leasing costs, normal recurring general and administrative expenses and interest payments on debt outstanding. We currently expect a short term decrease in cash provided by operating activities because our tenants are impacted by the COVID-19 pandemic and, while contractually obligated, some have not paid April, May or June 2020 rent (see "Impact of COVID-19").

Investing Activities

Net cash used in investing activities includes property acquisitions, developments, redevelopments, tenant improvements and other property capital expenditures. The $29.7 million decrease in cash used in investing activities is primarily due to (a) lower development expenditures ($32.6 million) partially offset by (b) increased additions to real estate investments throughout the portfolio ($2.9 million).

Financing Activities

Net cash provided by (or used in) financing activities represents (a) cash received from loan proceeds and issuance of common stock, preferred stock and limited partnership units minus (b) cash used to repay and curtail loans, redeem preferred stock and pay dividends and distributions to holders of common stock, preferred stock and limited partnership units. See note 5 to the consolidated financial statements for a discussion of financing activity.

Liquidity Requirements

Short-term liquidity requirements consist primarily of normal recurring operating expenses and capital expenditures, debt service requirements (including debt service relating to additional and replacement debt), distributions to common and preferred stockholders, distributions to unit holders and amounts required for expansion and renovation of the Current Portfolio Properties and selective acquisition and development of additional properties. In order to qualify as a REIT for federal income tax purposes, the Company must distribute to its stockholders at least 90% of its “real estate investment trust taxable income,” as defined in the Code. The Company expects to meet these short-term liquidity requirements (other than amounts required for additional property acquisitions and developments) through cash provided from operations, available cash and its existing line of credit.

Long-term liquidity requirements consist primarily of obligations under our long-term debt and dividends paid to our preferred shareholders. We anticipate that long-term liquidity requirements will also include amounts required for property acquisitions and developments. The Company has substantially completed construction of a primarily residential project with street-level retail at 750 N. Glebe Road in Arlington, Virginia. The total cost of the project, including acquisition of land, is expected to be approximately $275.0 million. The Company had incurred costs totaling $273.2 million as of June 30, 2020. The remaining cost will be funded by a $157.0 million construction-to-permanent loan, which closed in 2017. The Company may also redevelop certain of the Current Portfolio Properties and may develop additional freestanding outparcels or expansions within certain of the Shopping Centers.

Acquisition and development of properties are undertaken only after careful analysis and review, and management’s determination that such properties are expected to provide long-term earnings and cash flow growth. During the coming year, developments, expansions or acquisitions (if any) are expected to be funded with available cash, bank borrowings from the Company’s credit line, construction and permanent financing, proceeds from the operation of the Company’s dividend reinvestment plan or other external debt or equity capital resources available to the Company. Any future borrowings may be at the Saul Centers, Operating Partnership or Subsidiary Partnership level, and securities offerings may include (subject to certain limitations) the issuance of additional limited partnership interests in the Operating Partnership which can be converted into shares of Saul Centers common stock. The availability and terms of any such financing will depend upon market and other conditions.

Management believes that the Company’s capital resources, which at June 30, 2020 included cash balances of approximately $66.5 million and borrowing availability of approximately $150.3 million on its unsecured revolving credit facility, will be sufficient to meet its liquidity needs for the foreseeable future. With cash balances of over $53.4 million and borrowing capacity of approximately $200.3 million on July 31, 2020, the Company believes that it has sufficient liquidity and flexibility to meet the needs of the Company's operations as the effects of the COVID-19 pandemic continue to evolve.

Dividend Reinvestments

The Company has a DRIP that allows its common stockholders and holders of limited partnership interests an opportunity to buy additional shares of common stock by reinvesting all or a portion of their dividends or distributions. The DRIP provides for investing in newly issued shares of common stock at a 3% discount from market price without payment of any brokerage commissions, service charges or other expenses. All expenses of the DRIP are paid by the Company. The Company issued 93,590 and 217,882 shares under the DRIP at a weighted average discounted price of $46.70 and $51.33 per share, during the six months ended June 30, 2020 and 2019, respectively. The Company issued 15,101 and 33,783 limited partnership units under the DRIP at a weighted average price of $49.40 and $52.06 per unit during the six months ended June 30, 2020 and 2019, respectively. The Company also credited 3,015 and 2,269 shares to directors pursuant to the reinvestment of dividends specified by the Directors' Deferred Compensation Plan at a weighted average discounted price of $38.71 and $51.33 per share, during the six months ended June 30, 2020 and 2019, respectively.

Capital Strategy and Financing Activity

As a general policy, the Company intends to maintain a ratio of its total debt to total asset value of 50% or less and to actively manage the Company's leverage and debt expense on an ongoing basis in order to maintain prudent coverage of fixed charges. Asset value is the aggregate fair market value of the Current Portfolio Properties and any subsequently acquired properties as reasonably determined by management by reference to the properties' aggregate cash flow. Given the Company's current debt level, it is management's belief that the ratio of the Company's debt to total asset value was below 50% as of June 30, 2020.

The organizational documents of the Company do not limit the absolute amount or percentage of indebtedness that it may incur. The Board of Directors may, from time to time, reevaluate the Company's debt/capitalization strategy in light of current economic conditions, relative costs of capital, market values of the Company's property portfolio, opportunities for acquisition, development or expansion, and such other factors as the Board of Directors then deems relevant. The Board of Directors may modify the Company's debt/capitalization policy based on such a reevaluation without shareholder approval and consequently, may increase or decrease the Company's debt to total asset ratio above or below 50% or may waive the policy for certain periods of time. The Company selectively continues to refinance or renegotiate the terms of its outstanding debt in order to achieve longer maturities, and obtain generally more favorable loan terms, whenever management determines the financing environment is favorable.

At June 30, 2020, the Company had a $400.0 million credit facility comprised of a $325.0 million revolving facility and a $75.0 million term loan. As of June 30, 2020, the applicable spread for borrowings was 140 basis points under the revolving credit facility and 135 basis points under the term loan. Saul Centers and certain consolidated subsidiaries of the Operating Partnership have guaranteed the payment obligations of the Operating Partnership under the credit facility. Letters of credit may be issued under the revolving credit facility. As of June 30, 2020, based on the value of the Company's unencumbered properties, approximately $150.3 million was available under the revolving credit facility, $174.5 million was outstanding and approximately $185,000 was committed for letters of credit.

The facility requires the Company and its subsidiaries to maintain compliance with certain financial covenants. The material covenants require the Company, on a consolidated basis, to:

- limit the amount of debt as a percentage of gross asset value, as defined in the loan agreement, to less than 60% (leverage ratio);
- limit the amount of debt so that interest coverage will exceed 2.0x on a trailing four-quarter basis (interest expense coverage); and
- limit the amount of debt so that interest, scheduled principal amortization and preferred dividend coverage exceeds 1.4x on a trailing four-quarter basis (fixed charge coverage).

As of June 30, 2020, the Company was in compliance with all such covenants.

On July 14, 2020, the Company closed on a 15-year, non-recourse $22.1 million mortgage loan secured by Ashbrook Marketplace. The loan matures in 2035, bears interest at a fixed rate of 3.80%, requires monthly principal and interest payments of $114,226 based on a 25-year amortization schedule and requires a final payment of $11.5 million at maturity. The proceeds from the loan were used to pay down the revolving credit facility.

On July 24, 2020, the Company closed on a 15-year, non-recourse $30.0 million mortgage loan secured by Kentlands Place, Kentlands Square I and Kentlands Pad. The loan matures in 2035, bears interest at a fixed rate of 3.43%, requires monthly principal and interest payments of $149,064 based on a 25-year amortization schedule and requires a final payment of $15.3 million at maturity. The proceeds from the loan were used to pay down the revolving credit facility.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that are reasonably likely to have a current or future material effect on the Company’s financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Funds From Operations

Funds From Operations (FFO)[1] available to common stockholders and noncontrolling interests for the 2020 Period, totaled $45.3 million, a decrease of 11.3% compared to the 2019 Period. FFO available to common stockholders and noncontrolling interests decreased primarily due to (a) initial operations of The Waycroft ($3.2 million), (b) higher credit losses on operating lease receivables and corresponding reserves (collectively, $2.7 million), (c) lower lease termination fees ($1.7 million) and (d) lower base rent, primarily due to the lease expiration and re-leasing of the grocery anchors at Seven Corners, which opened in March 2020, and at Shops at Fairfax, which is projected to open in the third quarter of 2020 (collectively, $0.5 million), partially offset by (e) lower interest incurred due to lower average interest rates during the period, exclusive of the impact of The Waycroft ($1.8 million) and (f) higher capitalized interest for 7316 Wisconsin Avenue ($1.1 million).

The following table presents a reconciliation from net income to FFO available to common stockholders and noncontrolling interests for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share amounts)	2020	2019	2020	2019
Net income	$ 10,208	$ 16,750	$ 27,037	$ 33,827
Add:				
Real estate depreciation and amortization	12,600	11,524	23,881	23,167
FFO	22,808	28,274	50,918	56,994
Subtract:				
Preferred stock dividends	(2,798)	(2,953)	(5,596)	(5,906)
FFO available to common stockholders and noncontrolling interests	$ 20,010	$ 25,321	$ 45,322	$ 51,088
Weighted average shares:				
Diluted weighted average common stock	23,338	22,994	23,319	22,929
Convertible limited partnership units	7,902	7,853	7,899	7,844
Average shares and units used to compute FFO per share	31,240	30,847	31,218	30,773
FFO per share available to common stockholders and noncontrolling interests	$ 0.64	$ 0.82	$ 1.45	$ 1.66

[1] The National Association of Real Estate Investment Trusts (NAREIT) developed FFO as a relative non-GAAP financial measure of performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. FFO is defined by NAREIT as net income, computed in accordance with GAAP, plus real estate depreciation and amortization, and excluding impairment charges on real estate assets and gains or losses from real estate dispositions. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs, which is disclosed in the Company’s Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of FFO. FFO should not be considered as an alternative to net income, its most directly comparable GAAP measure, as an indicator of the Company’s operating performance, or as an alternative to cash flows as a measure of liquidity. Management considers FFO a meaningful supplemental measure of operating performance because it primarily excludes the assumption that the value of the real estate assets diminishes predictably over time (i.e. depreciation), which is contrary to what the Company believes occurs with its assets, and because industry analysts have accepted it as a performance measure. FFO may not be comparable to similarly titled measures employed by other REITs.

Acquisitions and Redevelopments

Management anticipates that during the coming year, the Company will complete its development activities at The Waycroft, may redevelop certain of the Current Portfolio Properties and may develop additional freestanding outparcels or expansions within certain of the Shopping Centers. Acquisition and development of properties are undertaken only after careful analysis and review, and management's determination that such properties are expected to provide long-term earnings and cash flow growth. During the coming year, any developments, expansions or acquisitions are expected to be funded with bank borrowings from the Company's credit line, construction financing, proceeds from the operation of the Company's dividend reinvestment plan or other external capital resources available to the Company.

The Company has been selectively involved in acquisition, development, redevelopment and renovation activities. It continues to evaluate the acquisition of land parcels for retail and mixed-use development and acquisitions of operating properties for opportunities to enhance operating income and cash flow growth. The Company also continues to analyze redevelopment, renovation and expansion opportunities within the portfolio.

The Company, as contract purchaser, has filed with the City of Rockville a site plan for Phase I of the Twinbrook Quarter development and is conducting community meetings and a hearing before the planning commission is scheduled for the third quarter of 2020. The plan includes an 80,000 square foot Wegmans grocery store, 29,000 square feet of retail shop space, 460 residential units and 237,000 square feet of office space. The phasing of these improvements and the timing of construction will depend on removal of contingencies, final site plan approval, building permit approval and market conditions. The total development potential of this 8.1 acre site, when combined with the Company's adjacent 10.3 acre site, totals 1,865 residential units, 473,000 square feet of retail space, and 431,000 square feet of office space.

Portfolio Leasing Status

The following chart sets forth certain information regarding Commercial leases at our properties.

	Total Properties		Total Square Footage		Percent Leased	
	Shopping Centers	Mixed-Use	Shopping Centers	Mixed-Use	Shopping Centers	Mixed-Use
June 30, 2020	50	7	7,874,492	1,136,937	95.1%	92.2%
June 30, 2019	49	7	7,759,621	1,146,438	95.6%	88.6%

As of June 30, 2020, 94.7% of the Commercial portfolio was leased, unchanged from June 30, 2019. On a same property basis, 94.7% of the Commercial portfolio was leased, compared to 95.2% at June 30, 2019. As of June 30, 2020, the Residential portfolio was 67.7% leased compared to 98.1% at June 30, 2019. The decrease in Residential portfolio occupancy is primarily due to the increase in units available as of a result of the opening of The Waycroft. On a same property basis, 95.3% of the residential portfolio was leased as of June 30, 2020, compared to 98.1% at June 30, 2019.

The following table shows selected data for leases executed in the indicated periods. The information is based on executed leases without adjustment for the timing of occupancy, tenant defaults, or landlord concessions. The base rent for an expiring lease is the annualized contractual base rent, on a cash basis, as of the expiration date of the lease. The base rent for a new or renewed lease is the annualized contractual base rent, on a cash basis, as of the expected rent commencement date. Because tenants that execute leases may not ultimately take possession of their space or pay all of their contractual rent, the changes presented in the table provide information only about trends in market rental rates. The actual changes in rental income received by the Company may be different.

			Average Base Rent per Square Foot	
Three months ended June 30,	Square Feet	Number of Leases	New/Renewed Leases	Expiring Leases
2020	173,016	38	$ 23.07	$ 22.09
2019	370,068	65	20.40	20.88

Certain of the Company's operating properties are planned for redevelopment, including its properties at Twinbrook and White Flint. Prior to the commencement of redevelopment, the Company continues to operate the properties. However, in order to provide the greatest amount of flexibility, the Company generally enters into leases with shorter terms at these "pre-development" properties. The shorter-term leases require less capital, but also yield lower rents. The impact of these leases with shorter terms and lower rents can impact the averages shown for all leasing activity. During the second quarter of 2020, the Company entered into two new or renewed leases, for 16,656 square feet of retail space, at pre-development properties, that have shorter terms and lower rents than typical market conditions would suggest. Excluding these leases, the base rent on the 36 new or renewed leases on a same space basis would have been $22.71 per square foot compared to $21.46 per square foot for expiring leases.

Since December 2019, the Company has extended the leases of three significant tenants within the office portfolio. The earliest expiration of these resulting leases is now 2030. These leases comprise an aggregate of approximately 216,000 square feet (22%) of the office square footage contained within the Mixed-Use Properties.

Additional information about the 2020 leasing activity is set forth below. The below information includes leases for space which had not been previously leased during the period of the Company's ownership, either a result of acquisition or development.

	New Leases	First Generation/Development Leases	Renewed Leases
Number of leases	5	1	33
Square feet	12,238	1,161	160,778
Per square foot average annualized:			
Base rent	$ 38.53	$ 35.00	$ 21.89
Tenant improvements	(1.46)	(17.74)	(0.14)
Leasing costs	(0.67)	—	(0.07)
Rent concessions	(0.33)	—	(0.23)
Effective rents	$ 36.07	$ 17.26	$ 21.45

During the three months ended June 30, 2020, on a same property basis, the Company entered into 78 new or renewed apartment leases. The average monthly rent per square foot increased to $3.56 from $3.55. During the three months ended June 30, 2019, the Company entered into 126 new or renewed apartment leases. The average monthly rent per square foot increased to $3.60 from $3.50.

As of December 31, 2019, 746,234 square feet of Commercial space was subject to leases scheduled to expire in 2020. Of those leases, as of June 30, 2020, leases representing 460,488 square feet of Commercial space have not yet renewed and are scheduled to expire over the next six months. Below is information about existing and estimated market base rents per square foot for that space.

Expiring Leases:	Total
Square feet	460,488
Average base rent per square foot	$ 23.46
Estimated market base rent per square foot	$ 22.28

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to certain financial market risks, the most predominant being fluctuations in interest rates. Interest rate fluctuations are monitored by management as an integral part of the Company’s overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on the Company’s results of operations.

The Company is exposed to interest rate fluctuations which will affect the amount of interest expense of its variable rate debt and the fair value of its fixed rate debt. As of June 30, 2020, the Company had variable rate indebtedness totaling $249.5 million. If the interest rates on the Company’s variable rate debt instruments outstanding at June 30, 2020 had been one percentage point higher, our annual interest expense relating to these debt instruments would have increased by $2.5 million based on those balances. As of June 30, 2020, the Company had fixed-rate indebtedness totaling $934.1 million with a weighted average interest rate of 5.02%. If interest rates on the Company’s fixed-rate debt instruments at June 30, 2020 had been one percentage point higher, the fair value of those debt instruments on that date would have been approximately $50.7 million less than the carrying value.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chairman, Chief Executive Officer and President, its Executive Vice President-Chief Financial Officer and Treasurer, and its Senior Vice President-Chief Accounting Officer as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e) promulgated under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including its Chairman, Chief Executive Officer and President, its Executive Vice President-Chief Financial Officer and Treasurer, and its Senior Vice President-Chief Accounting Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2020. Based on the foregoing, the Company's Chairman, Chief Executive Officer and President, its Executive Vice President-Chief Financial Officer and Treasurer and its Senior Vice President-Chief Accounting Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2020.

During the quarter ended June 30, 2020, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

Except as set forth below, the Company has no material updates to the risk factors presented in Item 1A. Risk Factors in the 2019 Annual Report of the Company on Form 10-K.

The current outbreak of the novel coronavirus ("COVID-19"), or the future outbreak or pandemic of any other highly infectious or contagious diseases, could have a material and adverse effect on or cause disruption to our business or financial condition, results of operations, cash flows and the market value and trading price of our securities.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. As a result, the COVID-19 pandemic is negatively affecting almost every industry directly or indirectly. Many of our tenants have announced mandated or temporary closures of their operations and/or have requested adjustments to their lease terms during this pandemic. Experts predict that the COVID-19 pandemic will trigger a period of global economic slowdown or a global recession. COVID-19 (or a future pandemic) could have a material and adverse effect on or cause disruption to our business or financial condition, results from operations, cash flows and the market value and trading price of our securities due to, among other factors:

- a complete or partial closure of, or other operational issues at, our properties as a result of government or tenant action;
- the declines in or instability of the economy or financial markets may result in a recession or negatively impact consumer discretionary spending, which could adversely affect retailers and consumers;
- the reduction of economic activity severely impacts our tenants' business operations, financial condition and liquidity and may cause one or more of our tenants to be unable to meet their obligations to us in full, or at all, to default on their lease, or to otherwise seek modifications of such obligations;
- inability to access debt and equity capital on favorable terms, if at all, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect our access to capital necessary to fund business operations, pursue acquisition and development opportunities, refinance existing debt, reduce our ability to make cash distributions to our stockholders and increase our future interest expense;
- a general decline in business activity and demand for real estate transactions could adversely affect our ability to successfully execute investment strategies or expand our property portfolio;
- a significant reduction in our cash flows could impact our ability to continue paying cash dividends to our common and preferred stockholders at expected levels or at all;
- the financial impact of COVID-19 could negatively affect our future compliance with financial and other covenants of our credit facility and other debt instruments, and the failure to comply with such covenants could result in a default that accelerates the payment of such indebtedness;
- the continued service and availability of personnel, including our executive officers and Board of Directors, and our ability to recruit, attract and retain skilled personnel, to the extent our management, Board of Directors or personnel are impacted in significant numbers by the outbreak of pandemic or epidemic disease and are not available or allowed to conduct work, could negatively impact our business and operating results; and
- our ability to ensure business continuity in the event our continuity of operations plan is not effective or is improperly implemented or deployed during a disruption.

The extent to which COVID-19 impacts our operations and those of our tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the outbreak, the actions taken to contain the outbreak or mitigate its impact, and the direct and indirect economic effects of the outbreak and containment measures, among others. For example, as of June 30, 2020, approximately 39% of base rent is generated from tenants in lines of trade that have been significantly impacted by mandated temporary closures or other social-distancing guidelines issued by federal, state and local governments including:

- Full-service and limited-service restaurants (16%),
- Beauty services and dry cleaners (6%),
- Apparel and footwear (5%),
- Health and fitness (2%), and
- Other (10%)

A prolonged imposition of mandated temporary closures or other social-distancing guidelines may adversely impact the ability of these tenants to generate sufficient revenues, and may cause tenants to request additional rent deferrals, and in limited cases, default on their leases, or result in the bankruptcy or insolvency of tenants, which would diminish our ability to receive rental revenue that is owed under their leases. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19. Nevertheless, COVID-19 presents material uncertainty and risk with respect to our performance, business or financial condition, results from operations and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

B. Francis Saul II, the Company’s Chairman of the Board, Chief Executive Officer and President, his spouse and entities affiliated with Mr. Saul II, through participation in the Company’s Dividend Reinvestment and Stock Purchase Plan for the April 30, 2020 dividend distribution acquired 2,498 shares of common stock at a price of $32.22 per share.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None

Item 6. Exhibits

31.		Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer and Chief Financial Officer (filed herewith).*
32.		Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer (filed herewith).*
99.	(a)	Schedule of Portfolio Properties (filed herewith).
101.		The following financial statements from the Company's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2020, formatted in Extensible Business Reporting Language ("XBRL"): (i) consolidated balance sheets, (ii) consolidated statements of operations, (iii) consolidated statements of equity and comprehensive income, (iv) consolidated statements of cash flows, and (v) the notes to the consolidated financial statements.
104.		Cover Page Interactive Data File (the Cover Page Interactive Data File is embedded within the Inline XBRL document).

* In accordance with Item 601(b)(32) of Regulation S-K, this Exhibit is not deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	SAUL CENTERS, INC. (Registrant)
Date: August 6, 2020	/s/ B. Francis Saul II B. Francis Saul II Chairman, Chief Executive Officer and President
Date: August 6, 2020	/s/ Scott V. Schneider Scott V. Schneider Executive Vice President, Chief Financial Officer and Treasurer (principal financial officer)
Date: August 6, 2020	/s/ Joel A. Friedman Joel A. Friedman Senior Vice President, Chief Accounting Officer (principal accounting officer)

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Section 2: EX-31 (EXHIBIT 31)

Exhibit 31
CERTIFICATIONS

I, B. Francis Saul II, certify that:

1. **I have reviewed this report on Form 10-Q of Saul Centers, Inc.;**

2. **Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;**

3. **Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;**

4. **The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:**

   a) **designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;**

   b) **designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;**

   c) **evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and**

   d) **disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal period that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and**

5. **The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):**

   a) **all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and**

   b) **any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.**

Date: August 6, 2020

/s/ B. Francis Saul II____

B. Francis Saul II
Chairman, Chief Executive Officer
and President

CERTIFICATIONS

I, Scott V. Schneider, certify that:

1. **I have reviewed this report on Form 10-Q of Saul Centers, Inc.;**

2. **Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;**

3. **Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;**

4. **The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:**

   a) **designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;**

   b) **designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;**

   c) **evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and**

   d) **disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal period that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and**

5. **The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):**

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

/s/ Scott V. Schneider_
Scott V. Schneider
Executive Vice President,
Chief Financial Officer
and Treasurer

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Section 3: EX-32 (EXHIBIT 32)

Exhibit 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, B. Francis Saul II, the Chairman and Chief Executive Officer of Saul Centers, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ending June 30, 2020 (the "Report"). The undersigned hereby certifies that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2020 **/s/ B. Francis Saul II______________________**
Name: B. Francis Saul II
Title: Chairman, Chief Executive Officer
and President

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Scott V. Schneider, the Chief Financial Officer of Saul Centers, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ending June 30, 2020 (the "Report"). The undersigned hereby certifies that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2020 **/s/ Scott V. Schneider_________**

Name: Scott V. Schneider
Title: Executive Vice President,
Chief Financial Officer
and Treasurer

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Section 4: EX-99.A (EXHIBIT 99.A)

Exhibit 99 (a)

Saul Centers, Inc.
Schedule of Current Portfolio Properties
June 30, 2020

Property	Location	Leasable Area (Square Feet)	Year Acquired or Developed (Renovated)	Land Area (Acres)	Percentage Leased as of June 30, 2020	2019	2018	2017	2016 (1)	Anchor / Significant Tenants
Shopping Centers										
Ashbrook Marketplace	Ashburn, VA	85,572	2018 (2019)	13.7	100%	N/A	N/A	N/A	N/A	Lidl, Planet Fitness, Starbucks, Dunkin Donuts, Valvoline, Cafe Rio, McAllisters Deli
Ashburn Village	Ashburn, VA	221,596	1994-2006	26.4	97%	99%	99%	93%	92%	Giant Food, Hallmark, McDonald's, Burger King, Dunkin Donuts, Kinder Care, Blue Ridge Grill
Ashland Square Phase I	Dumfries, VA	23,120	2007	2.0	100%	100%	100%	100%	100%	Capital One Bank, CVS Pharmacy, The All American Steakhouse
Beacon Center	Alexandria, VA	359,671	1972 (1993/99/07)	32.3	100%	100%	100%	100%	100%	Lowe's Home Improvement Center, Giant Food, Home Goods, Outback Steakhouse, Marshalls, Party Depot, Panera Bread, TGI Fridays, Starbucks, Famous Dave's, Chipotle, Capital One Bank
BJ's Wholesale Club	Alexandria, VA	115,660	2008	9.6	100%	100%	100%	100%	100%	BJ's Wholesale Club
Boca Valley Plaza	Boca Raton, FL	121,365	2004	12.7	99%	97%	94%	95%	100%	Publix, Wells Fargo, Palm Beach Fitness, Anthony's Clothing
Boulevard	Fairfax, VA	49,140	1994 (1999/09)	5.0	100%	100%	100%	100%	100%	Panera Bread, Party City, Petco, Capital One Bank
Briggs Chaney MarketPlace	Silver Spring, MD	194,258	2004	18.2	97%	97%	95%	93%	100%	Global Food, Ross Dress For Less, Advance Auto Parts, McDonald's, Dunkin Donuts, Enterprise Rent-A-Car, Dollar Tree, Dollar General, Salon Plaza
Broadlands Village	Ashburn, VA	174,438	2003/4/6	24.0	97%	99%	77%	78%	99%	Aldi Grocery, The All American Steakhouse, Bonefish Grill, Dollar Tree, Starbucks, Minnieland Day Care, Capital One Bank, LA Fitness
Burtonsville Town Square	Burtonsville, MD	139,928	2017	26.3	100%	100%	100%	100%	N/A	Giant Food, Petco, Starbucks, Greene Turtle, Capital One Bank, CVS Pharmacy, Roy Rogers, Mr. Tire, Taco Bell
Countryside Marketplace	Sterling, VA	138,804	2004	16.0	95%	96%	95%	94%	93%	Safeway, CVS Pharmacy, Starbucks, McDonald's, 7-Eleven
Cranberry Square	Westminster, MD	141,450	2011	18.9	90%	97%	100%	100%	100%	Giant Food, Giant Gas Station, Staples, Party City, Jos. A. Bank, Wendy's
Cruse MarketPlace	Cumming, GA	78,686	2004	10.6	92%	94%	89%	87%	92%	Publix, Subway, Orange Theory, Anytime Fitness
Flagship Center	Rockville, MD	21,500	1972, 1989	0.5	100%	100%	100%	100%	100%	Chase Bank, Bank of America
										Burlington Coat Factory, Bed Bath & Beyond, Staples, Petco,

French Market	Oklahoma City, OK	246,148	1974 (1984/98)	13.8	99%	96%	96%	98%	98%	The Tile Shop, Lakeshore Learning Center, Dollar Tree, Verizon, Raising Cane's
Germantown	Germantown, MD	18,982	1992	2.7	100%	100%	100%	100%	100%	CVS Pharmacy, Jiffy Lube
The Glen	Woodbridge, VA	136,440	1994 (2005)	14.7	96%	98%	96%	97%	94%	Safeway, The All American Steakhouse, Panera Bread, Five Guys, Chipotle
Great Falls Center	Great Falls, VA	91,666	2008	11.0	96%	98%	99%	100%	99%	Safeway, CVS Pharmacy, Capital One Bank, Starbucks, Subway, Long & Foster
Hampshire Langley	Takoma Park, MD	131,700	1972 (1979)	9.9	100%	100%	100%	100%	100%	Mega Mart, Starbucks, Chuck E. Cheese's, Sardi's Chicken, Capital One Bank, Kool Smiles, Wells Fargo
Hunt Club Corners	Apopka, FL	107,103	2006	13.9	100%	97%	93%	93%	93%	Publix, Pet Supermarket, T-Mobile
Jamestown Place	Altamonte Springs, FL	96,201	2005	10.9	100%	100%	93%	95%	95%	Publix, Carrabas Italian Grill, Orlando Health
Kentlands Square I	Gaithersburg, MD	114,381	2002	11.5	100%	98%	98%	98%	100%	Lowe's Home Improvement Center, Chipotle

Saul Centers, Inc.

Schedule of Current Portfolio Properties

June 30, 2020

Property	Location	Leasable Area (Square Feet)	Year Acquired or Developed (Renovated)	Land Area (Acres)	Percentage Leased as of June 30,					(1)
					2020	2019	2018	2017	2016	Anchor / Significant Tenants
Shopping Centers (continued)										
Kentlands Square II and Kentlands Pad	Gaithersburg, MD	253,052	2011	23.4	99%	96%	56%	100%	100%	Giant Food, At Home, Party City, Panera Bread, Not Your Average Joe's, Hallmark, Chick-Fil-A, Coal Fire Pizza, Cava Mezza Grill, Fleet Feet
Kentlands Place	Gaithersburg, MD	40,697	2005	3.4	75%	93%	90%	93%	100%	Bonefish Grill
Lansdowne Town Center	Leesburg, VA	196,817	2006	23.4	88%	95%	90%	96%	86%	Harris Teeter, CVS Pharmacy, Panera Bread, Starbucks, Capital One Bank, Ford's Oyster House, Fusion Learning, Chick-Fil-A
Leesburg Pike Plaza	Baileys Crossroads, VA	97,752	1966 (1982/95)	9.4	93%	96%	100%	95%	100%	CVS Pharmacy, Party Depot, FedEx Office, Capital One Bank, Five Guys
Lumberton Plaza	Lumberton, NJ	192,718	1975 (1992/96)	23.3	68%	68%	86%	92%	90%	Aldi, Rite Aid, Family Dollar, Retro Fitness, Big Lots, Pet Valu, Burger King
Metro Pike Center	Rockville, MD	67,488	2010	4.6	87%	64%	67%	71%	89%	McDonald's, Dunkin Donuts, 7-Eleven, Palm Beach Tan, Mattress Warehouse, Salvation Army
Shops at Monocacy	Frederick, MD	111,316	2004	13.0	97%	95%	99%	100%	100%	Giant Food, Giant Gas Station, Panera Bread, Five Guys, California Tortilla, Firehouse Subs, Comcast
Northrock	Warrenton, VA	100,032	2009	15.4	99%	100%	99%	99%	92%	Harris Teeter, Longhorn Steakhouse, Ledo's Pizza, Capital One Bank, Jos. A. Bank, Novant Health
Olde Forte Village	Ft. Washington, MD	143,577	2003	16.0	94%	97%	98%	95%	97%	Safeway, Advance Auto Parts, Dollar Tree, McDonald's, Wendy's, Ledo's Pizza
Olney	Olney, MD	53,765	1975 (1990)	3.7	92%	93%	96%	91%	91%	Walgreens, Olney Grill, Ledo's Pizza, Popeye's, Sardi's Fusion
Orchard Park	Dunwoody, GA	87,365	2007	10.5	99%	99%	98%	98%	97%	Kroger, Subway, Jett Ferry Dental
Palm Springs Center	Altamonte Springs, FL	126,446	2005	12.0	100%	100%	94%	100%	100%	Publix, Duffy's Sports Grill, Toojay's Deli, The Tile Shop, Rockler Tools, Humana Health, Sola Salons
Ravenwood	Baltimore, MD	93,328	1972 (2006)	8.0	97%	97%	100%	100%	100%	Giant Food, Dominos, Bank of America
11503 Rockville Pk / 5541 Nicholson Ln	Rockville, MD	40,249	2010 / 2012	3.0	61%	61%	61%	61%	63%	Dr. Boyd's Pet Resort, Metropolitan Emergency Animal Clinic
1500/1580/1582/1584 Rockville Pike	Rockville, MD	110,128	2012/2014	10.3	100%	97%	96%	96%	87%	Party City, CVS Pharmacy, Sheffield Furniture
Seabreeze Plaza	Palm Harbor, FL	146,673	2005	18.4	98%	99%	99%	98%	98%	Publix, Earth Origins Health Food, Petco, Planet Fitness, Vision Works
Marketplace at Sea Colony	Bethany Beach, DE	21,677	2008	5.1	100%	100%	100%	100%	100%	Resort Quest, Armand's Pizza, Candy Kitchen, Summer Salts, Fin's Alehouse
Seven Corners	Falls Church, VA	573,481	1973 (1994-7/07)	31.6	97%	98%	100%	100%	100%	The Home Depot, Giant Food, Michaels Arts & Crafts, Barnes & Noble, Ross Dress For Less, Ski Chalet, Off-Broadway Shoes, JoAnn Fabrics, Starbucks, Dogfishhead Ale House, Red Robin Gourmet Burgers, Chipotle, Wendy's, Burlington Coat Factory, Mattress Warehouse, J. P. Morgan Chase
Severna Park Marketplace	Severna Park, MD	254,011	2011	20.6	91%	100%	100%	100%	98%	Giant Food, Kohl's, Office Depot, Goodyear, Chipotle, McDonald's, Jos. A. Bank, Sprint, Five Guys, Unleashed (Petco), Mod Pizza, Jersey Mike's, Bath & Body Works, Wells Fargo

Saul Centers, Inc.

Schedule of Current Portfolio Properties

June 30, 2020

Property	Location	Leasable Area (Square Feet)	Year Acquired or Developed (Renovated)	Land Area (Acres)	Percentage Leased as of June 30,					(1)
					2020	2019	2018	2017	2016	Anchor / Significant Tenants
Shopping Centers (continued)										

Shops at Fairfax	Fairfax, VA	68,762	1975 (1993/99)	6.7	98%	100%	100%	97%	97%	99 Ranch
Smallwood Village Center	Waldorf, MD	173,341	2006	25.1	66%	77%	82%	83%	69%	Safeway, CVS Pharmacy, Family Dollar
Southdale	Glen Burnie, MD	485,628	1972 (1986)	39.8	98%	98%	99%	99%	95%	The Home Depot, Michaels Arts & Crafts, Marshalls, PetSmart, Value City Furniture, Athletic Warehouse, Starbucks, Gallo Clothing, Office Depot, The Tile Shop, Mercy Health Care, Massage Envy, Potbelly, Capital One Bank, Chipotle, Banfield Pet Hospital, Glory Days Grill, Bank of America
Southside Plaza	Richmond, VA	371,761	1972	32.8	97%	92%	93%	91%	93%	Super Fresh, Maxway, Citi Trends, City of Richmond, McDonald's, Burger King, Kool Smiles, Crafty Crab
South Dekalb Plaza	Atlanta, GA	163,418	1976	14.6	87%	87%	91%	89%	91%	Big Lots, Emory Clinic, Roses, Deal $
Thruway	Winston-Salem, NC	365,816	1972 (1997)	31.5	92%	96%	95%	96%	97%	Harris Teeter, Trader Joe's, Stein Mart, Talbots, Hanes Brands, Jos. A. Bank, Bonefish Grill, Chico's, Loft, FedEx Office, Plow & Hearth, New Balance, Aveda Salon, Carter's Kids, McDonald's, Chick-Fil-A, Wells Fargo Bank, Francesca's Collections, Great Outdoor Provision Company, White House / Black Market, Soma, J. Crew, Chop't, Lululemon, Orange Theory, Athleta
Village Center	Centreville, VA	145,651	1990	17.2	97%	98%	98%	98%	95%	Giant Food, Tuesday Morning, Starbucks, McDonald's, Pet Supplies Plus, Bikram Yoga, Capital One Bank, BB&T Bank
Westview Village	Frederick, MD	101,058	2009	11.6	99%	99%	95%	95%	100%	Silver Diner, Sleepy's, Music & Arts, Firehouse Subs, CiCi's Pizza, Café Rio, Five Guys, Regus, Krispy Kreme, Wendy's
White Oak	Silver Spring, MD	480,676	1972 (1993)	27.9	100%	99%	99%	100%	100%	Giant Food, Sears, Walgreens, Boston Market, Sarku Japan
	Total Shopping Centers (3)	7,874,492		766.9	95.1%	95.6%	94.4%	95.9%	95.9%	

Saul Centers, Inc.
Schedule of Current Portfolio Properties
June 30, 2020

Property	Location	Leasable Area (Square Feet)	Year Acquired or Developed (Renovated)	Land Area (Acres)	Percentage Leased as of June 30, 2020	2019	2018	2017	2016	(1)	Anchor / Significant Tenants
Mixed-Use Properties											
Avenel Business Park	Gaithersburg, MD	390,683	1981-2000	37.1	94%	91%	84%	86%	87%		General Services Administration, Gene Dx, Inc., American Type Culture Collection, Inc.
Clarendon Center-North Block	Arlington, VA	108,386	2010	0.6	83%	89%	100%	100%	99%		AT&T Mobility, Dunkin Donuts, Airline Reporting Corporation
Clarendon Center-South Block	Arlington, VA	104,894	2010	1.3	96%	97%	97%	100%	100%		Trader Joe's, Circa, Burke & Herbert Bank, Bracket Room, South Block Blends, Winston Partners, Keppler Speakers Bureau, ECG Management Co., Leadership Institute, Capital One Bank, Massage Envy
Clarendon Center Residential-South Block (244 units)		188,671	2010		95%	98%	98%	98%	97%		
Park Van Ness-Residential (271 units)	Washington, DC	214,600	2016	1.4	96%	98%	99%	96%	34%		
Park Van Ness-Retail	Washington, DC	8,847	2016		100%	100%	100%	100%	100%		Uptown Market, Sfoglina Pasta House
601 Pennsylvania Ave.	Washington, DC	227,651	1973 (1986)	1.0	94%	95%	96%	100%	99%		National Gallery of Art, American Assn. of Health Plans, Credit Union National Assn., Southern Company, HQ Global, Capital Grille, Michael Best & Friedrich LLP
Washington Square	Alexandria, VA	236,376	1975 (2000)	2.0	90%	91%	91%	93%	91%		Freeman Expositions, Academy of Managed Care Pharmacy, Cooper Carry, National PACE Association, Marketing General, Alexandria Economic Development, Trader Joe's, FedEx Office, Talbots, Virginia ABC
The Waycroft-Residential (491 units)	Arlington, VA	404,709	2020	2.8	39%	N/A	N/A	N/A	N/A		
The Waycroft-Retail	Arlington, VA	60,100	2020		90%	N/A	N/A	N/A	N/A		
	Total Mixed-Use Properties (3)	1,944,917		46.2	92.2%	92.5%	91.4%	93.4%	93.2%	(2)	
	Total Portfolio (3)	9,819,409		813.1	94.7%	95.2%	94.0%	95.6%	95.6%	(2)	

Land and Development Parcels

7316 Wisconsin Avenue	Bethesda, MD	2018	0.6	Planned development of a mixed-use building with up to 366 apartment units and 10,300 square feet of retail space. Demolition of existing interior improvements improvements has commenced. A new development timetable has not been determined.
Ashland Square Phase II	Manassas, VA	2004	17.3	Marketing to grocers and other retail businesses, with a development timetable yet to be finalized.
New Market	New Market, MD	2005	35.5	Parcel will accommodate retail development in excess of 120,000 SF near I-70, east of Frederick, Maryland. A development timetable has not been determined.
	Total Development Properties		53.4	

(1) Percentage leased is a percentage of rentable square feet leased for commercial space and a percentage of units leased for apartments. Includes only operating properties owned as of

	June 30, 2020. As such, prior year totals do not agree to prior year tables.
(2)	Total percentage leased is for commercial space only.
(3)	Prior year leased percentages for Total Shopping Centers, Total Mixed-Use Properties and Total Portfolio have been recalculated to exclude the impact of properties sold or removed from service and, therefore, the percentages reported in this table may be different than the percentages previously reported.

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