

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 **June 30, 2005**

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES X No

Number of shares of common stock, par value \$0.01 per share outstanding as of August 9, 2005: 16,764,000

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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, 2004, 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

(Dollars in thousands,
except per share amounts)

	June 30, 2005	December 31, 2004
	Unaudited	
Assets		
Real estate investments		
Land	\$ 125,213	\$ 119,029
Buildings and equipment	537,827	521,161
Construction in progress	50,243	42,618
	<u>713,283</u>	<u>682,808</u>
Accumulated depreciation	(190,198)	(181,420)
	<u>523,085</u>	<u>501,388</u>
Cash and cash equivalents	28,585	33,561
Accounts receivable and accrued income, net	21,309	20,654
Leasing costs, net	17,445	17,745
Prepaid expenses, net	1,098	2,421
Deferred debt costs, net	6,177	5,011
Other assets	4,708	2,616
Total assets	<u>\$ 602,407</u>	<u>\$ 583,396</u>
Liabilities		
Mortgage notes payable	\$ 464,367	\$ 453,646
Dividends and distributions payable	10,748	10,424
Accounts payable, accrued expenses and other liabilities	13,742	12,318
Deferred income	7,271	6,044
Total liabilities	<u>496,128</u>	<u>482,432</u>
Stockholders' equity		
Series A Cumulative Redeemable Preferred stock, 1,000,000 shares authorized and 40,000 shares issued and outstanding	100,000	100,000
Common stock, \$0.01 par value, 30,000,000 shares authorized, 16,666,877 and 16,399,442 shares issued and outstanding, respectively	167	164
Additional paid-in capital	115,820	106,886
Accumulated deficit	(109,708)	(106,086)
Total stockholders' equity	<u>106,279</u>	<u>100,964</u>
Total liabilities and stockholders' equity	<u>\$ 602,407</u>	<u>\$ 583,396</u>

The accompanying notes are an integral part of these statements

Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

<i>(Dollars in thousands, except per share amounts)</i>	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2005	2004	2005	2004
Revenue				
Base rent	\$ 24,509	\$ 22,751	\$ 48,641	\$ 44,027
Expense recoveries	4,700	4,018	9,680	7,912
Percentage rent	507	260	1,011	704
Other	1,036	859	1,727	1,586
Total revenue	<u>30,752</u>	<u>27,888</u>	<u>61,059</u>	<u>54,229</u>
Operating expenses				
Property operating expenses	3,483	2,870	7,256	5,762
Provision for credit losses	79	99	133	168
Real estate taxes	2,757	2,488	5,340	4,879
Interest expense and amortization of deferred debt	7,615	6,634	15,024	12,900
Depreciation and amortization of leasing costs	5,532	5,347	11,147	9,985
General and administrative	2,334	2,121	4,568	3,877
Total operating expenses	<u>21,800</u>	<u>19,559</u>	<u>43,468</u>	<u>37,571</u>
Net operating income before minority interests	<u>8,952</u>	<u>8,329</u>	<u>17,591</u>	<u>16,658</u>
Minority interests				
Minority share of income	(1,656)	(1,545)	(3,249)	(3,102)
Distributions in excess of earnings	(425)	(498)	(861)	(965)
Total minority interests	<u>(2,081)</u>	<u>(2,043)</u>	<u>(4,110)</u>	<u>(4,067)</u>
Net income	<u>6,871</u>	<u>6,286</u>	<u>13,481</u>	<u>12,591</u>
Preferred dividends	<u>(2,000)</u>	<u>(2,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>
Net income available to common stockholders	<u>\$ 4,871</u>	<u>\$ 4,286</u>	<u>\$ 9,481</u>	<u>\$ 8,591</u>
Per share net income available to common stockholders				
Basic and diluted	<u>\$ 0.29</u>	<u>\$ 0.27</u>	<u>\$ 0.57</u>	<u>\$ 0.54</u>
Distributions declared per common share outstanding	<u>\$ 0.40</u>	<u>\$ 0.39</u>	<u>\$ 0.79</u>	<u>\$ 0.78</u>

The accompanying notes are an integral part of these statements

Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

<i>(Dollars in thousands, except per share amounts)</i>	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Stockholders' equity:					
Balance, December 31, 2004	\$ 100,000	\$ 164	\$ 106,886	\$ (106,086)	\$ 100,964
Issuance of 101,724 shares of common stock:					
97,401 shares due to dividend reinvestment plan	--	1	3,237	--	3,238
4,323 shares due to employee stock options, directors' deferred stock plan and stock option awards	--	--	190	--	190
Net income	--	--	--	6,610	6,610
Distributions payable preferred stock (\$50.00 per share)	--	--	--	(2,000)	(2,000)
Distributions payable common stock (\$.39 per share)	--	--	--	(6,435)	(6,435)
Balance, March 31, 2005	100,000	165	110,313	(107,911)	102,567
Issuance of 165,711 shares of common stock:					
158,607 shares due to dividend reinvestment plan	--	2	5,149	--	5,151
7,104 shares due to employee stock options, directors' deferred stock plan and stock option awards	--	--	358	--	358
Net income	--	--	--	6,871	6,871
Distributions payable preferred stock (\$50.00 per share)	--	--	--	(2,000)	(2,000)
Distributions payable common stock (\$.40 per share)	--	--	--	(6,668)	(6,668)
Balance, June 30, 2005	<u>\$ 100,000</u>	<u>\$ 167</u>	<u>\$ 115,820</u>	<u>\$ (109,708)</u>	<u>\$ 106,279</u>

The accompanying notes are an integral part of these statements

Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

For The Six Months
Ended June 30,
2005 2004

(Dollars in thousands)

	2005	2004
Cash flows from operating activities:		
Net income	\$ 13,481	\$ 12,591
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	4,110	4,067
Depreciation and amortization of prepaid leasing costs	11,147	9,985
Amortization of deferred debt	645	443
Provision for credit losses	133	168
Increase in accounts receivable and accrued income	(715)	(465)
Increase in leasing costs	(1,066)	(1,096)
Decrease in prepaid expenses	1,323	1,463
Increase in other assets	(2,092)	(4,029)
Increase in accounts payable, accrued expenses and other liabilities	631	6,096
Increase in deferred income	(521)	(1,351)
Net cash provided by operating activities	<u>27,076</u>	<u>27,872</u>
Cash flows from investing activities:		
Acquisitions of real estate investments, net*	(18,875)	(72,072)
Additions to real estate investments	(2,825)	(3,700)
Additions to development and redevelopment activities	(7,258)	(10,600)
Net cash used in investing activities	<u>(28,958)</u>	<u>(86,372)</u>
Cash flows from financing activities:		
Proceeds from notes payable	25,500	36,700
Repayments on notes payable	(14,779)	(22,429)
Proceeds from revolving credit facility	--	22,000
Additions to deferred debt expense	(1,811)	(729)
Proceeds from the issuance of common stock and convertible limited partnership units in the Operating Partnership	8,937	7,513
Distributions to preferred stockholders	(4,000)	(3,244)
Distributions to common stockholders and holders of convertible limited partnership units in the Operating Partnership	(16,941)	(16,489)
Net cash (used) provided by financing activities	<u>(3,094)</u>	<u>23,322</u>
Net decrease in cash and cash equivalents	(4,976)	(35,178)
Cash and cash equivalents, beginning of period	33,561	45,244
Cash and cash equivalents, end of period	<u>\$ 28,585</u>	<u>\$ 10,066</u>

* Supplemental discussion of non-cash investing and financing activities:

The \$72,072,000 shown as 2004 real estate acquisitions does not include \$18,025,000 in total assumed mortgages for two of the properties acquired as the assumption of these mortgages was a non-cash acquisition cost. On February 13, 2004, the Company purchased Boca Valley Plaza for an acquisition cost of \$17,678,000 and assumed a mortgage of \$9,200,000 with the balance being paid in cash. On March 25, 2004, the Company purchased Cruse MarketPlace for an acquisition cost of \$12,897,000 and assumed a mortgage of \$8,825,000 with the balance being paid in cash.

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, each of which is controlled by B. Francis Saul II and his family members (collectively, "The Saul Organization"). On August 26, 1993, members of 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 developed and purchased additional properties. The Company has developed and purchased several properties since mid year 2003. In July 2003 the Company purchased Olde Forte Village, a grocery anchored shopping center located in Fort Washington, Maryland. In November 2004 the Company completed the development of Shops at Monocacy, a grocery anchored shopping center in Frederick, Maryland, the land of which was acquired in November 2003. During the fourth quarter of 2003, the Company completed development of Broadlands Village Phase I, an in-line retail and retail pad, grocery anchored shopping center. Phase II, a 30,000 square foot addition to the center was completed in November 2004. In January 2004, the Company purchased a land parcel adjacent to its Kentlands Square shopping center, and is developing a 41,000 square foot retail/office property known as Kentlands Place. During 2004 and the first quarter of 2005 the Company acquired five grocery anchored shopping centers; (1) Boca Valley Plaza, 121,000 square feet, located in Boca Raton, Florida, (2) Countryside, 142,000 square feet located in Loudoun County, Virginia, (3) Cruse MarketPlace, 79,000 square feet, located in Forsyth County, Georgia, (4) Briggs Chaney Plaza, 197,000 square feet, located in Silver Spring, Maryland and (5) Palm Springs Center, 126,000 square feet, located in Altamonte Springs, Florida. As of June 30, 2005, the Company's properties (the "Current Portfolio Properties") consisted of 37 operating shopping center properties (the "Shopping Centers"), five predominantly office operating properties (the "Office Properties") and five (non-operating) development properties.

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

The Company established Saul QRS, Inc., a wholly owned subsidiary of Saul Centers, to facilitate the placement of collateralized mortgage debt in September 1997. 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, leasing, acquisition, renovation, expansion, development and financing of community and neighborhood shopping centers and office properties, primarily in the Washington, DC/Baltimore metropolitan area.

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. Twenty-five of the Shopping Centers are anchored by a grocery store and offer primarily day-to-day necessities and services. As of June 30, 2005, no single property accounted for more than 7.6% of the total gross leasable area. Only two retail tenants, Giant Food (5.5%), a tenant at nine Shopping Centers and Safeway (2.8%), a tenant at seven Shopping Centers and one office tenant, the United States Government (3.4%), a tenant at five properties, individually accounted for more than 2.5% of the Company's total revenue for the six months ended June 30, 2005.

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.

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

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

31, 2004, 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Actual results could differ from those estimates.

Real Estate Investment Properties

The Company purchases real estate investment properties from time to time and allocates the purchase price to various components, such as land, buildings, and intangibles related to in-place leases and customer relationships in accordance with Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards (“SFAS”) 141, “Business Combinations.” The purchase price is allocated based on the relative fair value of each component. The fair value of buildings is determined as if the buildings were vacant upon acquisition and subsequently leased at market rental rates. As such, the determination of fair value considers the present value of all cash flows expected to be generated from the property including an initial lease up period. The Company determines the fair value of above and below market intangibles associated with in-place leases by assessing the net effective rent and remaining term of the lease relative to market terms for similar leases at acquisition. In the case of below market leases, the Company considers the remaining contractual lease period and renewal periods, taking into consideration the likelihood of the tenant exercising its renewal options. The fair value of a below market lease component is recorded as deferred income and amortized as additional lease revenue over the remaining contractual lease period and any renewal option periods included in the valuation analysis. The fair value of above market lease intangibles is recorded as a deferred asset and is amortized as a reduction of lease revenue over the remaining contractual lease term. The Company determines the fair value of at-market in-place leases considering the cost of acquiring similar leases, the foregone rents associated with the lease-up period and carrying costs associated with the lease-up period. Intangible assets associated with at-market in-place leases are amortized as additional lease expense over the remaining contractual lease term. To the extent customer relationship intangibles are present in an acquisition, the fair value of the intangibles are amortized over the life of the customer relationship.

Real estate investment properties are reviewed for potential impairment losses quarterly or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If there is an event or change in circumstance indicating the potential for an impairment in the value of a real estate investment property, the Company's policy is to assess potential impairment in value by making a comparison of the current and projected

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

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 in excess of the estimated projected operating cash flows of the property, the Company would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to its estimated fair market value. Saul Centers adopted SFAS 144, "Accounting for Impairment or Disposal of Long-Lived Assets," effective January 1, 2002. This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The Company has not recognized an impairment loss on any of its real estate.

Interest, real estate taxes and other carrying costs are capitalized on projects under development and construction. Once construction is substantially completed and the assets are placed in service, their rental income, real estate tax expense, property operating expenses (consisting of payroll, repairs and maintenance, utilities, insurance and other property related expenses) and depreciation are included in current operations. Property operating expenses are charged to operations as incurred. Repair and maintenance expense, included in property operating expenses for the six month periods ended June 30, 2005 and 2004, was \$3,192,000 and \$2,401,000, respectively.

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 with estimated useful lives of 35 to 50 years for base buildings and up to 20 years for certain other improvements. Depreciation expense during the six month periods ended June 30, 2005 and 2004, was \$8,935,000 and \$8,028,000, respectively. Leasehold improvements are amortized, over the shorter of the lives of the related leases or the useful life of the improvement, 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. These costs total \$17,445,000 and \$17,745,000, net of accumulated amortization of \$10,311,000 and \$9,461,000, as of June 30, 2005 and December 31, 2004, respectively. Amortization expense, included in depreciation and amortization in the consolidated statements of operations, totaled \$2,212,000 and \$1,957,000, for the six months ended June 30, 2005 and 2004, respectively. Capitalized leasing costs consist 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. The carrying amount of costs are written-off to expense if the applicable lease is terminated prior to expiration of the initial lease term.

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

Construction In Progress

Construction in progress includes preconstruction costs and development costs of active projects. Preconstruction costs associated with these active projects 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. Construction in progress balances as of June 30, 2005 and December 31, 2004 are as follows:

<u>Construction in Progress</u> <i>(In thousands)</i>	June 30, <u>2005</u>	December 31, <u>2004</u>
Clarendon Center.....	\$ 15,641	\$ 14,976
Broadlands Village III.....	1,803	1,660
Lansdowne Town Center.....	8,727	6,872
Kentlands Place.....	7,344	5,905
Ashland Square.....	6,756	6,411
Olde Forte Village.....	5,258	4,755
Briggs Chaney Plaza.....	1,135	660
The Glen.....	1,985	--
Other.....	<u>1,594</u>	<u>1,379</u>
Total.....	<u>\$ 50,243</u>	<u>\$ 42,618</u>

Accounts Receivable and Accrued Income

Accounts receivable primarily represent amounts currently due from tenants in accordance with the terms of the respective leases. Receivables are reviewed monthly and income ceases to accrue 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 \$1,084,000 and \$1,125,000, at June 30, 2005 and December 31, 2004, respectively.

In addition to rents due currently, accounts receivable include \$13,307,000 and \$12,101,000, at June 30, 2005 and December 31, 2004, respectively, representing minimum rental income accrued on a straight-line basis to be paid by tenants over the remaining term of their respective leases. These amounts are presented after netting allowances of \$157,000 and \$237,000, respectively, for tenants whose rent payment history or financial condition cast doubt upon the tenant's ability to perform under its lease obligations.

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(Unaudited)

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments. Short-term investments are highly liquid investments that are both readily convertible to cash or so near their maturity that they present insignificant risk of changes in value arising from interest rate fluctuations. Short-term investments include money market accounts and other investments which generally mature within three months, measured from the acquisition date.

Deferred Debt Costs

Deferred debt costs consist of fees and costs incurred to obtain long-term financing, construction financing and the revolving line of credit. These fees and costs are amortized over the terms of the respective loans or agreements. Deferred debt costs totaled \$6,177,000 and \$5,011,000, and are presented net of accumulated amortization of \$2,639,000 and \$4,229,000, at June 30, 2005 and December 31, 2004, respectively. During the six month period ending June 30, 2005, \$2,189,000 of fully amortized deferred debt costs were written-off.

Deferred Income

Deferred income consists of payments received from tenants prior to the time they are earned and recognized by the Company as revenue. These payments include prepayment of the following month's rent, prepayment of real estate taxes when the taxing jurisdiction has a fiscal year differing from the calendar year reimbursements specified in the lease agreement and advance payments by tenants for tenant construction work provided by the Company. Also, when the Company purchases real estate investment properties, a portion of the purchase cost may be allocated to intangibles related to in-place leases in accordance with SFAS 141. The fair value of a below market lease component is recorded as deferred income and amortized as additional lease revenue over the remaining contractual lease period and any renewal option periods considered in the valuation analysis.

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 revenue ("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 Internal Revenue 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.

Stock Based Employee Compensation, Deferred Compensation and Stock Plan for Directors

Effective January 2003, the Company adopted the fair value method to value and account for employee stock options using the prospective transition method specified under SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." The Company had no options eligible for valuation prior to the grant of options in 2003. The fair value of options granted in 2003, 2004 and 2005 was 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, (2) Average Expected Term, (3) Expected Dividend Yield, and (4) Risk-free Interest Rate. The Company amortizes the value of options granted, ratably over the vesting period, and includes the amounts as compensation in general and administrative expenses.

The Company established a stock option plan in 1993 (the "1993 Plan") for the purpose of attracting and retaining executive officers and other key personnel. The 1993 Plan provides for grants of options to purchase a specified number of shares of common stock. A total of 400,000 shares were made available under the 1993 Plan. The 1993 Plan authorizes the Compensation Committee of the Board of Directors to grant options at an exercise price which may not be less than the market value of the common stock on the date the option is granted. On May 23, 2003, the Compensation Committee granted options to purchase a total of 220,000 shares (80,000 shares from incentive stock options and 140,000 shares from nonqualified stock options) to six Company officers (the "2003 Options"). Following the grant of the 2003 Options, no shares were available for issuance under the 1993 Plan. The 2003 Options vest 25% per year over four years and have a term of ten years, subject to earlier expiration upon termination of employment. The exercise price of \$24.91 was the market trading price of the Company's common stock at the time of the award.

At the annual meeting of the Company's stockholders in 2004, the stockholders approved the adoption of the 2004 stock plan (the "2004 Plan") for the purpose of attracting and retaining executive officers, directors and other key personnel. The 2004 Plan provides for grants of options to purchase up to 500,000 shares of common stock as well as grants of up to 100,000 shares of common stock to directors. The 2004 Plan authorizes the Compensation Committee of

Saul Centers, Inc.
Notes to Consolidated Financial Statements
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the Board of Directors to grant options at an exercise price which may not be less than the market value of the common stock on the date the option is granted.

Effective April 26, 2004, the Compensation Committee granted options to purchase a total of 152,500 shares (27,500 shares from incentive stock options and 125,000 shares from nonqualified stock options) to eleven Company officers and to the twelve Company directors (the "2004 Options"). The officers' 2004 Options vest 25% per year over four years and have a term of ten years, subject to earlier expiration upon termination of employment. The directors' options are exercisable immediately. The exercise price of \$25.78 was the market trading price of the Company's common stock at the time of the award. Using the Black-Scholes model, the Company determined the total fair value of the 2004 Options to be \$360,000, of which \$293,000 and \$67,000 were the values assigned to the officer options and director options respectively. Because the directors' options vest immediately, the entire \$67,000 was expensed as of the date of grant. The expense of the officers' options will be recognized as compensation expense monthly during the four years the options vest. The 2004 Options are due to expire April 25, 2014.

Effective May 6, 2005, the Compensation Committee granted options to purchase a total of 162,500 shares (35,500 shares from incentive stock options and 127,000 shares from nonqualified stock options) to twelve Company officers and to the twelve Company directors (the "2005 Options"). The officers' 2005 Options vest 25% per year over four years and have a term of ten years, subject to earlier expiration upon termination of employment. The directors' options are exercisable immediately. The exercise price of \$33.22 was the market trading price of the Company's common stock at the time of the award. Using the Black-Scholes model, the Company determined the total fair value of the 2005 Options to be \$484,500, of which \$413,400 and \$71,100 were the values assigned to the officer options and director options respectively. Because the directors' options vest immediately, the entire \$71,100 was expensed as of the date of grant. The expense of the officers' options will be recognized as compensation expense monthly during the four years the options vest. The 2005 Options are due to expire May 5, 2015.

Pursuant to the 2004 Plan, the Compensation Committee established a Deferred Compensation Plan for Directors for the benefit of its directors and their beneficiaries. This replaces the Company's previous Deferred Compensation and Stock Plan for Directors. 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, fees earned during a calendar quarter are aggregated and divided by the common stock's closing market price on the first trading day of the following quarter to determine the number of shares to be allocated to the director. As of June 30, 2005, 177,000 shares had been credited to the directors' deferred fee accounts.

The Compensation Committee has also approved an annual award of shares of the Company's common stock 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 awarded as of each Annual Meeting of Shareholders, and their issuance may not be deferred. Each

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director was issued 200 shares, for each of the years ended December 31, 2005 and 2004, respectively. The shares were valued at the closing stock price on the dates the shares were awarded and the total value is included in general and administrative expenses for the period of the award.

Minority Interests

Saul Centers, Inc is the sole general partner of the Operating Partnership, owning a 76.2% common interest as of June 30, 2005. Minority interests in the Operating Partnership are comprised of limited partnership units owned by The Saul Organization. Minority interests are increased for earnings allocated to limited partnership units and decreased for distributions. Amounts distributed in excess of the limited partners' share of earnings also increase minority interests, are expensed in the respective period and are classified in the income statement as Distributions in excess of earnings.

Per Share Data

Per share data is calculated in accordance with SFAS No. 128, "Earnings Per Share." 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 anti-dilutive. The options are currently dilutive because the average share price of the Company's common stock exceeds the exercise prices. The treasury share method was used to measure the effect of the dilution.

<u>Basic and Diluted Shares Outstanding</u> <i>(In thousands, except per share data)</i>	Quarter ended		Six months ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Weighted average common shares outstanding – Basic	16,613	16,090	16,540	16,019
Effect of dilutive options.....	94	33	92	31
Weighted average common shares outstanding – Diluted.....	<u>16,707</u>	<u>16,123</u>	<u>16,632</u>	<u>16,050</u>
<u>Average Share Price</u>	\$ 33.87	\$ 28.01	\$ 33.84	\$ 28.23

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.

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Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections, or SFAS 154, which replaces APB Opinion No. 20 and Statement of Financial Accounting Standards No. 3, and changes the requirements for the accounting for and reporting of a change in accounting principle. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, although early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the dates FAS 154 was issued. The Company anticipates that the adoption of SFAS 154 will not have a material impact on its financial condition or results of operations.

In December 2004, the FASB issued FAS No. 123 (revised 2004), “Share-Based Payment” (“FAS No. 123R”), which is a revision of FAS No. 123, “Accounting for Stock-Based Compensation.” FAS No. 123R supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees,” and amends FAS No. 95, “Statement of Cash Flows.” On April 14, 2005, the Securities and Exchange Commission announced its decision to delay compliance with FAS No. 123R until the first fiscal year following December 15, 2005. Saul Centers therefore will adopt FAS No. 123R as required, effective January 1, 2006. FAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recorded as an expense based on their fair values. The grant-date fair value of employee share options and similar instruments will be estimated using an option-pricing model adjusted for any unique characteristics of a particular instrument. If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. The Company already values stock option awards using the fair value method and expenses the option value over the vesting period of the options, in accordance with FAS 123. The Company estimates that the adoption of FAS No. 123R will not have a material impact upon its financial statements.

3. Real Estate Acquired

Boca Valley Plaza

On February 13, 2004, the Company acquired Boca Valley Plaza in Boca Raton, Florida. Boca Valley Plaza is a 121,000 square foot neighborhood shopping center on U.S. Highway 1 in South Florida. The center, constructed in 1988, is 90% leased and anchored by a 42,000 square foot Publix supermarket. The property was acquired for a purchase price of \$17.5 million, subject to the assumption of a \$9.2 million mortgage (See Note 5. Mortgage Notes Payable). The mortgage assumption was treated as a non-cash acquisition in the Statement of Cash Flows.

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Countryside

On February 17, 2004, the Company completed the acquisition of the 142,000 square foot Safeway-anchored Countryside shopping center, its fourth neighborhood shopping center investment in Loudoun County, Virginia. The center is 95% leased and was acquired for a purchase price of \$29.7 million.

Cruse MarketPlace

On March 25, 2004, the Company completed the acquisition of the 79,000 square foot Publix-anchored, Cruse MarketPlace located in Forsyth County, Georgia. Cruse MarketPlace was constructed in 2002 and is 94% leased. The center was purchased for \$12.6 million subject to the assumption of an \$8.8 million mortgage (See Note 5. Mortgage Notes Payable). The mortgage assumption was treated as a non-cash acquisition in the Statement of Cash Flows.

Briggs Chaney Plaza

On April 23, 2004, the Company completed the acquisition of the 197,000 square foot Safeway-anchored Briggs Chaney Plaza shopping center located in Silver Spring, Maryland. The center is 98% leased and was acquired for a purchase price of \$27.3 million.

Ashland Square

On December 15, 2004, the Company acquired a 19.3 acre parcel of land in Dumfries, Prince William County, Virginia, for a purchase price of \$6.3 million. The Company has preliminary plans to develop the parcel into a grocery-anchored neighborhood shopping center. The Company has submitted a site plan to Prince William County during the second quarter of 2005 in order to obtain approvals for developing a shopping center totaling approximately 160,000 square feet, and is marketing the project to grocers and other retail businesses.

Palm Springs Center

On March 3, 2005, the Company completed the acquisition of the 126,000 square foot Albertson's-anchored Palm Springs Center located in Altamonte Springs, Florida. The center is 100% leased and was acquired for a purchase price of \$17.5 million.

New Market

On March 3, 2005, the Company acquired a 7.1 acre parcel of land located in New Market, Maryland for a purchase price of \$500,000. The Company has contracted to purchase several adjoining parcels in order to assemble acreage for the development of a retail center near the I-70 interchange.

Lansdowne Town Center

During the first quarter of 2005, the Company received approval of a zoning submission to Loudoun County which will allow the development of a neighborhood shopping center to be known as Lansdowne Town Center, within the Lansdowne Community in northern Virginia. On March 29, 2005, the Company finalized the acquisition of an additional 4.5 acres of land to bring the total acreage of the development parcel to 23.4 acres (including the 18.9 acres acquired in 2002). The additional purchase price was approximately \$1.0 million. The Company has

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submitted a site plan for final County approval, and plans to commence development of the retail center during late 2005.

The Company accounted for the operating property acquisitions using the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations." The Company allocates the purchase price to various components, such as land, buildings and intangibles related to in-place leases and customer relationships, if applicable, as described in Note 2. The \$17,700,000 total cost of acquiring 2005's operating property, Palm Springs Center, included both the property's purchase price and closing costs. A total of \$846,000 of the total cost was allocated as lease intangible assets and included in lease acquisition costs at June 30, 2005. The lease intangible assets are being amortized over the remaining periods of the leases acquired, a weighted average term of 13.8 years. The value of below market leases totaled \$1,748,000 and are being amortized over a weighted average term of 19.7 years, and is included in deferred income at June 30, 2005. The value of above market leases totaled \$73,000 and is being amortized over a weighted average term of 4.1 years, and is included as a deferred asset in accounts receivable at June 30, 2005.

The results of operations of the acquired properties are included in the consolidated statements of operations as of the acquisition date. The following unaudited pro-forma combined condensed statements of operations set forth the consolidated results of operations for the three month periods ended June 30, 2005 and 2004, respectively, as if the above described acquisition had occurred on January 1, 2005 and 2004, respectively. The unaudited pro-forma information does not purport to be indicative of the results that actually would have occurred if the combination had been in effect for the three months ended June 30, 2005 and 2004, respectively.

Pro-Forma Combined Condensed Statements of Operations

(in thousands, except per share data, unaudited)

	Quarter ended June 30,	
	<u>2005</u>	<u>2004</u>
Real estate revenues.....	\$30,752	\$28,170
Net income available to common stockholders.....	\$4,871	\$4,336
Earnings per common share – basic and diluted.....	\$0.29	\$0.27
	Six Months ended June 30,	
	<u>2005</u>	<u>2004</u>
Real estate revenues.....	\$61,286	\$54,782
Net income available to common stockholders.....	\$9,537	\$8,670
Earnings per common share – basic.....	\$0.58	\$0.54
Earnings per common share – diluted.....	\$0.57	\$0.54

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

The Saul Organization has a 23.8% limited partnership interest, represented by 5,202,000 convertible limited partnership units in the Operating Partnership, as of June 30, 2005. These convertible limited partnership units are convertible into shares of Saul Centers' common stock on a one-for-one basis, provided the rights may not be exercised at any time that The Saul Organization beneficially owns, directly or indirectly, in the aggregate more than 24.9% of the value of the outstanding common stock and preferred stock of Saul Centers (the "Equity Securities"). The limited partnership units were not convertible as of June 30, 2005 because The Saul Organization owned in excess of 24.9% of the Company's Equity Securities.

The impact of The Saul Organization's 23.8% limited partnership interest in the Operating Partnership is reflected as minority interests in the accompanying consolidated financial statements. Fully converted partnership units and diluted weighted average shares outstanding for the quarters ended June 30, 2005 and 2004, were 21,908,000 and 21,316,000, respectively. Fully converted partnership units and diluted weighted average shares outstanding for the six months ended June 30, 2005 and 2004, were 21,833,000 and 21,241,000, respectively.

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

Notes payable totaled \$464,367,000 at June 30, 2005, all of which was fixed rate debt. At June 30, 2005, the Company had a \$150 million unsecured revolving credit facility with no outstanding borrowings. On January 28, 2005 the Company replaced the former \$125 million line and with a new three-year \$150 million unsecured revolving credit facility. The facility is intended to provide working capital and funds for acquisitions, certain developments and redevelopments. The line has a three-year term and provides for an additional one-year extension at the Company's option, subject to the Company's satisfaction of certain conditions. Until January 27, 2007, certain or all of the lenders may, upon request by the Company and payment of certain fees, increase the revolving credit facility line by up to \$50,000,000. Letters of credit may be issued under the revolving credit facility. The facility requires monthly interest payments, if applicable, at a rate of LIBOR plus a spread of 1.40% to 1.625% (determined by certain leverage tests) or upon the bank's reference rate at the Company's option.

Loan availability under the facility is determined by operating income from the Company's existing unencumbered properties. Based upon the revised terms of the facility, the unencumbered properties support line availability of \$87,500,000, of which \$2,100,000 has been issued under a letter of credit, leaving \$85,400,000 available for working capital uses. An additional \$62,500,000 is available for funding working capital and operating property acquisitions supported by the unencumbered properties' internal cash flow growth and operating income of future acquisitions.

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Saul Centers has guaranteed portions of two mortgage notes payable totaling \$7,464,000, the amount of which are considered recourse obligations to Saul Centers as of June 30, 2005. The guarantees are expected to be released upon the completion of improvements and achievement of specified leasing thresholds at two recently developed and/or acquired properties. Saul Centers is also a guarantor of the revolving credit facility. The Operating Partnership issued a letter of credit from the revolving credit facility in the amount of \$2,100,000 related to a non-recourse mortgage note to ensure completion of construction at the recently developed Shops at Monocacy. The balance of the mortgage notes payable totaling \$456,903,000 are non-recourse.

The Company has closed on two new fixed-rate, non-recourse financings during the second quarter of 2005. The first loan is a refinancing of the \$9,200,000, 6.82% interest rate mortgage loan assumed during the February 2004 acquisition of Boca Valley Plaza. The new loan is a 15-year, \$13,000,000 fixed-rate mortgage loan collateralized by Boca Valley Plaza. The loan requires monthly principal and interest payments based upon a fixed interest rate of 5.60% and a 30-year amortization schedule. A balloon payment of \$9,107,000 will be due at loan maturity, May 2020. The second loan is a permanent financing of Palm Springs Center, acquired in March 2005. The loan is a 15-year, \$12,500,000 fixed-rate mortgage loan collateralized by Palm Springs Center. The loan requires monthly principal and interest payments based upon a fixed interest rate of 5.30% and a 25-year amortization schedule. A balloon payment of \$7,044,000 will be due at loan maturity, June 2020.

Mortgage notes payable totaled \$453,646,000 at December 31, 2004, all of which was fixed rate debt. At December 31, 2004, the Company had no outstanding borrowings on its \$125,000,000 unsecured revolving credit facility. Loan availability, determined by operating income from the Company's unencumbered properties, which, as of December 31, 2004 supported line availability of \$80,000,000, of which \$2,100,000 had been issued under a letter of credit, left \$77,900,000 available for working capital uses. An additional \$45,000,000 was available for funding working capital and operating property acquisitions supported by the unencumbered properties' internal cash flow growth and operating income of future acquisitions.

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At June 30, 2005, the scheduled maturities of all debt, including scheduled principal amortization, for years ending December 31, were as follows:

Debt Maturity Schedule

(In thousands)

July 1 through December 31, 2005	\$ 5,990
2006.....	12,689
2007.....	13,649
2008.....	14,656
2009.....	15,797
2010.....	16,997
Thereafter.....	<u>384,589</u>
Total.....	<u>\$464,367</u>

Interest expense and amortization of deferred debt costs for the quarter and six months ended June 30, 2005 and 2004, respectively were as follows:

Interest Expense and Amortization of Deferred Debt Costs

(In thousands)

	Quarter ended		Six months ended	
	June 30, 2005	2004	June 30, 2005	2004
Interest incurred.....	\$ 8,122	\$ 7,208	\$ 16,058	\$ 13,999
Amortization of deferred debt costs.....	332	227	645	443
Capitalized interest.....	<u>(839)</u>	<u>(801)</u>	<u>(1,679)</u>	<u>(1,542)</u>
Total.....	<u>\$ 7,615</u>	<u>\$ 6,634</u>	<u>\$ 15,024</u>	<u>\$ 12,900</u>

6. Stockholders' Equity (Deficit) and Minority Interests

The Consolidated Statement of Operations for the three months ended June 30, 2005 includes a charge for minority interests of \$2,081,000, consisting of \$1,656,000 related to The Saul Organization's share of net income for the quarter, and \$425,000 related to distributions to minority interests in excess of allocated net income for the quarter. The minority interests charge for the three months ended June 30, 2004 of \$2,043,000 consists of \$1,545,000 related to The Saul Organization's share of net income for the quarter, and \$498,000 related to distributions to minority interests in excess of allocated net income for the quarter. The Consolidated Statement of Operations for the six months ended June 30, 2005 includes a charge for minority interests of \$4,110,000, consisting of \$3,249,000 related to The Saul Organization's share of net income for

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the period, and \$861,000 related to distributions to minority interests in excess of allocated net income for the period. The minority interests charge for the six months ended June 30, 2004 of \$4,067,000 consists of \$3,102,000 related to The Saul Organization's share of net income for the period, and \$965,000 related to distributions to minority interests in excess of allocated net income for the period.

7. Related Party Transactions

Chevy Chase Bank, an affiliate of The Saul Organization, leases space in 14 of the Company's properties. Total rental income from Chevy Chase Bank amounted to \$869,000 and \$862,000, for the six months ended June 30, 2005 and 2004, respectively.

The Company utilizes Chevy Chase Bank for its various checking and short-term interest bearing money market accounts. As of June 30, 2005, approximately \$28,456,000 was held in deposit in these accounts.

The Chairman and Chief Executive Officer, the President, the Senior Vice President-General Counsel and the 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.

The Company participates in a multiemployer profit sharing retirement plan with other entities within The Saul Organization which covers those full-time employees who meet the requirements as specified in the plan. Beginning January 1, 2002, only employer contributions are made to the plan. Each participant who is entitled to be credited with at least one hour of service on or after January 1, 2002, shall be 100% vested in his or her employer contribution account and no portion of such account shall be forfeitable. Employer contributions, included in general and administrative expenses 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 \$137,000 and \$106,000, for the six months ended June 30, 2005 and 2004, respectively. There are no past service costs associated with the plan since it is of the defined-contribution type.

The Company also participates in a multiemployer nonqualified deferred plan with entities in The Saul Organization which covers those full-time employees who meet the requirements as specified in the plan. The plan, which can be modified or discontinued at any time, requires participating employees to defer 2% of their compensation over a specified amount. The Company is required to contribute three times the amount deferred by employees. The Company's expense, included in general and administrative expenses, totaled \$11,000 and \$285,000, for the six months ended June 30, 2005 and 2004, respectively. All amounts deferred by employees and the Company are fully vested. The cumulative unfunded liability under this plan was \$463,000 and \$452,000 at June 30, 2005 and December 31, 2004, respectively, and is

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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. Senior management has determined that the final allocations of shared costs are reasonable. The terms of the Agreement and the payments made thereunder 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, 2005 and 2004, which included rental payments for the Company's headquarters lease, totaled \$1,282,000 and \$1,214,000, respectively. The amounts are expensed when billed and are primarily reported as general and administrative expenses in these consolidated financial statements. As of June 30, 2005 and December 31, 2004, accounts payable, accrued expenses and other liabilities included \$207,000 and \$193,000, respectively, represent billings due to The Saul Organization for the Company's share of these ancillary costs and expenses.

The Company's corporate headquarters lease, which commenced in March 2002, is leased by a member of The Saul Organization. The 10-year lease provides for base rent escalated at 3% per year, with payment of a pro-rata share of operating expenses over a base year amount. Pursuant to the above described Agreement, the participants pay an allocation of total rental payments on a percentage proportionate to the number of employees employed by each party. The Company's rent payments for the six months ended June 30, 2005 and 2004 were \$323,000 and \$264,000, respectively. Expenses arising from the lease are included in general and administrative expenses.

8. 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.

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9. 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>	Shopping Centers	Office Properties	Corporate and Other	Consolidated Totals
Quarter ended June 30, 2005				
Real estate rental operations:				
Revenues.....	\$ 21,667	\$ 8,927	\$ 158	\$ 30,752
Expenses.....	<u>(4,125)</u>	<u>(2,194)</u>	<u>-</u>	<u>(6,319)</u>
Income from real estate.....	17,542	6,733	158	24,433
Interest expense & amortization of debt expense...	-	-	(7,615)	(7,615)
General and administrative.....	<u>-</u>	<u>-</u>	<u>(2,334)</u>	<u>(2,334)</u>
Subtotal.....	17,542	6,733	(9,791)	14,484
Depreciation and amortization.....	<u>(3,575)</u>	<u>(1,957)</u>	<u>-</u>	<u>(5,532)</u>
Minority interests.....	<u>-</u>	<u>-</u>	<u>(2,081)</u>	<u>(2,081)</u>
Net income.....	<u>\$ 13,967</u>	<u>\$ 4,776</u>	<u>\$ (11,872)</u>	<u>\$ 6,871</u>
Capital investment.....	<u>\$ 3,590</u>	<u>\$ 1,006</u>	<u>\$ -</u>	<u>\$ 4,596</u>
Total assets.....	<u>\$ 417,277</u>	<u>\$ 136,766</u>	<u>\$ 48,364</u>	<u>\$ 602,407</u>
Quarter ended June 30, 2004				
Real estate rental operations:				
Revenues.....	\$ 19,275	\$ 8,595	\$ 18	\$ 27,888
Expenses.....	<u>(3,455)</u>	<u>(2,002)</u>	<u>-</u>	<u>(5,457)</u>
Income from real estate.....	15,820	6,593	18	22,431
Interest expense & amortization of debt expense...	-	-	(6,634)	(6,634)
General and administrative.....	<u>-</u>	<u>-</u>	<u>(2,121)</u>	<u>(2,121)</u>
Subtotal.....	15,820	6,593	(8,737)	13,676
Depreciation and amortization.....	<u>(3,541)</u>	<u>(1,806)</u>	<u>-</u>	<u>(5,347)</u>
Minority interests.....	<u>-</u>	<u>-</u>	<u>(2,043)</u>	<u>(2,043)</u>
Net income.....	<u>\$ 12,279</u>	<u>\$ 4,787</u>	<u>\$ (10,780)</u>	<u>\$ 6,286</u>
Capital investment.....	<u>\$ 34,934</u>	<u>\$ 1,592</u>	<u>\$ -</u>	<u>\$ 36,526</u>
Total assets.....	<u>\$ 370,866</u>	<u>\$ 137,985</u>	<u>\$ 25,931</u>	<u>\$ 534,782</u>

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(Dollars in thousands)

	Shopping Centers	Office Properties	Corporate and Other	Consolidated Totals
Six months ended June 30, 2005				
Real estate rental operations:				
Revenues.....	\$ 43,027	\$ 17,731	\$ 301	\$ 61,059
Expenses.....	<u>(8,380)</u>	<u>(4,349)</u>	<u>-</u>	<u>(12,729)</u>
Income from real estate.....	34,647	13,382	301	48,330
Interest expense & amortization of debt expense...	-	-	(15,024)	(15,024)
General and administrative.....	<u>-</u>	<u>-</u>	<u>(4,568)</u>	<u>(4,568)</u>
Subtotal.....	34,647	13,382	(19,291)	28,738
Depreciation and amortization.....	(7,241)	(3,906)	-	(11,147)
Minority interests.....	<u>-</u>	<u>-</u>	<u>(4,110)</u>	<u>(4,110)</u>
Net income.....	<u>\$ 27,406</u>	<u>\$ 9,476</u>	<u>\$ (23,401)</u>	<u>\$ 13,481</u>
Capital investment.....	<u>\$ 27,349</u>	<u>\$ 1,609</u>	<u>\$ -</u>	<u>\$ 28,958</u>
Total assets.....	<u>\$ 417,277</u>	<u>\$ 136,766</u>	<u>\$ 48,364</u>	<u>\$ 602,407</u>
Six months ended June 30, 2004				
Real estate rental operations:				
Revenues.....	\$ 37,121	\$ 17,002	\$ 106	\$ 54,229
Expenses.....	<u>(6,815)</u>	<u>(3,994)</u>	<u>-</u>	<u>(10,809)</u>
Income from real estate.....	30,306	13,008	106	43,420
Interest expense & amortization of debt expense...	-	-	(12,900)	(12,900)
General and administrative.....	<u>-</u>	<u>-</u>	<u>(3,877)</u>	<u>(3,877)</u>
Subtotal.....	30,306	13,008	(16,671)	26,643
Depreciation and amortization.....	(6,396)	(3,589)	-	(9,985)
Minority interests.....	<u>-</u>	<u>-</u>	<u>(4,067)</u>	<u>(4,067)</u>
Net income.....	<u>\$ 23,910</u>	<u>\$ 9,419</u>	<u>\$ (20,738)</u>	<u>\$ 12,591</u>
Capital investment.....	<u>\$ 84,552</u>	<u>\$ 1,820</u>	<u>\$ -</u>	<u>\$ 86,372</u>
Total assets.....	<u>\$ 370,866</u>	<u>\$ 137,985</u>	<u>\$ 25,931</u>	<u>\$ 534,782</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 June 30, 2005 and for the three and six month periods ended June 30, 2005.

Critical Accounting Policies

The Company’s accounting policies are in conformity with accounting principles generally accepted 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 notes to the Consolidated Financial Statements.

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 GAAP, they do not report the current value of the Company's real estate assets. The purchase price of real estate assets acquired is allocated between land, building and in-place acquired leases based on the relative fair values of the components at the date of acquisition. Base buildings are depreciated on a straight-line basis over their estimated useful lives of 35 to 50 years. Intangibles associated with acquired in-place leases are amortized over the remaining base lease terms.

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.

When incurred, the Company capitalizes the cost of improvements that extend the useful life of property and equipment and all repair and maintenance expenditures are expensed.

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 35 to 50 years for base 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 successful leases are capitalized and amortized over the initial base term of the leases. Capitalized leasing costs consist 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 prospective tenants' financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating lease terms, preparing lease documents and closing transactions.

Revenue Recognition

Rental 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 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.

Allowance for Doubtful Accounts - Current and Deferred Receivables

Accounts receivable primarily represent amounts currently due from tenants in accordance with the terms of the respective leases. Receivables are reviewed monthly and reserves are established with a charge to current period operations when, in the opinion of management, collection of the receivable is doubtful. In addition to rents due currently, accounts receivable include amounts representing minimum rental income accrued on a straight-line basis to be paid by tenants over the remaining term of their respective leases. Reserves are established with a charge to income for tenants whose rent payment history or financial condition casts doubt upon the tenant's ability to perform under its lease obligations.

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.

Results of Operations

Quarter ended June 30, 2005 compared to quarter ended June 30, 2004

Revenue

<i>(dollars in thousands)</i>	<u>For the quarters ended</u>		<u>2005 to 2004 Change</u>	
	<u>June 30,</u>			
	<u>2005</u>	<u>2004</u>	<u>\$</u>	<u>%</u>
Revenue				
Base rent.....	\$ 24,509	\$ 22,751	\$1,758	7.7%
Expense recoveries.....	4,700	4,018	682	17.0%
Percentage rent.....	507	260	247	95.0%
Other.....	1,036	859	177	20.6%
Total.....	<u>\$ 30,752</u>	<u>\$ 27,888</u>	<u>\$2,864</u>	<u>10.3%</u>

Total revenue increased 10.3% in the quarter ended June 30, 2005 compared to the prior year's quarter primarily as a result of operating revenue from three newly developed properties and two acquisition properties whose operating results are included in the current quarter's results but not fully in the previous year's results. The development properties, Shops at Monocacy, Kentlands Place and Broadlands Village II, and the acquisition properties Briggs Chaney Plaza and Palm Springs Center (the "Development and Acquisition Properties"), contributed \$1,668,000 or 58.2% of the increase in revenues. Improved results at the Company's Thruway and Southdale shopping centers and Avenel Business Park during the 2005 Quarter contributed \$160,000 or 5.6%, \$128,000 or 4.5% and \$116,000 or 4.1% of the quarterly revenue improvement, respectively. Also contributing to the quarterly revenue increase was the receipt of a lease termination payment from a former tenant at 601 Pennsylvania Avenue (concurrent with the space being re-leased) contributed another \$183,000 or 6.4% of quarterly revenue improvement. A discussion of the components of revenue follows.

Base rent. The increase in base rent for 2005 versus 2004 was primarily attributable (76.3% or approximately \$1,341,000) to leases in effect at the Development and Acquisition Properties. The lease-up of space at Thruway (8.2% or approximately \$145,000) and Avenel Business Park (6.9% or approximately \$121,000) substantially accounted for the balance of the increase.

Expense recoveries. Expense recoveries represent a portion of property operating expenses billed to tenants, including common area maintenance, real estate taxes and other recoverable costs. The majority of the increase in expense recovery income was contributed by the Development and Acquisition Properties (46.9% or approximately \$320,000) while common area maintenance and real estate tax recovery income increased throughout the Current Portfolio Properties due to increased operating expenses and real property taxes.

Percentage rent. Percentage rent is rental income calculated on the portion of a tenant's sales revenue that exceed a specified breakpoint. Percentage rent for the 2005 quarter increased due to timing differences in the submission of sales reports used to calculate percentage rent by a tenant each, at Great Eastern Plaza (57.5% or approximately \$142,000) and Thruway (24.3% or approximately \$60,000).

Other income. Other income consists primarily of parking income at three of the Office Properties, kiosk leasing, temporary leases and payments associated with early termination of leases and interest income from the investment of cash balances. Other income increased during 2005 versus 2004 as a result of a lease termination fee collected from a former tenant at 601 Pennsylvania Avenue (\$183,000) and increased interest income from short-term investments (\$139,000). The increases in other income were offset in part by reduced parking income in the office portfolio, particularly at 601 Pennsylvania Avenue (\$76,000) where available parking spaces were temporary curtailed while the parking deck was being refurbished.

Operating Expenses

<i>(dollars in thousands)</i>	<u>For the quarters ended</u>		<u>2005 to 2004 Change</u>	
	<u>June 30,</u>		<u>\$</u>	<u>%</u>
	<u>2005</u>	<u>2004</u>		
Operating Expenses				
Property operating expenses....	\$ 3,483	\$ 2,870	\$ 613	21.4%
Provision for credit losses.....	79	99	(20)	(20.2%)
Real estate taxes.....	2,757	2,488	269	10.8%
Interest and amortization of deferred debt expense.....	7,615	6,634	981	14.8%
Depreciation and amortization.	5,532	5,347	185	3.5%
General and administrative.....	2,334	2,121	213	10.0%
Total.....	<u>\$ 21,800</u>	<u>\$ 19,559</u>	<u>\$ 2,241</u>	<u>11.5%</u>

Increases in operating expenses resulted primarily from the operation of the Development and Acquisition Properties and to a lesser extent, nominal price increases of services required to operate the Company's other operating properties.

Property operating expenses. Property operating expenses consist primarily of repairs and maintenance, utilities, payroll, insurance and other property related expenses. The increase in property operating expenses was caused primarily by the operation of the Development and Acquisition Properties (38.3% or approximately \$235,000) and to a lesser extent increased operating expenses for the Company's five office properties (\$136,000 or approximately 22.2%).

Provision for credit losses. The provision for credit losses represents the Company's estimation that amounts previously included in income and owed by tenants may not be collectible. The

Company's credit loss experience was relatively stable between the two periods. The provision for credit losses totals less than five tenths of one percent (0.5%) of total revenue for each period.

Real estate taxes. The increase in real estate taxes for 2005 versus 2004 was largely impacted by the commencement of operations at the Development and Acquisition Properties (46.5% or approximately \$125,000) and a 5.9% average increase in real estate taxes for the balance of the Company's properties.

Interest and amortization of deferred debt expense. Interest expense increased in 2005 versus 2004 due to increased borrowing as the Company placed permanent 15-year fixed rate mortgages on its Development and Acquisition Properties. The increase in average outstanding borrowings of approximately \$55,000,000 resulted from financing the Development and Acquisition Properties (approximately \$991,000 increase in interest expense). Offsetting the increase in interest expense was an approximately 17 basis point decrease in the average interest rate for the loan portfolio as the Company financed the new borrowings at interest rates lower than the average existing mortgage debt (approximately \$194,000 decrease in interest expense). Interest was capitalized as a cost of construction and development projects during the 2005 and 2004 quarters in the amount of \$839,000 and \$801,000, respectively (approximately \$38,000 decrease in interest expense). Deferred debt cost amortization was \$332,000 and \$227,000, for the 2005 and 2004 quarters, respectively. The increase (approximately \$105,000) resulted from amortization of financing costs of new mortgage loans and the early write-off of unamortized costs incident to the refinancing of the Company's revolving credit facility during the 2005 quarter. The Company also paid a \$92,000 prepayment premium on the refinancing of a mortgage loan during 2005 in order to obtain a new 15-year loan at a lower interest rate.

Depreciation and amortization. The increase in depreciation and amortization expense resulted primarily from the Development and Acquisition Properties placed in service during 2004 and 2005.

General and administrative. General and administrative expenses consists of payroll, administrative and other overhead expenses. The increase in general and administrative expenses for 2005 versus 2004 was attributable primarily to increased payroll and related expenses in part for the identification and study of proposed acquisition properties (99.5% or \$212,000).

Six months ended June 30, 2005 compared to six months ended June 30, 2004

Revenue

<i>(dollars in thousands)</i>	<u>For the periods ended</u>		<u>2005 to 2004 Change</u>	
	<u>June 30,</u>			
	<u>2005</u>	<u>2004</u>	<u>\$</u>	<u>%</u>
Revenue				
Base rent.....	\$ 48,641	\$ 44,027	\$4,614	10.5%
Expense recoveries.....	9,680	7,912	1,768	22.3%
Percentage rent.....	1,011	704	307	43.6%
Other.....	1,727	1,586	141	8.9%
Total	\$ 61,059	\$ 54,229	\$6,830	12.6%

Total revenue increased 12.6% in the six month period ended June 30, 2005 compared to the prior year's period primarily as a result of increased operating revenue contributed by (1), the Development and Acquisition Properties and (2) three operating properties acquired during the first quarter of 2004, Boca Valley Plaza, Countryside, Cruse MarketPlace (the "YTD Development and Acquisition Properties"), whose operating results are included in the current period's operating income but not fully in the previous year's results. The YTD Development and Acquisition Properties contributed \$4,582,000 or 67.1% of the increase in revenues. Improved results at the Company's Thruway (resulting from a 10,000 SF expansion completed in April 2004) and Southdale shopping centers, and Avenel Business Park during the 2005 period, contributed \$450,000 or 6.6%, \$313,000 or 4.6% and \$223,000 or 3.3% of the six month period revenue improvement, respectively. 601 Pennsylvania Avenue also contributed \$370,000 or 5.4% of the increase due to both a collection of a lease termination fee and increased rental income because all of its rentable area was producing rent during the 2005 period while a portion of the area was being prepared for occupancy during the 2004 period. A discussion of the components of revenue follows.

Base rent. The increase in base rent for 2005 versus 2004 was primarily attributable (77.0% or approximately \$3,551,000) to leases in effect at the YTD Development and Acquisition Properties. The lease-up of space at the office portfolio (9.9% or approximately \$458,000) and Thruway (7.7% or approximately \$354,000) substantially accounted for the balance of the increase.

Expense recoveries. Expense recoveries represent a portion of property operating expenses billed to tenants, including common area maintenance, real estate taxes and other recoverable costs. The majority of the increase in expense recovery income was contributed by the YTD Development and Acquisition Properties (56.2% or approximately \$994,000) while common area maintenance recovery income increased throughout the Current Portfolio Properties due to increased operating expenses (30.7% or approximately \$543,000).

Percentage rent. Percentage rent is rental income calculated on the portion of a tenant's sales revenue that exceed a specified breakpoint. Percentage rent for the 2005 period increased due to timing differences in the submission of sales reports used to calculate percentage rent by a tenant each, at Great Eastern Plaza (24.4% or approximately \$75,000) and Thruway (19.5% or approximately \$60,000). Additionally, 2005 period percentage increased as a result of a tenant at Southdale paying percentage rent for the first time (14.0% or approximately \$43,000) and increased sales reported by a restaurant tenant at 601 Pennsylvania Avenue (17.9% or approximately \$55,000).

Other income. Other income consists primarily of parking income at three of the Office Properties, kiosk leasing, temporary leases and payments associated with early termination of leases and interest income from the investment of cash balances. Other income increased during 2005 versus 2004 as a result of increased interest income from short-term investments (\$191,000) and the collection of a lease termination fee from a former tenant at 601 Pennsylvania Avenue (\$183,000). The increases in other income were offset in part by reduced parking income in the office portfolio (\$196,000), primarily at 601 Pennsylvania Avenue where parking spaces were temporarily placed out of service while the parking deck was being refurbished.

Operating Expenses

<i>(dollars in thousands)</i>	<u>For the periods ended</u>		<u>2005 to 2004 Change</u>	
	<u>June 30,</u>			
	<u>2005</u>	<u>2004</u>	<u>\$</u>	<u>%</u>
Operating Expenses				
Property operating expenses....	\$ 7,256	\$ 5,762	\$ 1,494	25.9%
Provision for credit losses.....	133	168	(35)	(20.8%)
Real estate taxes.....	5,340	4,879	461	9.4%
Interest and amortization of deferred debt expense.....	15,024	12,900	2,124	16.5%
Depreciation and amortization.	11,147	9,985	1,162	11.6%
General and administrative.....	4,568	3,877	691	17.8%
Total.....	<u>\$ 43,468</u>	<u>\$ 37,571</u>	<u>\$ 5,897</u>	<u>15.7%</u>

Increases in operating expenses resulted primarily from the operation of the Development and Acquisition Properties and to a lesser extent, nominal price increases of services required to operate the Company's other operating properties.

Property operating expenses. Property operating expenses consist primarily of repairs and maintenance, utilities, payroll, insurance and other property related expenses. The increase in property operating expenses was caused primarily by the operation of the Development and Acquisition Properties (44.4% or approximately \$664,000) and to a lesser extent increased operating expenses at the office properties (22.0% or approximately \$328,000) and increased

repair and maintenance expenses in shopping centers owned more than one year (21.6% or approximately \$323,000).

Provision for credit losses. The provision for credit losses represents the Company's estimation that amounts previously included in income and owed by tenants may not be collectible. The Company's credit loss experience was relatively stable between the two periods. The provision for credit losses totals less than five tenths of one percent (0.5%) of total revenue for each period.

Real estate taxes. The increase in real estate taxes for 2005 versus 2004 was primarily attributable to the commencement of operations at the Development and Acquisition Properties (76.4% or approximately \$352,000).

Interest and amortization of deferred debt expense. Interest expense increased in 2005 versus 2004 due to increased borrowing as the Company placed permanent 15-year fixed rate mortgages on its Development and Acquisition Properties. The increase in interest expense was offset in part by an increase in the amount of interest capitalized as a cost of properties under construction. The increase in average outstanding borrowings of approximately \$72,000,000 resulted from financing the Development and Acquisition Properties (approximately \$2,634,000 increase in interest expense). Offsetting the increase in interest expense was an approximately 31 basis point decrease in the average interest rate for the loan portfolio as the Company financed the new borrowings at interest rates lower than the average existing mortgage debt (approximately \$700,000 decrease in interest expense). Interest was capitalized as a cost of construction and development projects during the 2005 and 2004 periods in the amount of \$1,679,000 and \$1,542,000, respectively (approximately \$137,000 decrease in interest expense). Deferred debt cost amortization was \$646,000 and \$444,000, for the 2005 and 2004 periods, respectively. The increased expense (approximately \$202,000) resulted from amortization of financing costs of new mortgage loans and the early write-off of unamortized costs incident to the refinancing of the Company's revolving credit facility during the 2005 period. The Company also paid a \$92,000 prepayment premium on the refinancing of a mortgage loan during 2005 in order to obtain a new 15-year loan at a lower interest rate.

Depreciation and amortization. The increase in depreciation and amortization expense resulted primarily from the Development and Acquisition Properties placed in service during 2004 and 2005.

General and administrative. General and administrative expenses consists of payroll, administrative and other overhead expenses. The increase in general and administrative expenses for 2005 versus 2004 was attributable primarily to increased accounting expenses resulting from Sarbanes-Oxley documentation and compliance requirements (41.5% or \$287,000) and increased payroll and related expenses in part for the identification and study of proposed acquisition properties (37.3% or \$258,000).

Liquidity and Capital Resources

Cash and cash equivalents were \$28,585,000 and \$10,066,000 at June 30, 2005 and 2004, respectively. The Company's cash flow is affected by its operating, investing and financing activities, as described below.

<i>(dollars in thousands)</i>	<u>Six months ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Cash provided by operating activities.....	\$ 27,076	\$ 27,872
Cash used in investing activities.....	(28,958)	(86,372)
Cash (used) provided by financing activities.....	<u>(3,094)</u>	<u>23,322</u>
Decrease in cash.....	<u>\$ (4,976)</u>	<u>\$ (35,178)</u>

Operating Activities

Cash provided by operating activities represents cash received primarily from rental income, plus other income, less property operating expenses, normal recurring general and administrative expenses and interest payments on debt outstanding.

Investing Activities

Cash used in investing activities primarily reflects the acquisition of properties (Palm Springs Center, Lansdowne Town Center land and New Market land) and the construction of Kentlands Place in 2005 and the acquisition of properties (Boca Valley Plaza, Countryside, Cruse MarketPlace, Briggs Chaney Plaza and Kentlands Place land parcel) and the construction of Shops at Monocacy and Broadlands Village II in 2004.

Financing Activities

Cash used by financing activities for the period ended June 30, 2005 primarily reflects:

- the repayment of borrowings on mortgage notes payable totaling \$14,779,000;
- distributions made to common stockholders and holders of convertible limited partnership units in the Operating Partnership during the period totaling \$16,941,000;
- distributions made to preferred stockholders during the period totaling \$4,000,000; and
- payment of \$1,811,000 for financing costs of the revolving credit facility and two new mortgage loans;

which was partially offset by:

- \$25,500,000 of proceeds received from mortgage notes payable incurred during the period; and
- \$8,937,000 of proceeds received from the issuance of common stock under the dividend reinvestment program and from the issuance of convertible limited partnership interests in the Operating Partnership.

Cash provided by financing activities for the period ended June 30, 2004 primarily reflects:

- \$36,700,000 of proceeds received from mortgage notes payable incurred during the period;
- \$22,000,000 of proceeds received from the revolving credit facility; and
- \$7,513,000 of proceeds received from the issuance of common stock under the dividend reinvestment program and from the exercise of stock options, and from the issuance of convertible limited partnership interests in the Operating Partnership;

which was partially offset by:

- the repayment of borrowings on our mortgage notes payable totaling \$22,429,000;
- distributions made to common stockholders and holders of convertible limited partnership units in the Operating Partnership during the period totaling \$16,489,000;
- distributions made to preferred stockholders during the period totaling \$3,244,000; and
- payments of \$729,000 for financing costs of a new mortgage loan in the 2004 quarter.

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 Internal Revenue 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 and its existing line of credit. The Company anticipates that any additional property acquisitions and developments in the next 12 months will be funded with future long-term secured and unsecured debt and the public or private issuance of common or preferred equity or units, each of which may be initially funded with our existing line of credit.

Long-term liquidity requirements consisted primarily of obligations under our long-term debt and dividends paid to our preferred shareholders. The Company anticipates that long-term

liquidity requirements will also include amounts required for property acquisitions and developments. The Company expects to meet long-term liquidity requirements through cash provided from operations, long-term secured and unsecured 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. The availability and terms of any such financing will depend upon market and other conditions.

As of June 30, 2005, the scheduled maturities, including scheduled principal amortization, of all debt for years ended December 31, are as follows:

Debt Maturity Schedule

(In thousands)

July 1 through December 31, 2005	\$ 5,990
2006.....	12,689
2007.....	13,649
2008.....	14,656
2009.....	15,797
2010.....	16,997
Thereafter.....	<u>384,589</u>
Total.....	<u>\$464,367</u>

Management believes that the Company's capital resources, which at June 30, 2005 included cash balances of approximately \$28.6 million and borrowing availability of \$147.9 million on its revolving line of credit, will be sufficient to meet its liquidity needs for the foreseeable future.

Preferred Stock Issue

The Company has preferred stock outstanding of 4,000,000 depositary shares, each representing 1/100th of a share of 8% Series A Cumulative Redeemable Preferred Stock. The depositary shares may be redeemed, in whole or in part, at the \$25.00 liquidation preference at the Company's option on or after November 5, 2008. The depositary shares will pay an annual dividend of \$2.00 per share, equivalent to 8% of the \$25.00 liquidation preference. The Series A preferred 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. 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.

Dividend Reinvestments

In December 1995, the Company established a Dividend Reinvestment and Stock Purchase Plan (the "Plan") to allow 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 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 256,008 and 263,942 shares under the Plan at a weighted average discounted price of \$32.46 and \$25.40 per share during the six month periods ended June 30, 2005 and 2004, respectively.

Additionally, the Operating Partnership issued 2,552 and 6,198 limited partnership units under a dividend reinvestment plan mirroring the Plan at a weighted average discounted price of \$32.40 and \$25.40 per share during the six month periods ended June 30, 2005 and 2004, 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, 2005.

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 policy in light of current economic conditions, relative costs of capital, market values of the Company 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.

During the quarter ended June 30, 2005 the Company closed on the refinancing of its revolving credit facility. On January 28, 2005 the Company replaced the former \$125 million line and with a new three-year \$150 million unsecured revolving credit facility. The facility is intended to provide working capital and funds for acquisitions, certain developments and redevelopments. The line has a three-year term and provides for an additional one-year extension at the Company's option, subject to the Company's satisfaction of certain conditions. Until January 27, 2007, certain or all of the lenders may, upon request by the Company and payment of certain fees, increase the revolving credit facility line by up to \$50,000,000. Letters

of credit may be issued under the revolving credit facility. The facility requires monthly interest payments, if applicable, at a rate of LIBOR plus a spread of 1.40% to 1.625% (determined by certain leverage tests) or upon the bank's reference rate at the Company's option. The facility requires the Company and its subsidiaries to maintain certain financial covenants. As of June 30, 2005, the material covenants required the Company, on a consolidated basis, to:

- limit the amount of debt so as to maintain a gross asset value in excess of liabilities of at least \$400 million;
- limit the amount of debt as a percentage of gross asset value (leverage ratio) to less than 60%;
- limit the amount of debt so that interest coverage will exceed 2.1 to 1 on a trailing four quarter basis; and
- limit the amount of debt so that interest, scheduled principal amortization and preferred dividend coverage exceeds 1.55 to 1.

As of June 30, 2005, the Company was in compliance with all such covenants.

The Company also closed on two new fixed-rate, non-recourse financings during the second quarter of 2005. The first loan is a refinancing of the \$9,200,000, 6.82% interest rate mortgage loan assumed during the February 2004 acquisition of Boca Valley Plaza. The new loan is a 15-year, \$13,000,000 fixed-rate mortgage loan collateralized by Boca Valley Plaza. The loan requires monthly principal and interest payments based upon a fixed interest rate of 5.60% and a 30-year amortization schedule. A balloon payment of \$9,107,000 will be due at loan maturity, May 2020. The second loan is a permanent financing of Palm Springs Center, acquired in March 2005. The loan is a 15-year, \$12,500,000 fixed-rate mortgage loan collateralized by Palm Springs Center. The loan requires monthly principal and interest payments based upon a fixed interest rate of 5.30% and a 25-year amortization schedule. A balloon payment of \$7,044,000 will be due at loan maturity, June 2020.

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

For the quarter ended June 30, 2005, the Company reported Funds From Operations (FFO)⁽¹⁾ available to common shareholders of \$12,484,000 and \$24,738,000, representing a 6.9% and 9.3%, increase over the 2004 quarter and six month period's FFO available to common shareholders, respectively. The following table presents a reconciliation from net income to FFO available to common stockholders for the periods indicated:

Funds From Operations Schedule

(Amounts in thousands)

	<u>For the quarters ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Net income.....	\$ 6,871	\$ 6,286
Add:		
Minority interests.....	2,081	2,043
Depreciation and amortization of real property.....	<u>5,532</u>	<u>5,347</u>
FFO.....	14,484	13,676
Subtract:		
Preferred stock dividends.....	<u>(2,000)</u>	<u>(2,000)</u>
FFO Available to Common Shareholders.....	<u>\$ 12,484</u>	<u>\$ 11,676</u>
Average Shares and Units Used to Compute FFO per Share.....	<u>21,908</u>	<u>21,316</u>
	<u>For the six months ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Net income.....	\$ 13,481	\$ 12,591
Add:		
Minority interests.....	4,110	4,067
Depreciation and amortization of real property.....	<u>11,147</u>	<u>9,985</u>
FFO.....	28,738	26,643
Subtract:		
Preferred stock dividends.....	<u>(4,000)</u>	<u>(4,000)</u>
FFO Available to Common Shareholders.....	<u>\$ 24,738</u>	<u>\$ 22,643</u>
Average Shares and Units Used to Compute FFO per Share.....	<u>21,833</u>	<u>21,241</u>

(1) FFO is a widely accepted non-GAAP financial measure of operating performance for REITs. FFO is defined by the National Association of Real Estate Investment Trusts as net income, computed in accordance with GAAP, plus minority interests, extraordinary items and real estate depreciation and amortization, excluding gains or losses from property sales. 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 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 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.

Acquisitions, Redevelopments and Renovations

Management anticipates that during the coming year the Company may: i) redevelop certain of the Current Portfolio Properties, 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 has been selectively involved in acquisition, redevelopment and renovation activities. It continues to evaluate the acquisition of land parcels for retail and office development and 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 recent activities at Olde Forte Village, Broadlands Village, Thruway and The Glen. The following describes the acquisitions, redevelopments and renovations which affected the Company's results of operations in 2004 and 2005.

Olde Forte Village

In July 2003, the Company acquired Olde Forte Village, a 161,000 square foot neighborhood shopping center located in Fort Washington, Maryland. The center is anchored by a newly constructed 58,000 square foot Safeway supermarket which opened in March 2003, relocating from a smaller store within the center. The center then contained approximately 50,000 square feet of vacant space, consisting primarily of the former Safeway space, which the Company has redeveloped. The reconfigured shopping center now totals 143,000 square feet of leasable space. The Company's total redevelopment costs, including the initial property acquisition cost, are expected to total approximately \$22 million. Construction at Olde Forte Village was substantially completed during the second quarter of 2005. The center was 79% leased at June 30, 2005.

Broadlands Village

The Company purchased 24 acres of undeveloped land in the Broadlands section of the Dulles Technology Corridor of Loudoun County, Virginia in April 2002. Broadlands is a 1,500 acre planned community consisting of 3,500 residences, approximately half of which are constructed and currently occupied. In October 2003, the Company completed construction of the first phase of the Broadlands Village shopping center. The 58,000 square foot Safeway supermarket opened in October 2003 with a pad building and many in-line small shops also opening in the fourth quarter of 2003. The 105,000 square foot first phase is 100% leased. Construction of a 30,000 square foot second phase commenced in March 2004 and was substantially completed in the fourth quarter of 2004. The Company's total development costs of both phases, including the land acquisition, were approximately \$22 million. The second phase was 100% leased at June 30, 2005.

Thruway

During 2004, the Company completed construction of a 15,725 square foot expansion of the Thruway shopping center located in Winston Salem, North Carolina. The new development includes replacing a former 6,100 square foot single-tenant pad building with a new multi-tenant building. All of the new space is leased and occupied by tenants including Ann Taylor Loft, JoS. A Banks Clothiers, Chico's and Liz Claiborne. This \$2.1 million expansion was substantially completed in April 2004.

Shops at Monocacy

In November 2003, the Company acquired 13 acres of undeveloped land in Frederick, Maryland at the southeast corner of Maryland Route 26 and Monocacy Boulevard. Construction commenced in early December 2003 of a 105,000 square foot shopping center anchored by a 57,000 square foot Giant grocery store. The Company's total development costs, including the land acquisition, were approximately \$22.3 million. Construction was completed and Giant opened for business during October 2004. The property was 89% leased at June 30, 2005.

Kentlands Place

In January 2004, the Company purchased 3.4 acres of undeveloped land adjacent to its 109,000 square foot Kentlands Square shopping center in Gaithersburg, Maryland. The Company substantially completed construction of a 41,300 square foot retail/office property, comprised of 24,400 square feet of in-line retail space and 16,900 square feet of professional office suites, in early 2005. Development costs, including the land acquisition, are projected to total approximately \$8.1 million. The property was 88% leased at June 30, 2005, and additional tenant prospects have been identified and lease negotiations are proceeding for the remaining space.

Boca Valley Plaza

The Company added Publix as one of its grocery tenants with the February 2004 acquisition of Boca Valley Plaza in Boca Raton, Florida. Boca Valley Plaza is a 121,000 square foot neighborhood shopping center on U.S. Highway 1 in South Florida. The center, constructed in 1988 was 90% leased at June 30, 2005 and is anchored by a 42,000 square foot Publix supermarket. The property was acquired for a purchase price of \$17.5 million, subject to the assumption of a \$9.2 million mortgage.

Countryside

In mid-February 2004, the Company completed the acquisition of the 142,000 square foot Safeway-anchored Countryside shopping center, its fourth neighborhood shopping center investment in Loudoun County, Virginia. The center was 95% leased at June 30, 2005 and was acquired for a purchase price of \$29.7 million.

Cruse MarketPlace

On March 25, 2004, the Company completed the acquisition of the 79,000 square foot Publix-anchored, Cruse MarketPlace located in Forsyth County, Georgia. Cruse MarketPlace was constructed in 2002 and was 94% leased at June 30, 2005. The center was purchased for \$12.6 million, subject to the assumption of an \$8.8 million mortgage.

Briggs Chaney Plaza

In April 2004 the Company acquired Briggs Chaney Plaza in Silver Spring, Maryland. Briggs Chaney Plaza is a 197,000 square foot neighborhood shopping center on Route 29 in Montgomery County, Maryland. The center, constructed in 1983, is 98% leased at June 30, 2005 and is anchored by a 45,000 square foot Safeway supermarket and a 28,000 square foot Ross Dress For Less. The property was acquired for \$27.3 million. The Company has completed interior construction to reconfigure a portion of the vacant space totaling approximately 11,000 square feet of leasable area. All of the eight newly created shop spaces have been leased. The Company has commenced construction of a façade renovation of the shopping center which is scheduled to be completed in the fall of 2005.

Ashland Square

On December 15, 2004, the Company acquired a 19.3 acre parcel of land in Dumfries, Prince William County, Virginia for a purchase price of \$6.3 million. The Company has preliminary plans to develop the parcel into a grocery-anchored neighborhood shopping center. The Company has submitted a site plan to Prince William County during the second quarter of 2005 in order to obtain approvals to build an approximately 160,000 square foot center, and is marketing the project to grocers and other retail businesses.

Palm Springs Center

On March 3, 2005, the Company completed the acquisition of the 126,000 square foot Albertson's anchored Palm Springs Center located in Altamonte Springs, Florida. The center was 100% leased at June 30, 2005 and was acquired for a purchase price of \$17.5 million.

New Market

On March 3, 2005, the Company acquired a 7.1 acre parcel of land located in New Market, Maryland for a purchase price of \$500,000. The Company has contracted to purchase several adjoining parcels in order to assemble acreage for the development of a retail center near the I-70 interchange.

Lansdowne Town Center

During the first quarter of 2005, the Company received approval of a zoning submission to Loudoun County which will allow the development of a neighborhood shopping center to be known as Lansdowne Town Center, within the Lansdowne Community in northern Virginia. On March 29, 2005, the Company finalized the acquisition of an additional 4.5 acres of land to bring the total acreage of the development parcel to 23.4 acres (including the 18.9 acres acquired in 2002). The additional purchase price was approximately \$1.0 million. The Company has submitted a site plan for final county approval, and plans to commence development of the retail center during late 2005.

Portfolio Leasing Status

The following chart sets forth certain information regarding the operating portfolio for the periods ended June 30, 2005 and 2004, respectively.

	<u>Total Properties</u>		<u>Total Square Footage</u>		<u>Percent Leased</u>	
<u>As of June 30,</u>	<u>Shopping Centers</u>	<u>Office</u>	<u>Shopping Centers</u>	<u>Office</u>	<u>Shopping Centers</u>	<u>Office</u>
2005	37	5	6,206,000	1,206,000	92.7%	96.2%
2004	34	5	5,868,000	1,206,000	93.8%	94.8%

The decrease in the shopping center portfolio's leasing percentage in 2005 resulted primarily from the vacancy of an 113,000 square foot space at Great Eastern Plaza. The space was re-leased in July 2005.

Forward-Looking Statements

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:

- risks that the Company’s tenants will not pay rent;
- risks related to the Company’s reliance on shopping center “anchor” tenants and other significant tenants;
- risks related to the Company’s substantial relationships with members of The Saul Organization;
- risks of financing, such as increases in interest rates, restrictions imposed by the Company’s debt, the Company’s ability to meet existing financial covenants and the Company’s ability to consummate planned and additional financings on acceptable terms;
- risks related to the Company’s development activities;
- risks that the Company’s growth will be limited if the Company cannot obtain additional capital;
- risks that planned and additional acquisitions or redevelopments may not be consummated, or if they are consummated, that they will not 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; and
- risks related to the Company’s status as a REIT for federal income tax purposes, such as the existence of complex regulations relating to the Company’s status as a REIT, the effect of future changes in REIT requirements as a result of new legislation and the adverse consequences of the failure to qualify as a REIT.

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. However, as of June 30, 2005, the Company had no variable rate

indebtedness outstanding. Interest rate fluctuations would affect the Company's annual interest expense on its variable rate debt. Interest rate fluctuations will also affect the fair value of the Company's fixed rate debt instruments. As of June 30, 2005, the Company had fixed rate indebtedness totaling \$464,367,000. If interest rates on the Company's fixed rate debt instruments at June 30, 2005 had been one percent higher, the fair value of those debt instruments on that date would have decreased by approximately \$25,935,000.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure 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 and Chief Executive Officer, its Senior Vice President-Chief Financial Officer, Secretary and Treasurer, and its Vice President and 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 and Chief Executive Officer, its Senior Vice President-Chief Financial Officer, Secretary and Treasurer, and its 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, 2005. Based on the foregoing, the Company's Chairman and Chief Executive Officer, its Senior Vice President-Chief Financial Officer, Secretary and Treasurer and its 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, 2005.

During the three months ended June 30, 2005, 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

140,819 shares were acquired at a price of \$32.50 per share, by B. Francis Saul II, the Company's Chairman of the Board and Chief Executive Officer, and various individuals and entities affiliated with Mr. Saul, through participation in the Company's Dividend Reinvestment and Stock Purchase Plan for the April 30, 2005 dividend distribution.

Item 3. Defaults Upon Senior Securities

None

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

On May 6, 2005, the Company held its Annual Meeting of Stockholders, at which B. Francis Saul II, John E. Chapoton, James W. Symington and John R. Whitmore were reelected to the Board of Directors for three year terms expiring at the 2008 Annual Meeting, each receiving in excess of 99% of the votes cast by holders of 14,943,422 shares of the Company's common stock present in person at the meeting or by proxy (representing 91.5% of outstanding shares). The terms of the remaining Board members did not expire as of the May 6, 2005 meeting and those individuals continue as directors of the Company. In addition, 14,890,689 voted for, 43,569 voted against and 9,164 abstained for, ratification of Ernst & Young as independent public accountants.

Item 5. Other Information

None

Item 6. 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. Articles of Amendment to the First Amended and Restated Articles of Incorporation of Saul Centers, Inc., filed with the Maryland Department of Assessments and Taxation on May 28, 2004 and filed as Exhibit 3.(a) of the June 30, 2004 Quarterly Report of the Company is 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.
- (c) Articles Supplementary to First Amended and Restated Articles of Incorporation of the Company, dated October 30, 2003, filed as Exhibit 2 to the Company's Current Report on Form 8-A dated October 31, 2003, is hereby incorporated by reference.
4. (a) Deposit Agreement, dated November 5, 2003, among the Company, Continental Stock Transfer & Trust Company, as Depository, and the holders of depositary receipts, each representing 1/100th of a share of 8% Series A Cumulative Redeemable Preferred Stock of Saul Centers, Inc. and filed as Exhibit 4 to the Registration Statement on Form 8-A on October 31, 2003 is hereby incorporated by reference.
- (b) Form specimen of receipt representing the depositary shares, each representing 1/100th of a share of 8% Series A Cumulative Redeemable Preferred Stock of Saul Centers, Inc. and included as part of Exhibit 4 to the Registration Statement on Form 8-A on October 31, 2003 is 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. The Sixth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 10.(a) of the September 30, 2003 Quarterly Report of the Company on Form 10-Q

is hereby incorporated by reference. The Seventh Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 10.(a) of the December 31, 2003 Annual Report of the Company on Form 10-K 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. The Second Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary II Limited Partnership filed as Exhibit 10.(c) of the June 30, 2001 Quarterly Report of the Company is 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) 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.
- (i) Deferred Compensation Plan for Directors, dated as of April 23, 2004 and filed as Exhibit 10.(k) of the June 30, 2004 Quarterly Report of the Company is hereby incorporated by reference.

- (j) 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.
- (k) 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.
- (l) 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.
- (m) Guaranty dated as of August 30, 2002 by and between Saul Centers, Inc. as Guarantor and U.S. Bank National Association, as administrative agent and sole lead arranger for itself and other financial institutions, the Lenders, as filed as Exhibit 10.(p) of the September 30, 2002 Quarterly Report of the Company, is hereby incorporated by reference.
- (n) Amended and Restated Promissory Note dated January 13, 2003 by and between Saul Holdings Limited Partnership as Borrower and Metropolitan Life Insurance Company as lender, as filed as Exhibit 10.(p) of the December 31, 2002 Annual Report of the Company on Form 10-K, is hereby incorporated by reference.
- (o) Revolving Credit Agreement, dated as of January 28, 2005, by and among Saul Holdings Limited Partnership as Borrower; U.S. Bank National Association, as Administrative Agent and Sole Lead Arranger; Wells Fargo Bank, National Association, as Syndication Agent; and U.S. Bank National Association, Wells Fargo Bank, National Association, Compass Bank, Sovereign Bank and First Horizon Bank, as Lenders, as filed as Exhibit 10.(q) of the Current Report of the Company on Form 8-K filed with the Commission on February 9, 2005, is hereby incorporated by reference.
- (p) Guaranty, dated as of February 1, 2005, by and between Saul Centers, Inc., as Guarantor, and U.S. Bank National Association, as Administrative Agent and Sole Lead Arranger for itself and other financial institutions as Lenders, as filed as Exhibit 10.(r) of the Current Report of the Company on Form 8-K filed with the Commission on February 9, 2005, is hereby incorporated by reference.
- (q) The Saul Centers, Inc. 2004 Stock Plan, as filed as Annex A to the Proxy Statement of the Company for its 2004 Annual Meeting of Stockholders, is hereby incorporated by reference.

- (r) Form of Director Stock Option Agreements, as filed as Exhibit 10.(j) of the September 30, 2004 Quarterly Report of the Company, is hereby incorporated by reference.
 - (s) Form of Officer Stock Option Grant Agreements, as filed as Exhibit 10.(k) of the September 30, 2004 Quarterly Report of the Company, is hereby incorporated by reference.
- 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. Schedule of Portfolio Properties

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 9, 2005

/s/ B. Francis Saul III
B. Francis Saul III, President

Date: August 9, 2005

/s/ Scott V. Schneider
Scott V. Schneider
Senior Vice President, Chief Financial Officer
(principal financial officer)

Date: August 9, 2005

/s/ Kenneth D. Shoop
Kenneth D. Shoop
Vice President, Chief Accounting Officer
(principal accounting officer)

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 9, 2005

/ S / B. Francis Saul II

B. Francis Saul II
Chairman and Chief Executive Officer

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 9, 2005

/S/ Scott V. Schneider
Scott V. Schneider
Senior Vice President,
Chief Financial Officer,
Secretary and Treasurer

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, 2005 (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 9, 2005

/S/ B. Francis Saul II
Name: **B. Francis Saul II**
Title: **Chairman & Chief Executive Officer**

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, 2005** (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 9, 2005

/S/ Scott V. Schneider
Name: **Scott V. Schneider**
Title: **Senior Vice President,
Chief Financial Officer, Secretary &
Treasurer**

Saul Centers, Inc.
Schedule of Current Portfolio Properties
June 30, 2005

Property	Location	Leasable Area (Square Feet)	Year Developed or Acquired (Renovated)	Land Area (Acres)	Percentage Leased		Anchor / Significant Tenants
					Jun-05	Jun-04	
<u>Shopping Centers</u>							
Ashburn Village	Ashburn, VA	211,327	1994 / 00 / 01/02	26.4	99%	100%	Giant Food, Ruby Tuesday, Blockbuster, Long & Foster
Beacon Center	Alexandria, VA	350,715	1972 (1993/99)	32.3	100%	97%	Lowe's, Giant Food, Office Depot, Outback Steakhouse, Marshalls, Hancock Fabrics, Party Depot, Panera Bread
Belvedere	Baltimore, MD	54,941	1972	4.8	95%	100%	Food City, Family Dollar
Boca Valley Plaza	Boca Raton, FL	121,269	2004	12.7	90%	89%	Publix, Blockbuster
Boulevard	Fairfax, VA	56,350	1994 (1999)	5.0	100%	100%	Danker Furniture, Petco, Panera Bread, Party City
Briggs Chaney Plaza	Silver Spring, MD	197,486	2004	18.2	98%	92%	Safeway, Ross Dress For Less, Chuck E Cheese, Family Dollar
Broadlands Village	Loudoun County, VA	107,286	2003	16.0	100%	100%	Safeway, Blockbuster
Broadlands Village II	Loudoun County, VA	30,193	2004	2.5	100%	N/A	Original Steakhouse, Bonefish Grill
Clarendon/Clarendon Station	Arlington, VA	11,808	1973/1996	0.6	100%	100%	
Countryside	Loudoun County, VA	141,696	2004	16.0	95%	95%	Safeway, CVS Pharmacy
Cruse MarketPlace	Forsyth County, GA	78,686	2004	10.6	94%	97%	Publix
Flagship Center	Rockville, MD	21,500	1972, 1989	0.5	100%	100%	
French Market	Oklahoma City, OK	244,724	1974 (1984/98)	13.8	93%	96%	Burlington Coat Factory, Bed Bath & Beyond, Famous Footwear, Lakeshore Learning Center, BridesMart, Staples, Dollar Tree
Germantown	Germantown, MD	27,241	1992	2.7	100%	100%	
Giant	Baltimore, MD	70,040	1972 (1990)	5.0	100%	100%	Giant Food
The Glen	Lake Ridge, VA	112,241	1994	14.7	100%	100%	Safeway Marketplace
Great Eastern	District Heights, MD	254,448	1972 (1995)	23.9	55%	100%	Giant Food, Pep Boys, Big Lots
Hampshire Langley	Takoma Park, MD	131,700	1972 (1979)	9.9	100%	100%	Safeway, Blockbuster

Saul Centers, Inc.
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June 30, 2005

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					Jun-05	Jun-04	
Shopping Centers (continued)							
Kentlands Square	Gaithersburg, MD	114,381	2002	11.5	100%	100%	Lowe's, Chipotle
Kentlands Place	Gaithersburg, MD	41,300	2005	3.4	88%	N/A	Elizabeth Arden's Red Door Salon, Bonefish Grill
Leesburg Pike	Baileys Crossroads, VA	97,752	1966 (1982/95)	9.4	100%	100%	Party Depot, CVS Pharmacy, Kinko's, Hollywood Video
Lexington Mall	Lexington, KY	314,535	1974	30.0	58%	58%	Dillard's
Lumberton Plaza	Lumberton, NJ	193,044	1975 (1992/96)	23.3	98%	95%	SuperFresh, Rite Aid, Blockbuster, Ace Hardware
Shops at Monocacy	Frederick, MD	109,138	2004	13.0	89%	N/A	Giant Food, Panera Bread
Olde Forte Village	Ft. Washington, MD	143,062	2003	16.0	79%	67%	Safeway, Blockbuster, Mimi's Cafe, Toojay's Deli, Catherines
Olney	Olney, MD	53,765	1975 (1990)	3.7	97%	100%	Rite Aid
Palm Springs Center	Altamonte Springs, FL	126,446	2005	12.0	100%	N/A	Albertson's, Office Depot
Ravenwood	Baltimore, MD	85,958	1972	8.0	97%	98%	Giant Food, Hollywood Video
Seven Corners	Falls Church, VA	560,998	1973 (1994-7)	31.6	99%	99%	The Home Depot, Shoppers Club, Michaels, Barnes & Noble, Ross Dress For Less, G Street Fabrics, Off-Broadway Shoes, The Room Store
Shops at Fairfax	Fairfax, VA	68,743	1975 (1993/99)	6.7	100%	100%	Super H Mart, Blockbuster
Southdale	Glen Burnie, MD	484,115	1972 (1986)	39.6	99%	99%	Giant Food, The Home Depot, Circuit City, Michaels, Marshalls, PetSmart, Value City Furniture, Athletic Warehouse
Southside Plaza	Richmond, VA	373,651	1972	32.8	97%	88%	Farmers Foods, CVS Pharmacy, Maxway, Citi Trends
South Dekalb Plaza	Atlanta, GA	163,418	1976	14.6	91%	97%	MacFrugals, Pep Boys, The Emory Clinic, Maxway
Thruway	Winston-Salem, NC	352,355	1972 (1997)	30.5	93%	91%	Harris Teeter, Fresh Market, Borders, Bed Bath & Beyond, Stein Mart, Eckerd, Blockbuster, JoS. A Banks, Bonefish Grill, Chico's, Ann Taylor
Village Center	Centreville, VA	143,109	1990	17.2	99%	100%	Giant Food, Tuesday Morning, Blockbuster
West Park	Oklahoma City, OK	76,610	1975	11.2	54%	72%	Drapers Market, Family Dollar
White Oak	Silver Spring, MD	480,156	1972 (1993)	28.5	100%	100%	Giant Food, Sears, Rite Aid, Blockbuster
	Total Shopping Centers	6,206,187		558.6	92.7%	93.8%	

Saul Centers, Inc.
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June 30, 2005

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					Jun-05	Jun-04	
Office Properties							
Avenel Business Park	Gaithersburg, MD	390,579	1981-2000	37.1	99%	93%	General Services Administration, VIRxSYS, Broadsoft, Arrow Financial, Quanta Systems, SeraCare Life Sciences, Panacos Pharmaceutical
Crosstown Business Center	Tulsa, OK	197,135	1975 (2000)	22.4	90%	93%	Compass Group, Roxtec, Outdoor Innovations, Auto Panels Plus, Gofit, Freedom Express
601 Pennsylvania Ave	Washington, DC	226,604	1973 (1986)	1.0	100%	100%	National Gallery of Art, American Assn. of Health Plans, Credit Union National Assn., Southern Company, HQ Global, Pharmaceutical Care Mgmt Assn, Freedom Forum, Capital Grille
Van Ness Square	Washington, DC	156,493	1973 (1990)	1.2	88%	96%	Team Video Intl, Office Depot, Pier 1
Washington Square	Alexandria, VA	234,775	1975 (2000)	2.0	99%	93%	Vanderweil Engineering, World Wide Retail Exch., EarthTech, Thales, Bank of America, Trader Joe's, Kinko's, Talbot's, Blockbuster
	Total Office Properties	1,205,586		63.7	96.2%	94.8%	
	Total Portfolio	7,411,773		622.3	93.2%	94.0%	

Development Parcels

Broadlands Village III	Loudoun County, VA		2002	5.5	Preparing architectural and engineering plans for County approvals for retail expansion.		
Clarendon Center	Arlington, VA		2002	1.3	Pursuing zoning approvals from County.		
Lansdowne Town Center	Loudoun County, VA		2002	23.4	Preparing architectural and engineering plans for County approvals for shopping center development.		
Ashland Square	Dumfries, VA		2004	19.3	Preparing architectural and engineering plans for County approvals for shopping center development.		
New Market	New Market, MD		2005	7.1	Contracted to purchase adjoining parcels in order to assemble acreage for a retail center near I-70 interchange.		
	Total Development Properties			56.6			