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TRANSFER AGENT

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

EXCHANGE LISTING

New York Stock Exchange
Symbol: BFS

HEADQUARTERS

8401 Connecticut Avenue
Chevy Chase, Maryland 20815
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WEB SITE

www.saulcenters.com

DIVIDEND REINVESTMENT PLAN

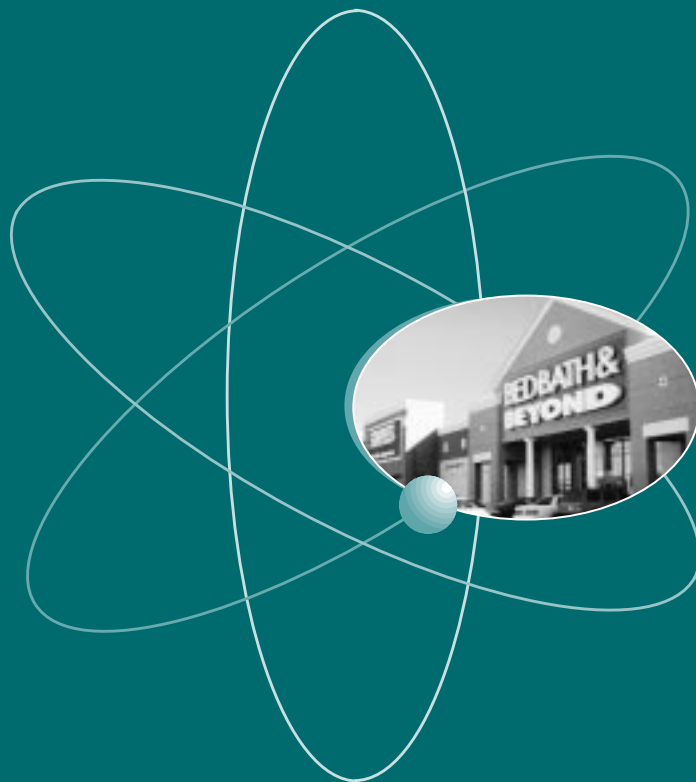
Saul Centers, Inc. offers a dividend reinvestment plan which enables its shareholders to automatically invest some of or all dividends in additional shares. The plan provides shareholders with a convenient and cost-free way to increase their investment in Saul Centers. Shares purchased under the dividend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

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

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

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

Saul Centers



Third Quarter 2000
Report to Shareholders



Message to Our Shareholders

Funds From Operations (FFO) increased 10.7% to \$9,023,000 in the quarter ended September 30, 2000 compared to \$8,149,000 for the same quarter in 1999. For the nine-month period ended September 30, 2000, FFO increased 8.8% to \$26,022,000 compared to \$23,910,000 for the same period in 1999. On a per share basis, FFO was \$.48 per share for the 2000 third quarter, a 7.4% increase over the same quarter last year. For the nine-month period ended September 30, 2000, FFO per share increased 4.9%, to \$1.39 per share over the comparable period in 1999. FFO is presented on a fully converted basis and is the most widely accepted measure of operating performance for REITs. FFO is defined as net income before extraordinary items and before real estate depreciation and amortization.

Total revenues for the 2000 third quarter increased 7.1% to \$19,724,000 compared to \$18,409,000 for the 1999 quarter. The company reported net income of \$3,842,000 or \$.28 per share for the 2000 third quarter, a per share increase of 18.1% compared to net income of \$3,127,000 or \$.24 per share for the 1999 quarter (basic and diluted). For the 2000 nine-month period, revenues increased 6.9% to \$58,119,000 compared to \$54,393,000 for the comparable period in 1999. The company reported net income of \$10,524,000 or \$.78 per share for the 2000 nine month period, a per share increase of 9.9% compared to net income of \$9,211,000 or \$.71 per share for the comparable 1999 period (basic and diluted).

Same center net operating income in the shopping center portfolio grew 4.8% for the 2000 third quarter and 4.2% for the nine-month period ended September 30, 2000, compared to the same periods in 1999. Same property net operating income in the office portfolio grew 11.6% for the 2000 third quarter and 12.2% for the nine-month period ended September 30, 2000, compared to the same periods in 1999. Overall same property net operating income for the total portfolio grew 6.4% for the 2000 third quarter and 6.0% for the nine-month period ended September 30, 2000, compared to the same periods in 1999.

As of September 30, 2000, approximately 92% of the portfolio was leased. Excluded from the leasing total is the Company's 235,000 square foot Washington Square at Old Town, located in Old Town Alexandria, Virginia which is 49% pre-leased.

In August, the Company purchased 7.1 acres of land located within the 1,580 acre community of Ashburn Village in Loudoun County, Virginia, adjacent to its 150,000 square foot Giant Food anchored Ashburn Village shopping center, for \$1,579,000. The Company plans to immediately begin developing 4.0 acres of the land as Ashburn Village III, consisting of an 18,000 square foot in-line expansion to the existing shopping center and several free standing pad sites. Construction is scheduled to begin later this month and is planned to be ready for occupancy in the spring of 2001. The remaining 3.1 acres provides the Company with the ability to develop up to 40,000 square feet of additional retail space. The Company recently completed the development of Ashburn Village II, a 39,700 square foot in-line and pad expansion to the original shopping center, containing retail space and professional office suites. The entire shopping center is currently 98% leased.

Updating the Company's major development in progress, Saul Centers has successfully negotiated and signed leases on 49% of the 235,000 square foot Washington Square at Old Town, a new Class A mixed-use office/retail complex along North Washington Street in historic Old Town Alexandria in Northern Virginia. The project is well located on a two-acre site along Alexandria's main street and is comprised of two identical buildings separated by a landscaped brick courtyard. The buildings and site amenities have been substantially completed, while the interior buildout for the new tenant spaces has begun. Several of the retailers including Traders Joe's, Kinko's and Starbucks are scheduled to open during the fourth quarter. The 45,000 square feet of street level retail space is 83% leased and 40% of the office space is leased.

In October, the Company purchased a newly constructed 30,000 square foot office/flex building adjacent to its Avenel Business Park in Gaithersburg, Maryland. The building is 100% leased to a single tenant. This acquisition increases the size of the Company's Avenel Business Park to 389,000 square feet. The initial cash yield on the \$4,200,000 purchase price is 10%.

As the current yearend approaches, the Company remains focused on increasing the cash flow of its core portfolio, while continuing to pursue attractive returns on office and retail redevelopments and expansions.

For the Board

B. Francis Saul II
Chairman of the Board

December 1, 2000

Corporate Profile

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

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



Consolidated Statements of Operations (Unaudited)

(Dollars in thousands, except per share amounts)

	For the Three Months Ended September 30, 2000		For the Nine Months Ended September 30, 2000	
Revenue				
Base rent	\$ 15,934	\$ 14,952	\$ 47,315	\$ 43,752
Expense recoveries	2,786	2,529	8,153	7,410
Percentage rent	588	478	1,437	1,508
Other	416	450	1,214	1,723
Total revenue	<u>19,724</u>	<u>18,409</u>	<u>58,119</u>	<u>54,393</u>
Operating expenses				
Property operating expenses	1,940	2,074	6,156	5,909
Provision for credit losses	72	57	305	182
Real estate taxes	1,591	1,476	4,785	4,636
Interest expense	6,037	5,636	17,695	16,734
Amortization of deferred debt expense	123	104	330	312
Depreciation and amortization	3,164	3,004	9,447	8,793
General and administrative	938	913	2,826	2,710
Total operating expenses	<u>13,865</u>	<u>13,264</u>	<u>41,544</u>	<u>39,276</u>
Net income before minority interests	<u>5,859</u>	<u>5,145</u>	<u>16,575</u>	<u>15,117</u>
Minority interests				
Minority share of income	(1,607)	(1,451)	(4,575)	(4,203)
Distributions in excess of earnings	(410)	(567)	(1,476)	(1,703)
Total minority interests	<u>(2,017)</u>	<u>(2,018)</u>	<u>(6,051)</u>	<u>(5,906)</u>
Net income	<u>\$ 3,842</u>	<u>\$ 3,127</u>	<u>\$ 10,524</u>	<u>\$ 9,211</u>
Per share (basic and dilutive)				
Net income (a)	<u>\$ 0.28</u>	<u>\$ 0.24</u>	<u>\$ 0.78</u>	<u>\$ 0.71</u>
Funds from operations (b)	<u>\$ 0.48</u>	<u>\$ 0.45</u>	<u>\$ 1.39</u>	<u>\$ 1.33</u>

(a) Based upon weighted average common shares outstanding of 13,688,031 and 13,157,931 for the three months and 13,556,478 and 13,037,234 for the nine months ended September 30, 2000 and 1999, respectively.

(b) Assumes conversion of operating partnership units, combined with weighted average common shares outstanding, for a total of 18,860,272 and 18,287,849 shares for the three months and 18,728,719 and 18,043,366 shares for the nine months ended September 30, 2000 and 1999, respectively.



Consolidated Balance Sheets

(Unaudited)

(Dollars in thousands)

	September 30, 2000	December 31, 1999
Assets		
Real estate investments		
Land	\$ 65,676	\$ 64,233
Buildings and equipment	319,247	304,149
	<u>384,923</u>	<u>368,382</u>
Accumulated depreciation	(120,660)	(112,272)
	264,263	256,110
Construction in progress	36,509	21,201
Cash and cash equivalents	2,236	957
Accounts receivable and accrued income, net	7,896	8,723
Prepaid expenses	8,520	7,959
Deferred debt costs, net	3,691	3,197
Other assets	2,566	1,518
Total assets	<u>\$ 325,681</u>	<u>\$ 299,665</u>
Liabilities		
Notes payable	\$ 335,995	\$ 310,268
Accounts payable, accrued expenses and other liabilities	18,894	18,391
Deferred income	2,122	2,865
Total liabilities	<u>357,011</u>	<u>331,524</u>
Minority interests		
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Stockholders' equity (deficit)		
Common stock, \$0.01 par value, 30,000,000 shares authorized, 13,731,106 and 13,334,145 shares issued and outstanding, respectively	137	133
Additional paid-in capital	50,532	44,616
Accumulated deficit	(81,999)	(76,608)
Total stockholders' equity (deficit)	<u>(31,330)</u>	<u>(31,859)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 325,681</u>	<u>\$ 299,665</u>

