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HEADQUARTERS

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Chevy Chase, Maryland 20815
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WEB SITE

www.saulcenters.com

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.

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

Saul Centers



*Your Neighborhood
Shopping Center REIT*



2001

SECOND QUARTER REPORT

Second Quarter

MESSAGE TO SHAREHOLDERS

Funds From Operations (FFO) increased 14.4% to \$9,635,000 in the quarter ended June 30, 2001 compared to \$8,419,000 for the same quarter in 2000. For the six month period ended June 30, 2001, FFO increased 13.3% to \$19,267,000 compared to \$16,999,000 for the same period in 2000. On a per share basis, FFO was \$.50 per share for the 2001 second quarter, an 11.1% increase over the same quarter last year. For the six month period ended June 30, 2000, FFO per share increased 10.1%, to \$1.00 per share over the comparable period in 2000. Approximately half of the FFO improvement was derived from the start-up of operations at 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 REITs. FFO is defined as net income before extraordinary items and before real estate depreciation and amortization.

Total revenues for the 2001 second quarter increased 10.2% to \$20,919,000 compared to \$18,988,000 for the 2000 quarter. The company reported net income of \$3,907,000 or \$.28 per share for the 2001 second quarter, a per share increase of 19.2% compared to net income of \$3,166,000 or \$.24 per share for the 2000 quarter (basic and diluted). For the 2001 six month period, revenues increased 9.8% to \$42,155,000 compared to \$38,395,000 for the comparable period in 2000. The company reported net income of \$7,941,000 or \$.57 per share for the 2001 six month period, a per share increase of 14.2% compared to net income of \$6,682,000 or \$.50 per share for the comparable 2000 period (basic and diluted).

Same center net operating income in the shopping center portfolio grew 3.3% for the 2001 second quarter and 4.0% for the six month period ended June 30, 2001, compared to the same periods in 2000. Same property net operating income in the office portfolio grew 4.3% for the 2001 second quarter and 3.1% for the six month period ended June 30, 2001, compared to the same periods in 2000. Overall same property net operating income for the total portfolio grew 3.6% for the 2001 second quarter and 3.8% for the six month period ended June 30, 2001, compared to the same periods in 2000. As of June 30, 2001, 93.4% of the portfolio was leased. The company has two properties in the lease-up phase of their development, Washington Square at Old Town Alexandria, Virginia and Crosstown Business Center, which were 55.9% and 78.0% leased, respectively. Excluding the two lease-up phase development properties, the remainder of the property portfolio was 95.4% leased.

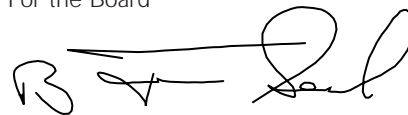
During the first half of 2001, the Company continued the development of Washington Square at Old Town, a new Class A mixed-used office/retail complex along North Washington Street in historic Old Town Alexandria in Northern Virginia. The project totals 235,000 square feet of leasable area and is well located on a two-acre site along Alexandria's main street. The Company has successfully negotiated and signed leases on 56% of the 235,000 square feet of tenant space.

The conversion and redevelopment of the Crosstown Business Center in Tulsa, Oklahoma continues. Ten tenants have leased 78% of the office/warehouse facility, with most of these having commenced operations by August 2001.

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 several tenants have commenced operating in August 2001.

For the remainder of the year and into 2002, our efforts will be directed toward internal cash flow and net asset value growth, while continuing our very focused redevelopment and development efforts.

For the Board



B. Francis Saul II
Chairman of the Board

August 10, 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)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2001	2000	2001	2000
<i>(Dollars in thousands, except per share amounts)</i>				
Revenue				
Base rent	\$ 17,470	\$ 15,734	\$ 34,755	\$ 31,381
Expense recoveries	2,711	2,545	5,511	5,367
Percentage rent	241	261	853	849
Other	497	448	1,036	798
Total revenue	<u>20,919</u>	<u>18,988</u>	<u>42,155</u>	<u>38,395</u>
Operating expenses				
Property operating expenses	2,026	1,960	4,226	4,216
Provision for credit losses	136	112	281	233
Real estate taxes	1,759	1,553	3,556	3,194
Interest expense	6,196	5,870	12,547	11,658
Amortization of deferred debt expense	136	104	273	207
Depreciation and amortization	3,711	3,236	7,292	6,283
General and administrative	1,031	970	2,005	1,888
Total operating expenses	<u>14,995</u>	<u>13,805</u>	<u>30,180</u>	<u>27,679</u>
Net income before minority interests	<u>5,924</u>	<u>5,183</u>	<u>11,975</u>	<u>10,716</u>
Minority interests				
Minority share of income	(1,587)	(1,430)	(3,221)	(2,968)
Distributions in excess of earnings	(430)	(587)	(813)	(1,066)
Total minority interests	<u>(2,017)</u>	<u>(2,017)</u>	<u>(4,034)</u>	<u>(4,034)</u>
Net income	<u>\$ 3,907</u>	<u>\$ 3,166</u>	<u>\$ 7,941</u>	<u>\$ 6,682</u>
Per share (basic and dilutive)				
Net income (a)	<u>\$ 0.28</u>	<u>\$ 0.23</u>	<u>\$ 0.57</u>	<u>\$ 0.50</u>
Funds from operations (b)	<u>\$ 0.50</u>	<u>\$ 0.45</u>	<u>\$ 1.00</u>	<u>\$ 0.91</u>

(a) Based upon weighted average common shares outstanding of 14,115,727 and 13,557,078 for the three months and 14,035,563 and 13,490,701 for the six months ended June 30, 2001 and 2000, respectively.

(b) Assumes conversion of operating partnership units, combined with weighted average common shares outstanding, for a total of 19,287,968 and 18,729,319 shares for the three months and 19,207,804 and 18,662,942 shares for the six months ended June 30, 2001 and 2000, respectively.



Consolidated

BALANCE SHEETS

(UNAUDITED)

<i>(Dollars in thousands)</i>	June 30, 2001	December 31, 2000
Assets		
Real estate investments		
Land	\$ 67,166	\$ 66,252
Buildings and equipment	354,076	325,609
	<u>421,242</u>	<u>391,861</u>
Accumulated depreciation	(130,540)	(124,180)
	<u>290,702</u>	<u>267,681</u>
Construction in progress	25,005	41,148
Cash and cash equivalents	2,398	1,772
Accounts receivable and accrued income, net	5,686	9,540
Prepaid expenses	11,342	9,485
Deferred debt costs, net	2,766	3,054
Other assets	3,689	1,770
Total assets	<u>\$ 341,588</u>	<u>\$ 334,450</u>
Liabilities		
Notes payable	\$ 348,404	\$ 343,453
Accounts payable, accrued expenses and other liabilities	18,976	19,592
Deferred income	3,066	2,560
Total liabilities	<u>370,446</u>	<u>365,605</u>
Minority interests	--	--
Stockholders' equity (deficit)		
Common stock, \$0.01 par value, 30,000,000 shares authorized, 14,174,163 and 13,869,535 shares issued and outstanding, respectively	142	139
Additional paid-in capital	57,936	52,594
Accumulated deficit	(86,936)	(83,888)
Total stockholders' equity (deficit)	<u>(28,858)</u>	<u>(31,155)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 341,588</u>	<u>\$ 334,450</u>

