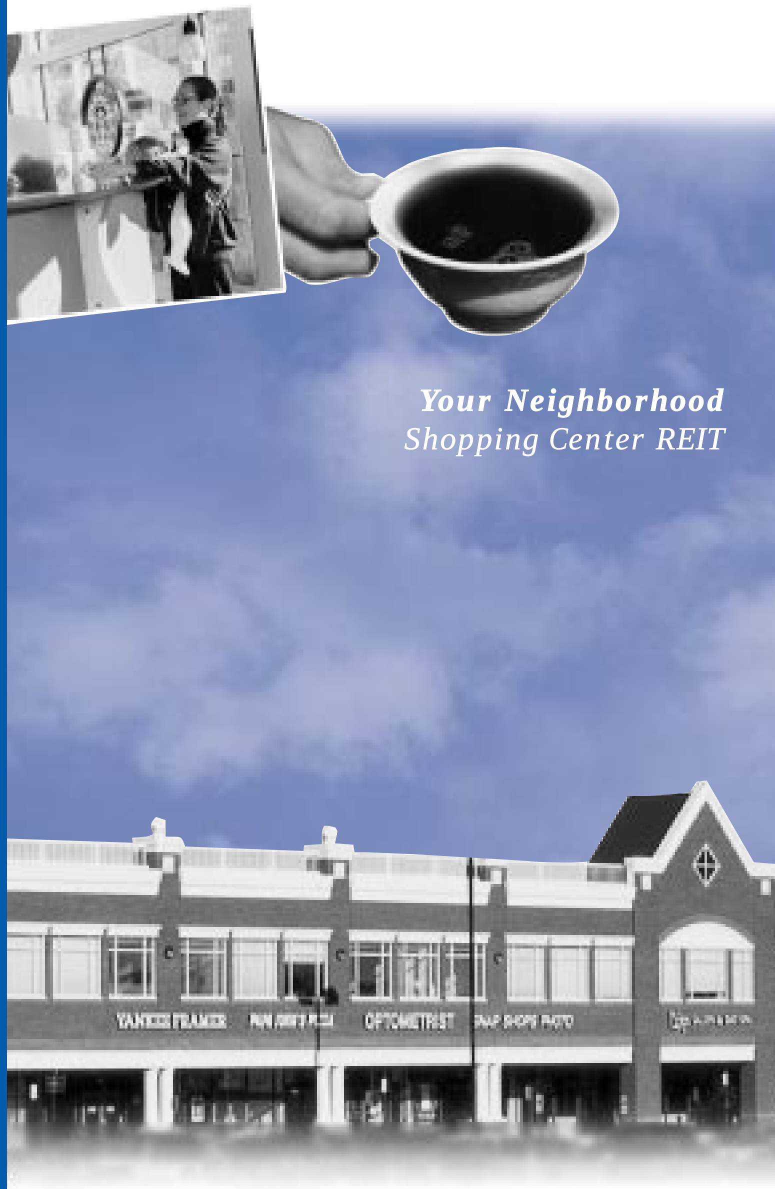
Saul Centers



Your Neighborhood
Shopping Center REIT

2001
FIRST QUARTER REPORT

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B. Francis Saul II, Chairman & CEO
B. Francis Saul III, Vice Chairman
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The Honorable James W. Symington
John R. Whitmore

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TRANSFER AGENT
First Chicago Trust
Company of New York
New York, NY 10805–3989
1-800-446-2617

EXCHANGE LISTING
New York Stock Exchange
Symbol: BFS

DIVIDEND REINVESTMENT PLAN
Saul Centers, Inc. offers a dividend reinvestment plan which enables its shareholders to automatically invest some of or all dividends in additional shares. The plan provides shareholders with a convenient and cost-free way to increase their investment in Saul Centers. Shares purchased under the dividend reinvestment plan are issued at a 3% discount from the closing price of the stock on the dividend payment date.

To receive more information please call the plan administrator at 1-800-446-2617 and request to speak with a service representative or write:

First Chicago Trust Company of New York
Attention: Dividend Reinvestment Department
P.O. Box 2598
Jersey City, NJ 07303-2598

Certain matters discussed within this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and as such may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of Saul Centers to be different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although Saul Centers believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be attained. These risks are detailed from time to time in the Company's filings with the Securities and Exchange Commission.

First Quarter

MESSAGE TO SHAREHOLDERS

Funds From Operations (FFO) increased 12.3% to $9,632,000 in the quarter-ended March 31, 2001 compared to $8,580,000 for the same quarter in 2000. On a per share basis, FFO was $.50 per share for the 2001 first quarter, a 9.1% increase over the same quarter last year. Approximately 30% of the improvement was due to the commenced operations of our 235,000 square foot Washington Square development. FFO is presented on a fully converted basis and is the most widely accepted measure of operating performance for REIT's. FFO is defined as net income before gains and losses from property sales, extraordinary items and real estate depreciation and amortization.

Total revenues for the 2001 first quarter increased 9.4% to $21,237,000 compared to $19,407,000 for the 2000 quarter. Operating income before minority interests was $6,051,000, or $.32 per share, representing a per share increase of 6.3% over the comparable 2000 quarter. After deducting minority interests, the company reported net income of $4,034,000 or $.29 per share for the 2001 quarter, a per share increase of 10.4% compared to net income of $3,516,000 or $.26 per share for the 2000 quarter (basic and diluted).

Same property net operating income in the shopping center portfolio grew 4.8% for the 2001 first quarter compared to the same period in 2000. Same property net operating income in the office portfolio grew 7.9% for the 2001 first quarter. Overall same property net operating income for the total portfolio grew 5.6% for the 2001 first quarter. As of March 31, 2001, 92.9% of the portfolio was leased. The company has two properties in the lease-up phase of their development, Washington Square at Old Town, and Crosstown Business Center, which were 54.8% and 68.4% leased. Excluding the two lease-up phase development properties, the remainder of the property portfolio was 95.3% leased.

During the first quarter of 2001, the Company continued the development of Washington Square at Old Town, a new Class A mixed-used office/retail complex along North Washington Street in historic Old Town Alexandria in Northern Virginia. The project will provide 235,000 square feet of leasable area and is well located on a two-acre site along Alexandria's main street. The project consists of two identical buildings separated by a landscaped brick courtyard. Base building construction is substantially completed. Work continues on the building tenants' fixturing and interior areas. The 45,000 square feet of street level retail space is 89% leased and 48% of the 190,000 of office space is leased.

The Company is completing the development of Ashburn Village III, consisting of an 18,000 square foot in-line expansion to the retail area of the existing Ashburn Village shopping center located in Loudoun County, Virginia. Ashburn III will also include several free standing pad sites. Construction was substantially completed in May 2001 and tenants are expected to commence operations during July 2001.

Looking into the balance of 2001, these development properties should enhance the cash flow growth of our core portfolio of office and shopping center properties.

For the Board

B. Francis Saul II
Chairman of the Board

May 31, 2001

Corporate Profile

Saul Centers, Inc. is a self-managed, self-administered equity real estate investment trust headquartered in Chevy Chase, Maryland. Saul Centers currently operates and manages a real estate portfolio of 33 community and neighborhood shopping center and office properties totaling approximately 6.1 million square feet of leasable area. Over 80% of our cash flow is generated from properties in the metropolitan Washington, D.C./Baltimore area.

Saul Centers' primary operating strategy is to focus on continuing its program of internal growth, renovations, and expansions of community and neighborhood shopping centers, which primarily service the day-to-day necessities and services sub-sector of the overall retail market. The Company plans to supplement its growth through effective development of new office and retail properties and acquisitions of operating properties as appropriate opportunities arise.

Consolidated
STATEMENTS OF OPERATIONS

(UNAUDITED)

(Dollars in thousands, except per share amounts)	For the Three Months Ended March 31, 2001	2000
Revenue		
Base rent	$ 17,285	$ 15,647
Expense recoveries	2,800	2,822
Percentage rent	612	588
Other	539	350
Total revenue	21,236	19,407
Operating expenses		
Property operating expenses	2,200	2,256
Provision for credit losses	145	121
Real estate taxes	1,797	1,641
Interest expense	6,351	5,788
Amortization of deferred debt expense	137	103
Depreciation and amortization	3,581	3,047
General and administrative	974	918
Total operating expenses	15,185	13,874
Net income before minority interests	6,051	5,533
Minority interests		
Minority share of income	(1,634)	(1,538)
Distributions in excess of earnings	(383)	(479)
Total minority interests	(2,017)	(2,017)
Net income	$ 4,034	$ 3,516
Per share (basic and dilutive)		
Net income (a)	$ 0.29	$ 0.26
Funds from operations (b)	$ 0.50	$ 0.46

(a) Based upon weighted average common shares outstanding of 13,955,398 and 13,424,324 for the three months ended March 31, 2001 and 2000, respectively.

(b) Assumes conversion of operating partnership units, combined with weighted average common shares outstanding, for a total of 19,127,639 and 18,596,565 shares for the three months ended March 31, 2001 and 2000, respectively.

Consolidated
BALANCE SHEETS
(UNAUDITED)

(Dollars in thousands)	March 31, 2001	December 31, 2000
Assets		
Real estate investments		
Land	$ 66,276	$ 66,252
Buildings and equipment	329,878	325,609
	396,154	391,861
Accumulated depreciation	(127,341)	(124,180)
	268,813	267,681
Construction in progress	44,011	41,148
Cash and cash equivalents	4,347	1,772
Accounts receivable and accrued income, net	6,313	9,540
Prepaid expenses	10,693	9,485
Deferred debt costs, net	2,917	3,054
Other assets	2,748	1,770
Total assets	$ 339,842	$ 334,450
Liabilities		
Notes payable	$ 347,970	$ 343,453
Accounts payable, accrued expenses and other liabilities	19,313	19,592
Deferred income	2,955	2,560
Total liabilities	370,238	365,605
Minority interests	--	--
Stockholders' equity (deficit)		
Common stock, $0.01 par value, 30,000,000 shares authorized, 13,997,948 and 13,869,535 shares issued and outstanding, respectively	140	139
Additional paid-in capital	54,778	52,594
Accumulated deficit	(85,314)	(83,888)
Total stockholders' equity (deficit)	(30,396)	(31,155)
Total liabilities and stockholders' equity (deficit)	$ 339,842	$ 334,450