

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

FOR QUARTER ENDED **March 31, 2002**

COMMISSION FILE NUMBER 1-12254

SAUL CENTERS, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

52-1833074

(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

Number of shares of common stock, par value \$0.01 per share
outstanding as of May 10, 2002: 14,829,767

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 X

NO

SAUL CENTERS, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements reflect all adjustments necessary for the fair presentation of the financial position and results of operations of Saul Centers, Inc. 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 Saul Centers, Inc. for the year ended December 31, 2001, which are included in its Annual Report on Form 10-K. The results of operations for interim periods are not necessarily indicative of results to be expected for the year.

Saul Centers, Inc.

CONSOLIDATED BALANCE SHEETS (Unaudited)

<i>(Dollars in thousands)</i>	March 31, 2002	December 31, 2001
Assets		
Real estate investments		
Land	\$ 73,024	\$ 67,710
Buildings and equipment	387,057	385,936
	<u>460,081</u>	<u>453,646</u>
Accumulated depreciation	(140,500)	(136,928)
	319,581	316,718
Construction in progress	2,041	1,163
Cash and cash equivalents	2,645	1,805
Accounts receivable and accrued income, net	9,323	9,217
Prepaid expenses	12,549	12,514
Deferred debt costs, net	3,509	3,563
Other assets	2,619	1,423
Total assets	<u>\$ 352,267</u>	<u>\$ 346,403</u>
Liabilities		
Notes payable	\$ 354,698	\$ 351,820
Accounts payable, accrued expenses and other liabilities	15,104	14,697
Deferred income	2,531	4,009
Total liabilities	<u>372,333</u>	<u>370,526</u>
Minority interests		
	<u>--</u>	<u>--</u>
Stockholders' equity (deficit)		
Common stock, \$0.01 par value, 30,000,000 shares authorized, 14,705,629 and 14,535,803 shares issued and outstanding, respectively	147	145
Additional paid-in capital	68,020	64,564
Accumulated deficit	(88,233)	(88,832)
Total stockholders' equity (deficit)	<u>(20,066)</u>	<u>(24,123)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 352,267</u>	<u>\$ 346,403</u>

The accompanying notes are an integral part of these statements.

Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	For the Three Months Ended March 31,	
<i>(Dollars in thousands, except per share amounts)</i>	2002	2001
Revenue		
Base rent	\$ 18,353	\$ 17,285
Expense recoveries	3,105	2,800
Percentage rent	549	612
Other	1,184	539
Total revenue	<u>23,191</u>	<u>21,236</u>
Operating expenses		
Property operating expenses	2,359	2,200
Provision for credit losses	155	145
Real estate taxes	1,998	1,797
Interest expense	6,259	6,351
Amortization of deferred debt expense	163	137
Depreciation and amortization	4,122	3,581
General and administrative	1,209	974
Total operating expenses	<u>16,265</u>	<u>15,185</u>
Operating income	6,926	6,051
Non-operating item		
Gain on sale of property	1,426	--
Net income before minority interests	<u>8,352</u>	<u>6,051</u>
Minority interests		
Minority share of income	(2,017)	(1,634)
Distributions in excess of earnings	--	(383)
Total minority interests	<u>(2,017)</u>	<u>(2,017)</u>
Net income	<u>\$ 6,335</u>	<u>\$ 4,034</u>
Per share (basic and dilutive)		
Net income before minority interests	<u>\$ 0.42</u>	<u>\$ 0.32</u>
Net income	<u>\$ 0.43</u>	<u>\$ 0.29</u>

The accompanying notes are an integral part of these statements.

Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) (Unaudited)

<i>(Dollars in thousands, except per share amo</i>	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Stockholders' equity (deficit):				
Balance, December 31, 1999	\$ 133	\$ 44,616	\$ (76,608)	\$ (31,859)
Issuance of 535,390 shares of common stock	6	7,978	--	7,984
Net income	--	--	14,045	14,045
Distributions (\$1.17 per share)	--	--	(15,915)	(15,915)
Distributions payable (\$.39 per share)	--	--	(5,410)	(5,410)
Balance, December 31, 2000	139	52,594	(83,888)	(31,155)
Issuance of 666,268 shares of common stock	6	11,970	--	11,976
Net income	--	--	17,314	17,314
Distributions (\$1.17 per share)	--	--	(16,588)	(16,588)
Distributions payable (\$.39 per share)	--	--	(5,670)	(5,670)
Balance, December 31, 2001	145	64,564	(88,832)	(24,123)
Issuance of 169,826 shares of common stock	2	3,456	--	3,458
Net income	--	--	6,335	6,335
Distributions payable (\$.39 per share)	--	--	(5,736)	(5,736)
Balance, March 31, 2002	<u>\$ 147</u>	<u>\$ 68,020</u>	<u>\$ (88,233)</u>	<u>\$ (20,066)</u>

The accompanying notes are an integral part of these statements.

Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

<i>(Dollars in thousands)</i>	For the Three Months Ended March 31,	
	2002	2001
Cash flows from operating activities:		
Net income	\$ 6,335	\$ 4,034
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	2,017	2,017
Depreciation and amortization	4,285	3,718
Provision for credit losses	155	145
(Increase) decrease in accounts receivable	(261)	3,082
Increase in prepaid expenses	(585)	(1,628)
Increase in other assets	(1,196)	(978)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	407	(279)
(Decrease) increase in deferred income	(1,478)	395
Other	(72)	--
Net cash provided by operating activities	<u>9,607</u>	<u>10,506</u>
Cash flows from investing activities:		
Additions to real estate investments	(6,435)	(4,293)
Additions to construction in progress	(878)	(2,863)
Net cash used in investing activities	<u>(7,313)</u>	<u>(7,156)</u>
Cash flows from financing activities:		
Proceeds from notes payable	10,500	10,552
Repayments on notes payable	(7,622)	(6,035)
Additions to deferred debt expense	(37)	--
Proceeds from the issuance of common stock and convertible limited partnership units in the Operating Partnership	3,458	2,185
Distributions to common stockholders and holders of convertible limited partnership units in the Operating Partnership	(7,753)	(7,477)
Net cash used in financing activities	<u>(1,454)</u>	<u>(775)</u>
Net increase in cash and cash equivalents	840	2,575
Cash and cash equivalents, beginning of period	1,805	1,772
Cash and cash equivalents, end of period	<u>\$ 2,645</u>	<u>\$ 4,347</u>

The accompanying notes are an integral part of these statements.

Saul Centers, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Organization, Formation and Structure

Organization

Saul Centers, Inc. ("Saul Centers") was incorporated under the Maryland General Corporation Law on June 10, 1993. Saul Centers operates as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Saul Centers generally will not be subject to federal income tax, provided it annually distributes at least 90% of its REIT taxable income to its stockholders and meets 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 and Chief Executive Officer of Saul Centers.

Saul Centers was formed to continue and expand the shopping center business previously owned and conducted by the B.F. Saul Real Estate Investment Trust, the B.F. Saul Company, Chevy Chase Bank, F.S.B. and certain other affiliated entities (collectively, "The Saul Organization"). On August 26, 1993, The Saul Organization transferred to Saul Holdings Limited Partnership, a newly formed Maryland limited partnership (the "Operating Partnership"), and two newly formed subsidiary limited partnerships (the "Subsidiary Partnerships", and collectively with the Operating Partnership, the "Partnerships"), shopping center and office properties, and the management functions related to the transferred properties. Since its formation, the Company has purchased and developed additional properties. The Company is currently developing Ashburn Village IV, an in-line retail and retail pad expansion to the Ashburn Village shopping center. The Company recently completed development of Ashburn Village III, Washington Square at Old Town and Crosstown Business Center. As of March 31, 2002, the Company's properties (the "Current Portfolio Properties") consisted of 27 operating shopping center properties and Ashburn Village IV (the "Shopping Centers") and 5 predominantly office operating properties (the "Office Properties").

To facilitate the placement of collateralized mortgage debt, the Company established Saul QRS, Inc. a wholly owned subsidiary of Saul Centers. Saul QRS, Inc. was created to succeed to the interest of Saul Centers as the sole general partner of Saul Subsidiary I Limited Partnership. The remaining limited partnership interests in Saul Subsidiary I Limited Partnership and Saul Subsidiary II Limited Partnership are held by the Operating Partnership as the sole limited partner. Through this structure, the Company owns 100% of the Current Portfolio Properties.

2. Summary of Significant Accounting Policies

Nature of Operations

The Company, which conducts all of its activities through its subsidiaries, the Operating Partnership and Subsidiary Partnerships, engages in the ownership, operation, management,

Saul Centers, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

leasing, acquisition, renovation, expansion, development and financing of community and neighborhood shopping centers and office properties, primarily in the Washington DC/Baltimore metropolitan area. The Company's long-term objectives are to increase cash flow from operations and to maximize capital appreciation of its real estate.

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 several major tenants. Seventeen of the Shopping Centers are anchored by a grocery store and offer primarily day-to-day necessities and services. As of December 31, 2001, no single Shopping Center accounted for more than 11.5% of the total Shopping Center gross leasable area. Only one retail tenant, Giant Food, at 6.2%, accounted for more than 2.1% of the Company's 2001 total revenues. No office tenant other than the United States Government, at 9.7%, accounted for more than 1.1% of 2001 total revenues.

Principles of Consolidation

The accompanying consolidated financial statements of the Company include the accounts of Saul Centers, its subsidiaries, and the Operating Partnership and Subsidiary Partnerships which are majority owned by Saul Centers. All significant intercompany balances and transactions have been eliminated in consolidation.

Real Estate Investment Properties

These financial statements are prepared in conformity with generally accepted accounting principles, and accordingly, do not report the current value of the Company's real estate assets. Real estate investment properties are stated at the lower of depreciated cost or fair value less cost to sell. Management believes that these assets have generally appreciated in value 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 these financial statements. Real estate investment properties are reviewed for potential impairment losses whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of an individual property's undiscounted expected future cash flows is less than its carrying amount, the Company's policy is to recognize an impairment loss measured by the amount the depreciated cost of the property exceeds its fair value. Fair value is calculated as the present value of expected future cash flows.

Interest, real estate taxes and other carrying costs are capitalized on projects under development and construction. Interest expense capitalized during the three month periods ended March 31, 2002 and 2001, was \$34,000 and \$506,000, respectively. Once construction is substantially completed and the assets are placed in service, their rental income, direct operating expenses and depreciation are included in current operations. Expenditures for repairs and maintenance are charged to operations as incurred.

Saul Centers, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

A project is considered substantially complete and available for occupancy upon completion of tenant improvements, but no later than one year from the cessation of major construction activity. Substantially completed portions of a project are accounted for as separate projects. Depreciation is calculated using the straight-line method and estimated useful lives of 33 to 50 years for buildings and up to 20 years for certain other improvements. Leasehold improvements are amortized over the lives of the related leases using the straight-line method.

Accounts Receivable and Accrued Income

Accounts receivable primarily represent amounts currently due from tenants in accordance with the terms of the respective leases. In addition, at March 31, 2002 and December 31, 2001, accounts receivable included \$4,936,000 and \$4,675,000, respectively, of minimum rental income accrued on a straight-line basis to be paid by tenants over the terms of the respective leases. Receivables are reviewed monthly and reserves are established when, in the opinion of management, collection of the receivable is doubtful. Accounts receivable in the accompanying financial statements are shown net of an allowance for doubtful accounts of \$652,000 and \$559,000, at March 31, 2002 and December 31, 2001, respectively.

Deferred Debt Costs

Deferred debt costs consist of financing fees and costs incurred to obtain long-term financing. These fees and costs are being amortized over the terms of the respective loans or agreements. Deferred debt costs in the accompanying financial statements are shown net of accumulated amortization of \$2,059,000 and \$1,968,000, at March 31, 2002 and December 31, 2001, respectively.

Revenue Recognition

Rental and interest income is accrued as earned except when doubt exists as to collectibility, in which case the accrual is discontinued. When rental payments due under leases vary from a straight-line basis because of free rent periods or stepped increases, income is recognized on a straight-line basis in accordance with generally accepted accounting principles. Expense recoveries represent a portion of property operating expenses billed to the tenants, including common area maintenance, real estate taxes and other recoverable costs. Expense recoveries are recognized in the period when the expenses are incurred. Rental income based on a tenant's revenues ("percentage rent") is accrued when a tenant reports sales that exceed a specified breakpoint.

Saul Centers, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

Income Taxes

The Company made an election to be treated, and intends to continue operating so as to qualify as a REIT under the Code, commencing with its taxable year ended December 31, 1993. A REIT generally will not be subject to federal income taxation on that portion of its income that qualifies as REIT taxable income to the extent that it distributes at least 90% of its REIT taxable income to stockholders and complies with certain other requirements. Therefore, no provision has been made for federal income taxes in the accompanying consolidated financial statements.

Per Share Data

Per share data is calculated in accordance with SFAS No. 128, "Earnings Per Share." Employee stock options are the Company's only dilutive securities. Five executive officers have been granted 180,000 unexercised stock options. The options became dilutive during the quarter ended March 31, 2002, because the \$21.68 average share price of the Company's common stock exceeded the \$20.00 exercise price. The options were not dilutive during the prior year's quarter. The treasury share method was used to value the effect of the dilution. Net income before minority interests is presented on a fully converted basis, as if the limited partners had exercised their right to convert their partnership ownership into shares of Saul Centers. Per share data for net income (after minority interests) is computed using weighted average shares of common stock.

Weighted Average Shares Outstanding

	Quarter ended March 31,	
	<u>2002</u>	<u>2001</u>
<u>Basic</u>		
Common Stock	14,649,241	13,955,398
Fully Converted	19,821,482	19,127,639
<u>Fully Diluted</u>		
Common Stock	14,663,189	13,955,398
Fully Converted	19,835,430	19,127,639

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications have no impact on operating results previously reported.

Minority Interests - Holders of Convertible Limited Partner Units in the Operating Partnership

The Saul Organization has a 26.0% limited partnership interest, represented by 5,172,241 convertible limited partnership units in the Operating Partnership, as of March 31, 2002. These

Saul Centers, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

Convertible Limited Partnership Units are convertible into shares of Saul Centers' common stock on a one-for-one basis. The impact of The Saul Organization's 26.0% limited partnership interest in the Operating Partnership is reflected as minority interests in the accompanying consolidated financial statements.

Deferred Compensation and Stock Plan for Directors

Saul Centers has established a Deferred Compensation and Stock Plan for Directors (the "Plan") for the benefit of its directors and their beneficiaries. A director may elect to defer all or part of his or her director's fees and has the option to have the fees paid in cash, in shares of common stock or in a combination of cash and shares of common stock upon termination from the Board. If the director elects to have fees paid in stock, the number of shares allocated to the director is determined by the market price of the common stock on the day the fee is earned. As of March 31, 2002, 170,000 shares were authorized and registered for use under the Plan, and 116,000 shares had been credited to the directors' deferred fee accounts.

Beginning in 1999, pursuant to the Plan, 100 shares of the Company's common stock are awarded annually as additional compensation to each director serving on the Board of Directors as of the record date for the Annual Meeting of Stockholders. The shares are issued on the date of the Annual Meeting, their issuance may not be deferred and transfer of the shares is restricted for a period of twelve months following the date of issue.

3. Construction In Progress

Construction in progress includes the costs of active development projects and other predevelopment project costs. Development costs include direct construction costs and indirect costs such as architectural, engineering, construction management and carrying costs consisting of interest, real estate taxes and insurance. Construction in progress balances as of March 31, 2002 and December 31, 2001 are as follows:

<u>Construction in Progress</u> <i>(In thousands)</i>	March 31, <u>2002</u>	December 31, <u>2001</u>
Ashburn Village IV.....	<u>\$ 2,041</u>	<u>\$ 1,163</u>

4. Notes Payable

Notes payable totaled \$354,698,000 at March 31, 2002, of which \$291,856,000 (82.3%) was fixed rate debt and \$62,842,000 (17.7%) was floating rate debt. At March 31, 2002, the Company had a \$70,000,000 unsecured revolving credit facility with outstanding borrowings of

Saul Centers, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

\$24,500,000 and additional borrowing availability of \$45,500,000. The facility requires monthly interest payments at a rate of LIBOR plus a spread of 1.625% to 1.875% (determined by certain debt service coverage and leverage tests) or upon the bank's reference rate at the Company's option. The facility matures July 2003. The Company also had borrowed \$38,342,000 of a \$42,000,000 construction loan secured by Washington Square at March 31, 2002. The facility requires monthly interest payments at a rate of LIBOR plus 1.7%.

Notes payable totaled \$351,820,000 at December 31, 2001, of which \$293,478,000 (83.4%), was fixed rate debt and \$58,342,000 (16.6%) was floating rate debt. Outstanding borrowings on the \$70,000,000 unsecured revolving credit facility were \$20,000,000 at December 31, 2001, with additional borrowing availability of \$50,000,000.

At March 31, 2002, the scheduled maturities of all debt for years ending December 31, were as follows:

Debt Maturity Schedule

(In thousands)

April 1 through December 31, 2002.....	\$ 4,877
2003.....	69,880
2004.....	16,876
2005.....	7,970
2006.....	8,635
2007.....	9,357
Thereafter.....	<u>237,103</u>
Total.....	<u>\$354,698</u>

5. Stockholders' Equity (Deficit) and Minority Interests

The accompanying consolidated financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, do not report the current value of the Company's real estate assets. The Stockholders' Equity (Deficit) reported on the Consolidated Balance Sheets does not reflect any increase in the value resulting from the difference between the current value and the net book value of the Company's assets. Therefore, Stockholders' Equity (Deficit) reported on the Consolidated Balance Sheets does not reflect the market value of stockholders' investment in the Company.

The Consolidated Statement of Operations for the three months ended March 31, 2002 includes a charge for minority interests of \$2,017,000, all of which is The Saul Organization's share of net income for such quarter. The charge for the three months ended March 31, 2001 of \$2,017,000 consists of \$1,634,000 related to The Saul Organization's share of net income for such quarter, and \$383,000 related to distributions to minority interests in excess of allocated net income for that period.

Saul Centers, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

6. Business Segments

The Company has two reportable business segments: Shopping Centers and Office Properties. The accounting policies for the segments presented below are the same as those described in the summary of significant accounting policies (see Note 2). The Company evaluates performance based upon net operating income for properties in each segment.

<i>(Dollars in thousands)</i>	<u>Shopping Centers</u>	<u>Office Properties</u>	<u>Corporate and Other</u>	<u>Consolidated Totals</u>
Quarter ended March 31, 2002				
Real estate rental operations:				
Revenues.....	\$ 15,518	\$ 7,659	\$ 14	\$ 23,191
Expenses.....	<u>(2,530)</u>	<u>(1,982)</u>	<u>--</u>	<u>(4,512)</u>
Income from real estate.....	12,988	5,677	14	18,679
Interest expense & amortization of debt expense.....	--	--	(6,422)	(6,422)
General and administrative.....	<u>--</u>	<u>--</u>	<u>(1,209)</u>	<u>(1,209)</u>
Subtotal.....	12,988	5,677	(7,617)	11,048
Depreciation and amortization.....	(2,513)	(1,609)	--	(4,122)
Gain on Sale of Property.....	1,426	--	--	1,426
Minority interests.....	<u>--</u>	<u>--</u>	<u>(2,017)</u>	<u>(2,017)</u>
Net income.....	<u>\$ 11,901</u>	<u>\$ 4,068</u>	<u>\$ (9,634)</u>	<u>\$ 6,335</u>
Capital investment.....	<u>\$ 6,728</u>	<u>585</u>	<u>--</u>	<u>\$ 7,313</u>
Total assets.....	<u>\$ 197,894</u>	<u>123,728</u>	<u>30,645</u>	<u>\$ 352,267</u>
Quarter ended March 31, 2001				
Real estate rental operations:				
Revenues.....	\$ 14,569	\$ 6,621	\$ 46	\$ 21,236
Expenses.....	<u>(2,643)</u>	<u>(1,499)</u>	<u>--</u>	<u>(4,142)</u>
Income from real estate.....	11,926	5,122	46	17,094
Interest expense & amortization of debt expense.....	--	--	(6,488)	(6,488)
General and administrative.....	<u>--</u>	<u>--</u>	<u>(974)</u>	<u>(974)</u>
Subtotal.....	11,926	5,122	(7,416)	9,632
Depreciation and amortization.....	(2,447)	(1,134)	--	(3,581)
Minority interests.....	<u>--</u>	<u>--</u>	<u>(2,017)</u>	<u>(2,017)</u>
Net income.....	<u>\$ 9,479</u>	<u>\$ 3,988</u>	<u>\$ (9,433)</u>	<u>\$ 4,034</u>
Capital investment.....	<u>\$ 2,063</u>	<u>\$ 5,093</u>	<u>--</u>	<u>\$ 7,156</u>
Total assets.....	<u>\$ 193,203</u>	<u>\$ 119,489</u>	<u>\$ 27,150</u>	<u>\$ 339,842</u>

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. 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. This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are generally characterized by terms such as “believe”, “expect” and “may”.

Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, the Company’s actual results could differ materially from those given in the forward-looking statements as a result of changes in factors which include among others, the following: general economic and business conditions, which will, among other things, affect demand for retail and office space; demand for retail goods; availability and credit worthiness of the prospective tenants; lease rents and the terms and availability of financing; adverse changes in the real estate markets including, among other things, competition with other companies and technology, risks of real estate development and acquisition, governmental actions and initiatives, debt refinancing risk, conflicts of interests, maintenance of REIT status and environmental/safety requirements.

General

The following discussion is based primarily on the consolidated financial statements of the Company, as of March 31, 2002 and for the three month period ended March 31, 2002.

Critical Accounting Policies

The Company’s accounting policies are in conformity with generally accepted accounting principles in the United States (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the Company’s financial statements and the reported amounts of revenue and expenses during the reporting periods. 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. Below is a discussion of accounting policies which the Company considers critical in that they may require judgment in their application or require estimates about matters which are inherently uncertain. Additional discussion of accounting policies which the Company considers significant, including further discussion of the critical accounting policies described below, can be found in the accompanying notes in “Item 1. Financial Statements” of this report.

Valuation of Real Estate Investments

Real estate investment properties are stated at historic cost basis less depreciation. Management believes that these assets have generally appreciated in value 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 these financial statements. Because these financial statements are prepared in conformity with accounting principles generally accepted in the United States, they do not report the current value of the Company's real estate assets.

If there is an event or change in circumstance that indicates an impairment in the value of a real estate investment property, the Company assesses an impairment in value by making a comparison of the current and projected operating cash flows of the property over its remaining useful life, on an undiscounted basis, to the carrying amount of that property. If such carrying amount is greater than the estimated projected cash flows, the Company would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to its estimated fair market value.

Interest, real estate taxes and other carrying costs are capitalized on projects under construction. Once construction is substantially complete and the assets are placed in service, rental income, direct operating expenses, and depreciation associated with such properties are included in current operations.

In the initial rental operations of development projects, a project is considered substantially complete and available for occupancy upon completion of tenant improvements, but no later than one year from the cessation of major construction activity. Substantially completed portions of a project are accounted for as separate projects. Depreciation is calculated using the straight-line method and estimated useful lives of 33 to 50 years for buildings and up to 20 years for certain other improvements. Leasehold improvements are amortized over the lives of the related leases using the straight-line method.

Lease Acquisition Costs

Certain initial direct costs incurred by the Company in negotiating and consummating a successful lease are capitalized and amortized over the initial base term of the lease. Capitalized leasing costs consists of commissions paid to third party leasing agents as well as internal direct costs such as employee compensation and payroll related fringe benefits directly related to time spent performing leasing related activities. Such activities include evaluating the prospective tenant's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating lease terms, preparing lease documents and closing the transaction.

Revenue Recognition

Rental and interest income is accrued as earned except when doubt exists as to collectibility, in which case the accrual is discontinued. When rental payments due under

leases vary from a straight-line basis because of free rent periods or scheduled rent increases, income is recognized on a straight-line basis throughout the initial term of the lease. Expense recoveries represent a portion of property operating expenses billed to the tenants, including common area maintenance, real estate taxes and other recoverable costs. Expense recoveries are recognized in the period when the expenses are incurred. Rental income based on a tenant's revenues, known as percentage rent, is accrued when a tenant reports sales that exceed a specified breakpoint.

Legal Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, the Company believes the final outcome of such matters will not have a material adverse effect on the financial position or the results of operations. Once it has been determined 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.

Liquidity and Capital Resources

Cash and cash equivalents were \$2.6 million and \$4.3 million at March 31, 2002 and 2001, respectively. The Company's cash flow is affected by its operating, investing and financing activities, as described below.

Operating Activities

Cash provided by operating activities for the quarters ended March 31, 2002 and 2001 was \$9.6 million and \$10.5 million, respectively, and represents, in each year, cash received primarily from rental income, plus other income, less normal recurring general and administrative expenses and interest payments on debt outstanding.

Investing Activities

Cash used in investing activities for the quarters ended March 31, 2002 and 2001 was \$7.3 million and \$7.2 million, respectively, and primarily reflects the acquisition of properties and construction in progress, net of sales of properties, during those quarters.

Financing Activities

Cash used in financing activities for the quarters ended March 31, 2002 and 2001 was \$1.5 million and \$0.8 million, respectively. Cash used in financing activities for the quarter ended March 31, 2002 primarily reflects:

- \$10.5 million of proceeds received from notes payable during the quarter; and

- \$3.5 million of proceeds received from the issuance of common stock and convertible limited partnership units in the Operating Partnership by dividend reinvestment programs;

which was partially offset by:

- the repayment of borrowings on our notes payable totaling \$7.6 million; and
- distributions made to common stockholders and holders of convertible limited partnership units in the Operating Partnership during the year totaling \$7.8 million.

Cash used by financing activities for the quarter ended March 31, 2001 primarily reflects:

- \$10.5 million of proceeds received from notes payable incurred during the year; and
- \$2.2 million of proceeds received from the issuance of common stock and convertible limited partnership units in the Operating Partnership by dividend reinvestment programs.

which was partially offset by:

- the repayment of borrowings on our notes payable totaling \$6.0 million;
- distributions made to common stockholders and holders of convertible limited partnership units in the Operating Partnership during the quarter totaling \$7.5 million.

The Company's principal demands for liquidity are expected to be distributions to its stockholders, debt service and loan repayments, 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% (95% for the tax years prior to January 1, 2001) of its "real estate investment trust taxable income," as defined in the Code. The Company anticipates that operating revenues will provide the funds necessary for operations, debt service, distributions, and required recurring capital expenditures. Balloon principal repayments are expected to be funded by refinancings.

Management anticipates that during the coming year the Company may: i) redevelop certain of the Shopping Centers, ii) develop additional freestanding outparcels or expansions within certain of the Shopping Centers, iii) acquire existing neighborhood and community shopping centers and/or office properties, and iv) develop new shopping center or office sites. 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 expects to fulfill its long range requirements for capital resources in a variety of ways, including undistributed cash flow from operations, secured or unsecured bank and institutional borrowings, private or public offerings of debt or equity securities and proceeds from the sales of properties. 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.

As of March 31, 2002, the scheduled maturities of all debt for years ended December 31, are as follows:

Debt Maturity Schedule

(In thousands)

April 1 through December 31, 2002.....	\$ 4,877
2003.....	69,880
2004.....	16,876
2005.....	7,970
2006.....	8,635
2007.....	9,357
Thereafter.....	<u>237,103</u>
Total.....	<u>\$354,698</u>

Management believes that the Company's current capital resources, including approximately \$45,500,000 of the Company's revolving line of credit, which was available for borrowing as of March 31, 2002, will be sufficient to meet its liquidity needs for the foreseeable future.

Dividend Reinvestment and Stock Purchase Plan

In December 1995, the Company established a Dividend Reinvestment and Stock Purchase Plan (the "Plan"), to allow its 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 Plan 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 Plan are paid by the Company. The Company issued 165,390 and 123,561 shares under the Plan at discounted prices of \$20.39 per share and \$17.07 per share, during the quarters ended March 31, 2002 and 2001, respectively.

Capital Strategy and Financing Activity

The Company's capital strategy is to maintain a ratio of 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. Management believes that current total debt remains less than 50% of total asset value.

Management believes that the Company's current capital resources, which include the Company's credit line of which \$46,500,000 was available for borrowing as of May 10, 2002, will be sufficient to meet its liquidity needs for the foreseeable future. At May 10, 2002, the Company has fixed interest rates on approximately 82.5% of its total debt outstanding. The fixed rate debt has a weighted average remaining term of approximately 10 years.

Funds From Operations

For the first quarter of 2002, the Company reported Funds From Operations ("FFO") of \$11,048,000. This represents a 14.7% increase over the comparable 2001 period's FFO of \$9,632,000. FFO is presented on a fully converted basis and as a widely accepted measure of operating performance for REITs is defined as net income before extraordinary items, gains and losses on property sales and before real estate depreciation and amortization. The following table represents a reconciliation from net income before minority interests to FFO:

Funds From Operations Schedule

(Amounts in thousands)

	<u>For the Three Months Ended March 31,</u>	
	<u>2002</u>	<u>2001</u>
Net income before minority interests.....	\$ 8,352	\$ 6,051
Subtract:		
Gain on Sale of Property	-1,426	--
Add:		
Depreciation and amortization of real property.....	<u>4,122</u>	<u>3,581</u>
Funds From Operations	<u>\$ 11,048</u>	<u>\$ 9,632</u>
Average Shares and Units Used to Compute FFO per Share..	<u>19,835</u>	<u>19,128</u>

FFO, as defined by the National Association of Real Estate Investment Trusts, presented on a fully converted basis and a widely accepted measure of operating performance for real estate investment trusts, is defined as net income before gains or losses from property sales, extraordinary items, and before real estate depreciation and amortization. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs, which is disclosed in the 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, 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 supplemental measure of operating performance and along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. FFO may not be comparable to similarly titled measures employed by other REITs.

Redevelopment, Renovations and Acquisitions

The Company has been selectively involved in redevelopment, renovation and acquisition activities. It continues to evaluate land parcels for retail and office development and potential acquisitions of operating properties for opportunities to enhance operating income and cash flow growth. The Company also continues to take advantage of redevelopment, renovation and expansion opportunities within the portfolio, as demonstrated by its activities in 2001 at Washington Square, Ashburn Village, French Market and Crosstown Business Center.

During 2001, the Company continued the development of Washington Square at Old Town, a new Class A mixed-use office/retail complex along North Washington Street in historic Old Town Alexandria in Northern Virginia. The project totals 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 has been completed. The build-out of office tenant areas continues. As of May 10, 2002, the Company has signed leases on 75% of the 235,000 square feet of tenant space: the 46,000 square feet of street level retail space is 98% leased and the 189,000 square feet of office space is 70% leased.

During late 1999, the Company purchased land located within the 1,580 acre community of Ashburn Village in Loudoun County, Virginia, adjacent to its 108,000 square foot Ashburn Village neighborhood shopping center. The land was developed into Ashburn Village II, a 40,200 square foot in-line and pad expansion to the existing shopping center, containing 23,600 square feet of retail space and 16,600 square feet of professional office suites. Ashburn Village II commenced operations during the third quarter of 2000. In August 2000, the Company purchased an additional 7.1 acres of land adjacent to Ashburn Village II for \$1,579,000. During 2001, the Company completed the development of 4.0 acres of the land known as Ashburn Village III, consisting of a fully leased 28,000 square foot in-line and pad expansion to the retail area of the existing shopping center. The Company commenced construction on the remaining 3.1 acres known as Ashburn Village IV, during the fourth quarter of 2001. This phase will consist of an additional 25,000 square feet of retail space and two pad sites and will complete the development of Ashburn Village. Leases have been signed for 29% of this new shop space. Completion is scheduled for the summer of 2002.

Beginning in 1998, the Company executed a plan to redevelop its 213,000 square foot French Market shopping center, located in the northwest section of Oklahoma City, Oklahoma. The plan specified the retenanting of a 103,000 square foot anchor tenant space and conversion of an outdated mini-mall to an anchor tenant use. The former Venture store space was re-

demised and leased to Bed Bath and Beyond, Staples, Famous Footwear, BridesMart and Lakeshore Learning. The former enclosed mini-mall was leased to Burlington Coat Factory and during 2000, converted into a two-level 90,000 square foot super store, increasing the center's size to 247,000 square feet. The façade of the center was updated to complement the addition of the new tenants. The Company has recently completed construction of the final phase of the center's redevelopment after it obtained control of 20,000 square feet of space formerly operated as a grocery store. The Company re-demised the space to accommodate nine smaller tenant uses and updated the façade to complement the remainder of the center. As a result of the Company's efforts, approximately 94% of the center was leased as of March 31, 2002.

The conversion and redevelopment of the former Tulsa, Oklahoma shopping center to an office/warehouse facility named Crosstown Business Center continued throughout 2001, with substantial completion during the first quarter of 2002. Twelve tenants lease 91% of the facility as of March 31, 2002.

In April 2002, the Company purchased 24 acres of undeveloped land in the Broadlands section of the Dulles Technology Corridor. The site is located adjacent to the Claiborne Parkway exit (Exit 5) of the Dulles Greenway, in Loudoun County, Virginia. The Dulles Greenway is the "gateway to Loudoun County," a 14-mile extension of the Dulles Toll Road, connecting Washington Dulles International Airport with historic Leesburg, Virginia. Broadlands is a 1,500 acre planned community consisting of 3,500 residences, approximately half of which are constructed and currently occupied. The land is zoned to accommodate approximately 225,000 square feet of neighborhood and community retail development. The Company is in the process of negotiating leases and is moving forward to obtain site plan approvals from Loudoun County.

Portfolio Leasing Status

At March 31, 2002, the portfolio consisted of 28 Shopping Centers and 5 predominantly Office Properties, all of which are located in 7 states and the District of Columbia.

At March 31, 2002, 94.2% of the Company's 6,200,000 square feet of space was leased to tenants, as compared to 92.9% at March 31, 2001. The shopping center portfolio was 94.6% leased at March 31, 2002 compared to 94.9% at March 31, 2001. The Office Properties were 92.5% leased at March 31, 2002 compared to 85.1% as of March 31, 2001. The overall improvement in the 2002 quarter's leasing percentage compared to the prior year's quarter resulted primarily from the lease-up of Crosstown Business Center from 68.4% to 91.4%, and Washington Square from 54.8% to 74.6%, at March 31, 2001 and March 31, 2002, respectively.

Results of Operations

The following discussion compares the results of the Company for the three-month periods ended March 31, 2002 and 2001, respectively. This information should be read in conjunction with the accompanying consolidated financial statements and the notes related thereto. These financial statements include all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the interim periods presented.

Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001

Revenues for the three-month period ended March 31, 2002 (the "2002 Quarter"), totaled \$23,191,000 compared to \$21,236,000 for the comparable quarter in 2001 (the "2001 Quarter"), an increase of \$1,955,000 (9.2%).

Base rent income was \$18,353,000 for the 2002 Quarter, compared to \$17,285,000 for the 2001 Quarter, representing an increase of \$1,068,000 (6.2%). Approximately 55% of the increase in base rent resulted from new leases in effect at recently developed and redeveloped properties: Washington Square, Ashburn Village III, Crosstown Business Center and French Market. The balance of the base rent increase resulted from releasing property space in the remaining Current Portfolio Properties, at rental rates higher than expiring rents.

Expense recoveries were \$3,105,000 for the 2002 Quarter compared to \$2,800,000 for the comparable 2001 Quarter, representing an increase of \$305,000 (10.9%). Of the increase in expense recovery income, 33% resulted from the commencement of operations at the newly developed and redeveloped properties, while the balance of the increase in expense recoveries resulted from improved occupancy and increases in property tax expense.

Percentage rent was \$549,000 in the 2002 Quarter, compared to \$612,000 in the 2001 Quarter, a decrease of \$63,000 (10.3%). Approximately one half of the percentage rent decrease occurred at Lexington Mall where the Company is positioning the mall for redevelopment.

Other income, which consists primarily of parking income at three of the Office Properties, kiosk leasing, temporary leases and payments associated with early termination of leases, was \$1,184,000 in the 2002 Quarter, compared to \$539,000 in the 2001 Quarter, representing an increase of \$645,000 (119.7%). The increase in other income resulted from a \$571,000 increase in lease termination payments compared to the prior year, approximately half of which was recognized at Washington Square, and an \$84,000 increase in parking income primarily due to the commencement of operations at Washington Square.

Operating expenses, consisting primarily of repairs and maintenance, utilities, payroll, insurance and other property related expenses, increased \$159,000 (7.2%) to \$2,359,000 in the 2002 Quarter from \$2,200,000 in the 2001 Quarter. Approximately 90% of the property operating expense increase resulted from the commencement of operations at Washington Square.

The provision for credit losses increased \$10,000 (6.9%) to \$155,000 in the 2002 Quarter from \$145,000 in the 2001 Quarter. The credit loss increase resulted primarily from additions to credit loss reserves for an office tenant in bankruptcy.

Real estate taxes increased \$201,000 (11.2%) to \$1,998,000 in the 2002 Quarter from \$1,797,000 in the 2001 Quarter. Forty percent of the increase in real estate tax expense in the 2002 Quarter resulted from the commencement of operations at Washington Square, while the balance of the real estate tax increase resulted from higher real estate tax expense at the remaining Current Portfolio Properties.

Interest expense decreased \$92,000 (1.4%) to \$6,259,000 for the 2002 Quarter from \$6,351,000 reported for the 2001 Quarter. The decrease resulted from lower interest rates primarily on the Company's variable rate debt.

Amortization of deferred debt expense increased \$26,000 (19.0%) to \$163,000 for the 2002 Quarter compared to \$137,000 for the 2001 Quarter. The increase resulted from the amortization of additional loan costs resulting from the maturity extension of the Washington Square construction loan to January 2003.

Depreciation and amortization expense increased \$541,000 (15.1%) from \$3,581,000 in the 2001 Quarter to \$4,122,000 in the 2002 Quarter, reflecting increased depreciation expense on developments and acquisitions placed in service during the past twelve months.

General and administrative expense, which consists of payroll, administrative and other overhead expenses, was \$1,209,000 for the 2002 Quarter, an increase of \$235,000 (24.1%) over the 2001 Quarter. The increase in 2002 expenses compared to 2001 resulted from increased office rent, payroll and legal expenses.

The Company recognized a gain on the sale of real estate of \$1,426,000 in 2002. There were no gains reported in 2001. In 1999, the District of Columbia condemned and purchased the Company's Park Road property as part of an assemblage of parcels for a neighborhood revitalization project. The Company disputed the original purchase price awarded by the District. The gain represents additional net proceeds the Company received upon settlement of the dispute.

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 does not enter into financial instruments for trading purposes.

The Company is exposed to interest rate fluctuations primarily as a result of its variable rate debt used to finance the Company's development and acquisition activities and for general corporate purposes. As of March 31, 2002, the Company had variable rate indebtedness totaling \$62,842,000. Interest rate fluctuations will affect the Company's annual interest expense on its variable rate debt. If the interest rate on the Company's variable rate debt instruments outstanding at March 31, 2002 had been one percent higher, our annual interest expense relating to these debt instruments would have increased by \$628,000, based on those balances. Interest rate fluctuations will also affect the fair value of the Company's fixed rate debt instruments. As of March 31, 2002, the Company had fixed rate indebtedness totaling \$291,856,000. If interest rates on the Company's fixed rate debt instruments at March 31, 2002 had been one percent higher, the fair value of those debt instruments on that date would have decreased by approximately \$18,599,000.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

On April 26, 2002, the Company held its Annual Meeting of Stockholders, at which B. Francis Saul II, Mark Sullivan III, James W. Symington and John R. Whitmore were reelected to the Board of Directors for three year terms expiring at the 2005 Annual Meeting, each receiving in excess of 90% of the votes of the approximately 14,705,000 shares outstanding and eligible to vote at the meeting. The terms of the remaining Board members did not expire as of the April 26, 2002 meeting and those individuals continue as directors of the Company.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

Exhibits

3. (a) First Amended and Restated Articles of Incorporation of Saul Centers, Inc. filed with the Maryland Department of Assessments and Taxation on August 23, 1994 and filed as Exhibit 3.(a) of the 1993 Annual Report of the Company on Form 10-K are hereby incorporated by reference.
- (b) Amended and Restated Bylaws of Saul Centers, Inc. as in effect at and after August 24, 1993 and as of August 26, 1993 and filed as Exhibit 3.(b) of the 1993 Annual Report of the Company on Form 10-K are hereby incorporated by reference. The First Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited Partnership, the Second Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited

Partnership, the Third Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited Partnership and the Fourth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited Partnership as filed as Exhibit 3.(b) of the 1997 Annual Report of the Company on Form 10-K are hereby incorporated by reference.

10. (a) First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit No. 10.1 to Registration Statement No. 33-64562 is hereby incorporated by reference. The First Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership, the Second Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership, and the Third Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 10.(a) of the 1995 Annual Report of the Company on Form 10-K is hereby incorporated by reference. The Fourth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 10.(a) of the March 31, 1997 Quarterly Report of the Company is hereby incorporated by reference. The Fifth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 4.(c) to Registration Statement No. 333-41436, is hereby incorporated by reference.
- (b) First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited Partnership and Amendment No. 1 thereto filed as Exhibit 10.2 to Registration Statement No. 33-64562 are hereby incorporated by reference. The Second Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited Partnership, the Third Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited Partnership and the Fourth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited Partnership as filed as Exhibit 10.(b) of the 1997 Annual Report of the Company on Form 10-K are hereby incorporated by reference.
- (c) First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary II Limited Partnership and Amendment No. 1 thereto filed as Exhibit 10.3 to Registration Statement No. 33-64562 are hereby incorporated by reference.
- (d) Property Conveyance Agreement filed as Exhibit 10.4 to Registration Statement No. 33-64562 is hereby incorporated by reference.
- (e) Management Functions Conveyance Agreement filed as Exhibit 10.5 to Registration Statement No. 33-64562 is hereby incorporated by reference.

- (f) Registration Rights and Lock-Up Agreement filed as Exhibit 10.6 to Registration Statement No. 33-64562 is hereby incorporated by reference.
- (g) Exclusivity and Right of First Refusal Agreement filed as Exhibit 10.7 to Registration Statement No. 33-64562 is hereby incorporated by reference.
- (h) Saul Centers, Inc. 1993 Stock Option Plan filed as Exhibit 10.8 to Registration Statement No. 33-64562 is hereby incorporated by reference.
- (i) Agreement of Assumption dated as of August 26, 1993 executed by Saul Holdings Limited Partnership and filed as Exhibit 10.(i) of the 1993 Annual Report of the Company on Form 10-K is hereby incorporated by reference.
- (j) Deferred Compensation Plan for Directors dated as of December 13, 1993 as filed as Exhibit 10.(r) of the 1995 Annual Report of the Company on Form 10-K, as amended and restated by the Deferred Compensation and Stock Plan for Directors, dated as of March 18, 1999, filed as Exhibit 10.(k) of the March 31, 1999 Quarterly Report of the Company as amended and restated by the Deferred Compensation and Stock Plan for Directors dated as of April 27, 2001 filed as Exhibit 99 to the Registration Statement No. 333-59962, is hereby incorporated by reference.
- (k) Loan Agreement dated as of November 7, 1996 by and among Saul Holdings Limited Partnership, Saul Subsidiary II Limited Partnership and PFL Life Insurance Company, c/o AEGON USA Realty Advisors, Inc., filed as Exhibit 10.(t) of the March 31, 1997 Quarterly Report of the Company, is hereby incorporated by reference.
- (l) Promissory Note dated as of January 10, 1997 by and between Saul Subsidiary II Limited Partnership and The Northwestern Mutual Life Insurance Company, filed as Exhibit 10.(z) of the March 31, 1997 Quarterly Report of the Company, is hereby incorporated by reference.
- (m) Loan Agreement dated as of October 1, 1997 between Saul Subsidiary I Limited Partnership as Borrower and Nomura Asset Capital Corporation as Lender filed as Exhibit 10.(p) of the 1997 Annual Report of the Company on Form 10-K is hereby incorporated by reference.
- (n) Revolving Credit Agreement dated as of October 1, 1997 by and between Saul Holdings Limited Partnership and Saul Subsidiary II Limited Partnership, as Borrower and U.S. Bank National Association, as agent, is as filed as Exhibit 10.(q) of the 1997 Annual Report of the Company on Form 10-K, as amended by the First Amendment to Revolving Credit Agreement dated as of July 18, 2000, as filed as Exhibit 10.(q) of the September 30, 2000 Quarterly Report of the Company, is hereby incorporated by reference.

- (o) Promissory Note dated as of November 30, 1999 by and between Saul Holdings Limited Partnership as Borrower and Wells Fargo Bank National Association as Lender filed as Exhibit 10.(r) of the 1999 Annual Report of the Company on Form 10-K is hereby incorporated by reference.

99. Schedule of Portfolio Properties

Reports on Form 8-K

None.

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: May 14, 2002

/s/ Philip D. Caraci
Philip D. Caraci, President

Date: May 14, 2002

/s/ Scott V. Schneider
Scott V. Schneider
Senior Vice President, Chief Financial Officer

Saul Centers, Inc.
Schedule of Current Portfolio Properties
March 31, 2002

Property	Location	Leasable Area (Square Feet)	Year Developed or Acquired (Renovated)	Land Area (Acres)	Percentage Leased		Anchor / Significant Tenants
					Mar-2002	Mar-2001	
Shopping Centers							
Ashburn Village I, II & III	Ashburn, VA	185,537	1994 / 00 / 01	23.3	100%	94%	Giant Food, Blockbuster
Ashburn Village IV	^(a) Ashburn, VA	25,000	2000 / 02	3.1	29%	<i>n / a</i>	
Beacon Center	Alexandria, VA	352,915	1972 (1993/99)	32.3	100%	96%	Lowe's, Giant Food, Office Depot, Outback Steakhouse, Marshalls, Hollywood Video, Hancock Fabrics
Belvedere	Baltimore, MD	54,941	1972	4.8	86%	100%	Food King
Boulevard	Fairfax, VA	56,350	1994 (1999)	5.0	93%	100%	Danker Furniture, Petco, Party City
Clarendon	Arlington, VA	6,940	1973	0.5	100%	100%	
Clarendon Station	Arlington, VA	4,868	1996	0.1	78%	100%	
Flagship Center	Rockville, MD	21,500	1972, 1989	0.5	100%	100%	
French Market	Oklahoma City, OK	245,629	1974 (1984/98)	13.8	93%	92%	Burlington Coat Factory, Bed Bath & Beyond, Famous Footwear, Lakeshore Learning Center, BridesMart, Staples, Dollar Tree
Germantown	Germantown, MD	26,241	1992	2.7	100%	100%	
Giant	Baltimore, MD	70,040	1972 (1990)	5.0	100%	100%	Giant Food
The Glen	Lake Ridge, VA	112,639	1994	14.7	100%	100%	Safeway Marketplace
Great Eastern	District Heights, MD	255,398	1972 (1995)	23.9	100%	99%	Giant Food, Pep Boys, Big Lots, Run N' Shoot
Hampshire Langley	Langley Park, MD	131,700	1972 (1979)	9.9	100%	100%	Safeway, Blockbuster
Leesburg Pike	Baileys Crossroads, VA	97,880	1966 (1982/95)	9.4	100%	100%	Zany Brainy, CVS Pharmacy, Kinko's, Hollywood Video
Lexington Mall	Lexington, KY	315,719	1974	30.0	68%	75%	Dillard's
Lumberton	Lumberton, NJ	192,510	1975 (1992/96)	23.3	90%	86%	SuperFresh, Rite Aid, Blockbuster, Ace Hardware
Olney	Olney, MD	53,765	1975 (1990)	3.7	98%	95%	Rite Aid
Ravenwood	Baltimore, MD	87,750	1972	8.0	100%	100%	Giant Food, Hollywood Video
Seven Corners	Falls Church, VA	560,998	1973 (1994-7)	31.6	100%	99%	Home Depot, Shoppers Club, Best Buy, Michaels, Barnes & Noble, Ross Dress For Less, G Street Fabrics
Shops at Fairfax	Fairfax, VA	68,743	1975 (1993/99)	6.7	100%	100%	SuperFresh, Blockbuster
Southdale	Glen Burnie, MD	484,115	1972 (1986)	39.6	94%	97%	Giant Food, Home Depot, Circuit City, Kids R Us, Michaels, Marshalls, PetSmart, Value City Furniture

Saul Centers, Inc.
Schedule of Current Portfolio Properties
March 31, 2002

Property	Location	Leasable Area (Square Feet)	Year Developed or Acquired (Renovated)	Land Area (Acres)	Percentage Leased		Anchor / Significant Tenants
					Mar-2002	Mar-2001	
<u>Shopping Centers (continued)</u>							
Southside Plaza	Richmond, VA	341,891	1972	32.8	93%	93%	CVS Pharmacy, Community Pride Supermarket, Maxway
South Dekalb Plaza	Atlanta, GA	162,793	1976	14.6	100%	100%	MacFrugals, Pep Boys, The Emory Clinic, Maxway
Thruway	Winston-Salem, NC	344,880	1972 (1997)	30.5	96%	94%	Harris Teeter, Fresh Market, Bed Bath & Beyond, Stein Mart, Eckerd Drugs, Houlihan's, Borders Books, Zany Brainy, Blockbuster
Village Center	Centreville, VA	143,109	1990	17.2	100%	100%	Giant Food, Tuesday Morning, Blockbuster
West Park	Oklahoma City, OK	76,610	1975	11.2	57%	58%	Homeland Stores, Family Dollar
White Oak	Silver Spring, MD	480,156	1972 (1993)	28.5	99%	99%	Giant Food, Sears, Rite Aid, Blockbuster
	Total Shopping Centers	4,960,617		426.7	94.6%	94.8%	
<u>Office Properties</u>							
Avenel Business Park	Gaithersburg, MD	388,620	1981-2000	37.1	100%	99%	General Services Administration, VIRxSYS, Boston Biomedica, Broadsoft, NeuralSTEM, Quanta Systems
Crosstown Business Center	Tulsa, OK	197,135	1975 (2000)	22.4	91%	68%	Compass Group, Roxtec, Par Electric
601 Pennsylvania Ave	Washington, DC	225,414	1973 (1986)	1.0	99%	100%	General Services Administration, Credit Union National Assn, Southern Company, HQ Global, Alltel, American Arbitration, Capital Grille
Van Ness Square	Washington, DC	156,493	1973 (1990)	1.2	92%	95%	INTELSAT, Team Video Intl, Office Depot, Pier 1
Washington Square	Alexandria, VA	235,239	1975 (2000)	2.0	75%	55%	Vanderweil Engineering, World Wide Retail Exch., American Management Systems, Trader Joe's, Kinko's, Blockbuster
	Total Office Properties	1,202,901		61.7	92.5%	85.1%	
	Total Portfolio	6,163,518		488.4	94.2%	92.9%	

(a) Undeveloped land acquired August 2000. Construction commenced during the fourth quarter of 2001 and is scheduled to be completed during the summer of 2002.