

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 **September 30, 2001**

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.)

8401 Connecticut Avenue, Chevy Chase, Maryland 20815

(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code (301) 986-6200

Number of shares of common stock, par value \$0.01 per share
outstanding as of November 1, 2001: 14,535,000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

YES X

NO

SAUL CENTERS, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements reflect all adjustments necessary for the fair presentation of the financial position and results of operations of Saul Centers, Inc. All such adjustments are of a normal recurring nature. These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements of Saul Centers, Inc. for the year ended December 31, 2000, which are included in its Annual Report on Form 10-K. The results of operations for interim periods are not necessarily indicative of results to be expected for the year.

Saul Centers, Inc.

CONSOLIDATED BALANCE SHEETS (Unaudited)

<i>(Dollars in thousands)</i>	September 30, 2001	December 31, 2000
Assets		
Real estate investments		
Land	\$ 67,166	\$ 66,252
Buildings and equipment	359,354	325,609
	<u>426,520</u>	<u>391,861</u>
Accumulated depreciation	(133,938)	(124,180)
	<u>292,582</u>	<u>267,681</u>
Construction in progress	23,868	41,148
Cash and cash equivalents	1,020	1,772
Accounts receivable and accrued income, net	7,366	9,540
Prepaid expenses	13,060	9,485
Deferred debt costs, net	2,886	3,054
Other assets	1,655	1,770
Total assets	<u>\$ 342,437</u>	<u>\$ 334,450</u>
Liabilities		
Notes payable	\$ 350,247	\$ 343,453
Accounts payable, accrued expenses and other liabilities	16,739	19,592
Deferred income	2,379	2,560
Total liabilities	<u>369,365</u>	<u>365,605</u>
Minority interests	<u>--</u>	<u>--</u>
Stockholders' equity (deficit)		
Common stock, \$0.01 par value, 30,000,000 shares authorized, 14,354,692 and 13,869,535 shares issued and outstanding, respectively	144	139
Additional paid-in capital	61,191	52,594
Accumulated deficit	(88,263)	(83,888)
Total stockholders' equity (deficit)	<u>(26,928)</u>	<u>(31,155)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 342,437</u>	<u>\$ 334,450</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 September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
Revenue				
Base rent	\$ 17,546	\$ 15,934	\$ 52,301	\$ 47,315
Expense recoveries	2,881	2,786	8,392	8,153
Percentage rent	557	588	1,410	1,437
Other	549	416	1,585	1,214
Total revenue	<u>21,533</u>	<u>19,724</u>	<u>63,688</u>	<u>58,119</u>
Operating expenses				
Property operating expenses	2,131	1,940	6,357	6,156
Provision for credit losses	140	72	421	305
Real estate taxes	1,744	1,591	5,300	4,785
Interest expense	6,203	6,037	18,750	17,695
Amortization of deferred debt expense	142	123	415	330
Depreciation and amortization	3,880	3,164	11,172	9,447
General and administrative	1,004	938	3,009	2,826
Total operating expenses	<u>15,244</u>	<u>13,865</u>	<u>45,424</u>	<u>41,544</u>
Net income before minority interests	<u>6,289</u>	<u>5,859</u>	<u>18,264</u>	<u>16,575</u>
Minority interests				
Minority share of income	(1,674)	(1,607)	(4,895)	(4,575)
Distributions in excess of earnings	(343)	(410)	(1,156)	(1,476)
Total minority interests	<u>(2,017)</u>	<u>(2,017)</u>	<u>(6,051)</u>	<u>(6,051)</u>
Net income	<u>\$ 4,272</u>	<u>\$ 3,842</u>	<u>\$ 12,213</u>	<u>\$ 10,524</u>
Per share (basic and dilutive)				
Net income before minority interests	<u>\$ 0.33</u>	<u>\$ 0.31</u>	<u>\$ 0.95</u>	<u>\$ 0.89</u>
Net income	<u>\$ 0.30</u>	<u>\$ 0.28</u>	<u>\$ 0.87</u>	<u>\$ 0.78</u>

The accompanying notes are an integral part of these statements.

Saul Centers, Inc.

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

<i>(Dollars in thousands, except per share amounts)</i>	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Stockholders' equity (deficit):				
Balance, December 31, 1999	\$ 133	\$ 44,616	\$ (76,608)	\$ (31,859)
Issuance of 535,390 shares of common stock	6	7,978	--	7,984
Net income	--	--	14,045	14,045
Distributions (\$1.17 per share)	--	--	(15,915)	(15,915)
Distributions payable (\$.39 per share)	--	--	(5,410)	(5,410)
Balance, December 31, 2000	139	52,594	(83,888)	(31,155)
Issuance of 128,413 shares of common stock	1	2,184	--	2,185
Net income	--	--	4,034	4,034
Distributions payable (\$.39 per share)	--	--	(5,460)	(5,460)
Balance, March 31, 2001	140	54,778	(85,314)	(30,396)
Issuance of 176,215 shares of common stock	2	3,158	--	3,160
Net income	--	--	3,907	3,907
Distributions payable (\$.39 per share)	--	--	(5,529)	(5,529)
Balance, June 30, 2001	142	57,936	(86,936)	(28,858)
Issuance of 180,529 shares of common stock	2	3,255	--	3,257
Net income	--	--	4,272	4,272
Distributions payable (\$.39 per share)	--	--	(5,599)	(5,599)
Balance, September 30, 2001	<u>\$ 144</u>	<u>\$ 61,191</u>	<u>\$ (88,263)</u>	<u>\$ (26,928)</u>

The accompanying notes are an integral part of these statements.

Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

<i>(Dollars in thousands)</i>	For the Nine Months Ended September 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 12,213	\$ 10,524
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	6,051	6,051
Depreciation and amortization	11,587	9,777
Provision for credit losses	421	305
Decrease in accounts receivable	1,753	522
Increase in prepaid expenses	(4,989)	(1,620)
(Increase) decrease in other assets	115	(1,048)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(2,853)	503
Decrease in deferred income	(181)	(743)
Other	14	--
Net cash provided by operating activities	<u>24,131</u>	<u>24,271</u>
Cash flows from investing activities:		
Additions to real estate investments	(10,106)	(11,295)
Additions to construction in progress	(7,273)	(20,554)
Net cash used in investing activities	<u>(17,379)</u>	<u>(31,849)</u>
Cash flows from financing activities:		
Proceeds from notes payable	37,218	54,729
Repayments on notes payable	(30,424)	(29,002)
Additions to deferred debt expense	(261)	(824)
Proceeds from the issuance of common stock and convertible limited partnership units in the Operating Partnership	8,602	5,920
Distributions to common stockholders and holders of convertible limited partnership units in the Operating Partnership	(22,639)	(21,966)
Net cash provided by (used in) financing activities	<u>(7,504)</u>	<u>8,857</u>
Net increase (decrease) in cash	(752)	1,279
Cash, beginning of period	1,772	957
Cash, end of period	<u>\$ 1,020</u>	<u>\$ 2,236</u>

The accompanying notes are an integral part of these statements.

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

1. Organization, Formation and Structure

Organization

Saul Centers, Inc. ("Saul Centers") was incorporated under the Maryland General Corporation Law on June 10, 1993. Saul Centers operates as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Saul Centers generally will not be subject to federal income tax, provided it annually distributes at least 90% of its REIT taxable income to its stockholders and meets certain organizational and other requirements. Saul Centers has made and intends to continue to make regular quarterly distributions to its stockholders. Saul Centers, together with its wholly owned subsidiaries and the limited partnerships of which Saul Centers or one of its subsidiaries is the sole general partner, are referred to collectively as the "Company". B. Francis Saul II serves as Chairman of the Board of Directors and Chief Executive Officer of Saul Centers.

Saul Centers was formed to continue and expand the shopping center business previously owned and conducted by the B.F. Saul Real Estate Investment Trust, the B.F. Saul Company, Chevy Chase Bank, F.S.B. and certain other affiliated entities (collectively, "The Saul Organization"). On August 26, 1993, The Saul Organization transferred to Saul Holdings Limited Partnership, a newly formed Maryland limited partnership (the "Operating Partnership"), and two newly formed subsidiary limited partnerships (the "Subsidiary Partnerships", and collectively with the Operating Partnership, the "Partnerships"), shopping center and office properties, and the management functions related to the transferred properties. Since its formation, the Company has purchased and developed additional properties. The Company is currently developing Washington Square at Old Town, a 235,000 square foot Class A mixed-use office/retail complex, and Ashburn Village IV, an in-line retail and retail pad expansion to the Company's Ashburn Village I, II & III shopping center. The Company is also redeveloping an under-performing shopping center to an office/business park. As of September 30, 2001, the Company's properties (the "Current Portfolio Properties") consisted of 27 operating shopping center properties and Ashburn Village IV (the "Shopping Centers"), 4 predominantly office operating properties and Washington Square at Old Town (the "Office Properties").

To facilitate the placement of collateralized mortgage debt, the Company established Saul QRS, Inc., a wholly owned subsidiary of Saul Centers. Saul Centers serves as the sole general partner of the Operating Partnership and of Saul Subsidiary II Limited Partnership, while Saul QRS, Inc. serves 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.

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

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 Mid-Atlantic region. The Company's long-term objectives are to increase cash flow from operations and to maximize capital appreciation of its real estate.

The Company is the owner and operator of a real estate portfolio of 33 properties totaling approximately 6,100,000 square feet of gross leasable area ("GLA") located primarily in the Washington, D.C./Baltimore metropolitan area. The portfolio is composed of 28 neighborhood and community Shopping Centers and 5 primarily Office Properties, totaling 4,926,000 and 1,202,000 square feet of GLA, respectively. Only the United States Government (12.3%), a tenant of six properties and Giant Food (6.5%), a tenant of eight Shopping Centers, individually accounted for more than 2.2% of the Company's 2000 total revenues. With the exception of six Shopping Center properties, Washington Square and a portion of one Office Property purchased or developed during the past four years, the Company's Current Portfolio Properties consist of seasoned properties owned and managed by The Saul Organization for 15 years or more. The Company expects to hold its properties as long-term investments, with no maximum retention period for any property. The Company plans to selectively acquire additional income-producing properties and to expand, renovate, and improve its properties when circumstances warrant.

Principles of Consolidation

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

Real Estate Investment Properties

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

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

amount, the Company's policy is to recognize an impairment loss measured by the amount the depreciated cost of the property exceeds its fair value. Fair value is calculated as the present value of expected future cash flows.

Interest, real estate taxes and other carrying costs are capitalized on projects under development and construction. Interest expense capitalized during the nine month periods ended September 30, 2001 and 2000, was \$1,370,000 and \$1,839,000, respectively. Once construction is substantially completed and the assets are placed in service, their rental income, direct operating expenses and depreciation are included in current operations. Expenditures for repairs and maintenance are charged to operations as incurred.

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

Accounts Receivable and Accrued Income

Accounts receivable primarily represent amounts due from tenants in accordance with the terms of the respective leases. In addition, at September 30, 2001 and December 31, 2000, accounts receivable included \$4,227,000 and \$3,053,000, respectively, representing minimum rental income accrued on a straight-line basis to be paid by tenants over the terms of the respective leases. Receivables are reviewed monthly and reserves are established when, in the opinion of management, collection of the receivable is doubtful. Accounts receivable in the accompanying financial statements are shown net of an allowance for doubtful accounts of \$634,000 and \$563,000, at September 30, 2001 and December 31, 2000, respectively.

Deferred Debt Costs

Deferred debt costs consist of financing fees and costs incurred to obtain long-term financing. These fees and costs are being amortized over the terms of the respective loans or agreements. Deferred debt costs in the accompanying financial statements are shown net of accumulated amortization of \$1,817,000 and \$1,402,000, at September 30, 2001 and December 31, 2000, respectively.

Revenue Recognition

Rental and interest income is accrued as earned except when doubt exists as to collectibility, in which case the accrual is discontinued. When rental payments due under leases vary from a straight-line basis because of free rent periods or stepped increases, income is recognized on a straight-line basis in accordance with generally accepted accounting principles.

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

Expense recoveries represent a portion of property operating expenses billed to the tenants, including common area maintenance, real estate taxes and other recoverable costs. Expense recoveries are recognized in the period when the expenses are incurred. Rental income based on a tenant's revenues ("percentage rent") is accrued when a tenant reports sales that exceed a specified breakpoint.

Income Taxes

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

Per Share Data

Per share data is calculated in accordance with SFAS No. 128, "Earnings Per Share." The Company has no dilutive securities; therefore, basic and diluted earnings per share are identical. Net income before minority interests is presented on a fully converted basis, as if the limited partners had exercised their right to convert their partnership ownership into shares of Saul Centers, and is computed using weighted average shares of 19,467,000 and 18,860,000, for the quarters, and 19,294,000 and 18,729,000, for the nine month periods ended September 30, 2001 and 2000, respectively. Per share data for net income after minority interests is computed using weighted average shares of 14,295,000 and 13,688,000, for the quarters, and 14,122,000 and 13,556,000 for the nine month periods ended September 30, 2001 and 2000, respectively.

Reclassifications

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

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

The Saul Organization has a 26.5% limited partnership interest, represented by 5,172,000 convertible limited partnership units in the Operating Partnership, as of September 30, 2001. These Convertible Limited Partnership Units are convertible into shares of Saul Centers' common stock on a one-for-one basis. The impact of The Saul Organization's 26.5% limited partnership interest in the Operating Partnership is reflected as minority interests in the accompanying consolidated financial statements.

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

Deferred Compensation and Stock Plan for Directors

Saul Centers has established a Deferred Compensation and Stock Plan for Directors (the "Plan") for the benefit of its directors and their beneficiaries. A director may elect to defer all or part of his or her director's fees and has the option to have the fees paid in cash, in shares of common stock or in a combination of cash and shares of common stock upon termination from the Board. If the director elects to have fees paid in stock, the number of shares allocated to the director is determined by the market price of the common stock on the day the fee is earned. As of September 30, 2001, 170,000 shares were authorized and registered for use under the Plan, and 107,000 shares had been credited to the directors' deferred fee accounts.

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

New Accounting Pronouncements

Saul Centers, Inc. will adopt FASB Statement No. 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 Statement retains the requirements of Statement No. 121 for long-lived assets to be held and used, to recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows. The impairment loss would be measured as the difference between the carrying amount and fair value of the asset. The adoption of Statement No. 144 will not have a material impact on the Company's financial statements.

3. Construction In Progress

Construction in progress includes the costs of active development projects and other predevelopment project costs. Development costs include direct construction costs and indirect costs such as architectural, engineering, construction management and carrying costs consisting of interest, real estate taxes and insurance. During 2001, Ashburn Village III, Crosstown Business Center and a portion of the Washington Square development have been placed in operation. Construction in progress balances as of September 30, 2001 and December 31, 2000 are as follows:

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

Construction in Progress
(In thousands)

	September 30, <u>2001</u>	December 31, <u>2000</u>
Washington Square.....	\$22,563	\$38,588
Ashburn Village III & IV.....	850	2,105
Crosstown Business Center.....	<u>455</u>	<u>455</u>
Total	<u>\$23,868</u>	<u>\$41,148</u>

4. Notes Payable

Notes payable totaled \$350,247,000 at September 30, 2001, of which \$285,905,000 (81.6%) was fixed rate debt and \$64,342,000 (18.4%) was floating rate debt. At September 30, 2001, the Company had a \$70,000,000 unsecured revolving credit facility with outstanding borrowings of \$26,000,000 and additional borrowing availability of \$44,000,000. The facility requires monthly interest payments at a rate of LIBOR plus a spread of 1.625% to 1.875% (determined by certain debt service coverage and leverage tests) or upon the bank's reference rate at the Company's option. The facility matures July 2003. The Company also had borrowed \$38,342,000 of a \$42,000,000 construction loan secured by Washington Square at September 30, 2001. The facility requires monthly interest payments at a rate of LIBOR plus 1.7%.

Notes payable totaled \$343,453,000 at December 31, 2000, of which \$275,629,000 (80.3%), was fixed rate debt and \$67,824,000 (19.7%) was floating rate debt. Outstanding borrowings on the \$70,000,000 unsecured revolving credit facility were \$34,500,000 at December 31, 2000, with additional borrowing availability of \$35,500,000.

At September 30, 2001, the scheduled maturities of all debt for years ending December 31, were as follows:

Debt Maturity Schedule
(In thousands)

October 1 through December 31, 2001.....	\$ 1,427
2002.....	44,635
2003.....	32,817
2004.....	16,631
2005.....	7,713
2006.....	8,359
Thereafter.....	<u>238,665</u>
Total.....	<u>\$350,247</u>

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

5. Shareholders' Equity (Deficit) and Minority Interests

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

The Consolidated Statement of Operations for the nine months ended September 30, 2001 includes a charge for minority interests of \$6,051,000 consisting of \$4,895,000 related to The Saul Organization's share of the net income for such period and \$1,156,000 related to distributions to minority interests in excess of allocated net income for that period. The charge for the nine months ended September 30, 2000 of \$6,051,000 consists of \$4,575,000 related to The Saul Organization's share of net income for such period, and \$1,476,000 related to distributions to minority interests in excess of allocated net income for that period.

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

6. Business Segments

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

<i>(Dollars in thousands)</i>	<u>Shopping Centers</u>	<u>Office Properties</u>	<u>Corporate and Other</u>	<u>Consolidated Totals</u>
Quarter ended September 30, 2001				
Real estate rental operations:				
Revenues.....	\$ 14,657	\$ 6,830	\$ 46	\$ 21,533
Expenses.....	<u>(2,353)</u>	<u>(1,662)</u>	<u>--</u>	<u>(4,015)</u>
Income from real estate.....	12,304	5,168	46	17,518
Interest expense & amortization of debt expense.....	--	--	(6,345)	(6,345)
General and administrative.....	<u>--</u>	<u>--</u>	<u>(1,004)</u>	<u>(1,004)</u>
Subtotal.....	12,304	5,168	(7,303)	10,169
Depreciation and amortization.....	(2,552)	(1,328)	--	(3,880)
Minority interests.....	<u>--</u>	<u>--</u>	<u>(2,017)</u>	<u>(2,017)</u>
Net income.....	<u>\$ 9,752</u>	<u>\$ 3,840</u>	<u>\$ (9,320)</u>	<u>\$ 4,272</u>
Capital investment.....	<u>\$ 1,199</u>	<u>\$ 2,941</u>	<u>\$ --</u>	<u>\$ 4,140</u>
Total assets.....	<u>\$ 193,606</u>	<u>\$ 122,597</u>	<u>\$ 26,234</u>	<u>\$ 342,437</u>
Quarter ended September 30, 2000				
Real estate rental operations:				
Revenues.....	\$ 14,359	\$ 5,251	\$ 114	\$ 19,724
Expenses.....	<u>(2,360)</u>	<u>(1,232)</u>	<u>(11)</u>	<u>(3,603)</u>
Income from real estate.....	11,999	4,019	103	16,121
Interest expense & amortization of debt expense.....	--	--	(6,160)	(6,160)
General and administrative.....	<u>--</u>	<u>--</u>	<u>(938)</u>	<u>(938)</u>
Subtotal.....	11,999	4,019	(6,995)	9,023
Depreciation and amortization.....	(2,225)	(915)	(24)	(3,164)
Minority interests.....	<u>--</u>	<u>--</u>	<u>(2,017)</u>	<u>(2,017)</u>
Net income.....	<u>\$ 9,774</u>	<u>\$ 3,104</u>	<u>\$ (9,036)</u>	<u>\$ 3,842</u>
Capital investment.....	<u>\$ 2,994</u>	<u>\$ 3,766</u>	<u>\$ 1,158</u>	<u>\$ 7,918</u>
Total assets.....	<u>\$ 193,502</u>	<u>\$ 103,828</u>	<u>\$ 28,351</u>	<u>\$ 325,681</u>

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

(Dollars in thousands)

	Shopping Centers	Office Properties	Corporate and Other	Consolidated Totals
Nine months ended September 30, 2001				
Real estate rental operations:				
Revenues.....	\$ 43,403	\$ 20,152	\$ 133	\$ 63,688
Expenses.....	<u>(7,633)</u>	<u>(4,445)</u>	<u>--</u>	<u>(12,078)</u>
Income from real estate.....	35,770	15,707	133	51,610
Interest expense & amortization of debt expense.....	--	--	(19,165)	(19,165)
General and administrative.....	<u>--</u>	<u>--</u>	<u>(3,009)</u>	<u>(3,009)</u>
Subtotal.....	35,770	15,707	(22,041)	29,436
Depreciation and amortization.....	(7,519)	(3,653)	--	(11,172)
Minority interests.....	<u>--</u>	<u>--</u>	<u>(6,051)</u>	<u>(6,051)</u>
Net income.....	<u>\$ 28,251</u>	<u>\$ 12,054</u>	<u>\$ (28,092)</u>	<u>\$ 12,213</u>
Capital investment.....	<u>\$ 6,661</u>	<u>10,718</u>	<u>--</u>	<u>\$ 17,379</u>
Total assets.....	<u>\$ 193,606</u>	<u>122,597</u>	<u>26,234</u>	<u>\$ 342,437</u>
Nine months ended September 30, 2000				
Real estate rental operations:				
Revenues.....	\$ 27,726	\$ 10,505	\$ 164	\$ 38,395
Expenses.....	<u>(5,278)</u>	<u>(2,349)</u>	<u>(16)</u>	<u>(7,643)</u>
Income from real estate.....	22,448	8,156	148	30,752
Interest expense & amortization of debt expense.....	--	--	(11,865)	(11,865)
General and administrative.....	<u>--</u>	<u>--</u>	<u>(1,888)</u>	<u>(1,888)</u>
Subtotal.....	22,448	8,156	(13,605)	16,999
Depreciation and amortization.....	(4,411)	(1,827)	(45)	(6,283)
Minority interests.....	<u>--</u>	<u>--</u>	<u>(4,034)</u>	<u>(4,034)</u>
Net income.....	<u>\$ 18,037</u>	<u>\$ 6,329</u>	<u>\$ (17,684)</u>	<u>\$ 6,682</u>
Capital investment.....	<u>\$ 9,557</u>	<u>\$ 14,253</u>	<u>\$ 121</u>	<u>\$ 23,931</u>
Total assets.....	<u>\$ 192,915</u>	<u>\$ 100,736</u>	<u>\$ 25,551</u>	<u>\$ 319,202</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 September 30, 2001 and for the three and nine month periods ended September 30, 2001.

Liquidity and Capital Resources

The Company's principal demands for liquidity are expected to be distributions to its stockholders, debt service and loan repayments, expansion, renovation, and redevelopment 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 Code. The Company anticipates that operating revenues will provide the funds necessary for operations, debt service, distributions, and required recurring capital expenditures. Balloon principal repayments are expected to be funded by refinancings.

Management anticipates that during the current year the Company may: i) redevelop certain of the Shopping Centers, ii) develop additional freestanding outparcels or expansions within certain of the Shopping Centers, iii) acquire existing neighborhood and community shopping centers and/or office properties and iv) develop new shopping center or office sites. Acquisition and development of properties are undertaken only after careful analysis and review, and management's determination that such property is expected to provide long-term earnings

and cash flow growth. During the current year, any developments, redevelopments, expansions or acquisitions are expected to be funded with bank borrowings from the Company's credit line, construction financing, proceeds from the operation of the Company's dividend reinvestment plan or other external capital resources available to the Company.

The Company expects to fulfill its long range requirements for capital resources in a variety of ways, including undistributed cash flow from operations, secured or unsecured bank and institutional borrowings, private or public offerings of debt or equity securities and proceeds from the sales of properties. Borrowings may be at the Saul Centers, Operating Partnership or Subsidiary Partnership level, and securities offerings may include (subject to certain limitations) the issuance of additional limited partnership interests in the Operating Partnership which can be converted into shares of Saul Centers common stock.

Management believes that the Company's current capital resources, which include the Company's credit line of which \$44,000,000 was available for borrowing as of September 30, 2001, will be sufficient to meet its liquidity needs for the foreseeable future.

Financial Information

For the third quarter of 2001, the Company reported Funds From Operations ("FFO") of \$10,169,000. This represents a 12.7% increase over the comparable 2000 period's FFO of \$9,023,000. For the nine month period ended September 30, 2001, the Company reported FFO of \$29,436,000. This represents a 13.1% increase over the comparable 2000 period's FFO of \$26,022,000. FFO is presented on a fully converted basis and as the most widely accepted measure of operating performance for REITs is defined as net income before extraordinary items and before real estate depreciation and amortization. The following table represents a reconciliation from net income before minority interests to FFO:

Funds From Operations Schedule

(In thousands)

	<u>Three Months Ended September 30,</u>	
	<u>2001</u>	<u>2000</u>
Net income before minority interests.....	\$ 6,289	\$ 5,859
Add:		
Depreciation and amortization of real property.....	<u>3,880</u>	<u>3,164</u>
Funds From Operations	<u>\$ 10,169</u>	<u>\$ 9,023</u>

	<u>Nine Months Ended September 30,</u>	
	<u>2001</u>	<u>2000</u>
Net income before minority interests.....	\$ 18,264	\$ 16,575
Add:		
Depreciation and amortization of real property.....	<u>11,172</u>	<u>9,447</u>
Funds From Operations	<u>\$ 29,436</u>	<u>\$ 26,022</u>

FFO, as defined by the National Association of Real Estate Investment Trusts, presented on a fully converted basis and the most widely accepted measure of operating performance for real estate investment trusts, is defined as net income before gains or losses from property sales, extraordinary items, and before real estate depreciation and amortization. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs, which is disclosed in the Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of FFO. FFO should not be considered as an alternative to net income, as an indicator of the Company's operating performance, or as an alternative to cash flows as a measure of liquidity. Management considers FFO a supplemental measure of operating performance and along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. FFO may not be comparable to similarly titled measures employed by other REITs.

Cash flow from operating activities, investing activities and financing activities for the nine months ended September 30, 2001 and 2000 are as follows:

Cash flow provided by (used in):

(In thousands)

For the Nine Months Ended September 30,

	<u>2001</u>	<u>2000</u>
Operating activities.....	\$ 24,131	\$ 24,271
Investing activities.....	-17,379	-31,849
Financing activities.....	-7,504	8,857

Capital Strategy and Financing Activity

The Company's capital strategy is to maintain a ratio of total debt to total asset value of approximately 50% or less, and to actively manage the Company's leverage and debt expense on an ongoing basis in order to maintain prudent coverage of fixed charges. Management believes that current total debt remains less than 50% of total asset value.

Outstanding borrowings on the Company's \$70,000,000 unsecured credit line totaled \$26,000,000 and \$30,000,000, leaving credit availability of \$44,000,000 and \$40,000,000, as of September 30, 2001 and November 1, 2001, respectively. The credit line matures July 18, 2003 and may be extended one additional year, at the Company's option, by paying a ¼% extension fee.

During the third quarter of 2001, the Company closed on two \$7.5 million increases to loans with an existing mortgagor, secured by the Company's recently acquired Phase VI of the Avenel Business Park ("Avenel VI") and recently developed Ashburn Village II and III. The two loans mature in December 2011 and require principal and interest payments based upon a weighted interest rate of 7.40% and a 22 ½ year amortization period. The net proceeds of these loans were used to reduce outstanding borrowings under the Company's line of credit.

In 1999, the Company closed a \$42,000,000 construction loan, which has substantially funded the development costs associated with the 235,000 square foot Washington Square mixed-use office/retail complex, located in Old Town Alexandria, Virginia. The loan matures January 2002 and may be extended for two one-year terms at the Company's election with payment of a ¼% fee and achievement of certain debt service coverage and valuation tests. The Company has requested a one-year extension of the maturity date. The Company expects the extension will be completed by yearend. Interest is paid monthly using the bank's prime rate or LIBOR plus a spread of 1.70%, which will decline to a spread of 1.45% when the project is 85% leased. At September 30 and November 1, 2001, outstanding borrowings on this construction loan totaled \$38,342,000.

At November 1, 2001, the Company had fixed interest rates on approximately 81.0% of its total debt outstanding. The fixed rate debt has a weighted average remaining term of approximately 11 years.

Redevelopment, Renovations and Acquisitions

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

During 2001, the Company continued the development of Washington Square at Old Town, a new Class A mixed-use office/retail complex along North Washington Street in historic Old Town Alexandria in Northern Virginia. The project totals 235,000 square feet of leasable area and is well located on a two-acre site along Alexandria's main street. The project consists of two identical buildings separated by a landscaped brick courtyard. Base building construction has been completed. Building-out tenant areas continues. As of November 2001, the Company has signed leases on 66% of the 235,000 square feet of tenant space: the 45,000 square feet of street level retail space is 95% leased and the 190,000 square feet of office space is 58% leased.

During late 1999, the Company purchased land located within the 1,580 acre community of Ashburn Village in Loudoun County, Virginia, adjacent to its 108,000 square foot Ashburn Village neighborhood shopping center. The land was developed into Ashburn Village II, a 40,200 square foot in-line and pad expansion to the existing shopping center, containing 23,600 square feet of retail space and 16,600 square feet of professional office suites. Ashburn Village II commenced operations during the third quarter of 2000. In August 2000, the Company

purchased an additional 7.1 acres of land adjacent to Ashburn Village II for \$1,579,000. The Company has recently completed the development of 4.0 acres of the land known as Ashburn Village III, consisting of a 28,000 square foot in-line and pad expansion to the retail area of the existing shopping center. Construction was substantially completed in May 2001. Tenants have commenced operations during the third quarter of 2001. The Company plans to commence construction on the remaining 3.1 acres, Ashburn Village IV, during the fourth quarter of 2001. This phase will consist of an additional 25,000 square feet of retail space. Leases have been signed for 12% of this new shop space. Completion is scheduled for the summer of 2002.

Beginning in 1998, the Company executed a plan to redevelop its 213,000 square foot French Market shopping center, advantageously located in the thriving northwest section of Oklahoma City, Oklahoma. The plan specified the retenting of a 103,000 square foot anchor tenant space and conversion of an outdated mini-mall to an anchor tenant use. The former Venture store space was re-demised and leased to Bed Bath and Beyond, Staples, Famous Footwear, BridesMart and Lakeshore Learning. The former enclosed mini-mall was leased to Burlington Coat Factory and during 2000, converted into a two-level 90,000 square foot super store, increasing the center's size to 247,000 square feet. The façade of the center was updated to complement the addition of the new tenants. The Company has recently completed construction of the final phase of the center's redevelopment after it obtained control of 20,000 square feet of space formerly operated as a grocery store. The Company re-demised the space to accommodate nine smaller tenant uses and updated the façade to complement the remainder of the center. As a result of the Company's efforts, approximately 94% of the center was leased as of September 30, 2001.

The conversion and redevelopment of the former Tulsa, Oklahoma shopping center to an office/warehouse facility named Crosstown Business Center continues. Ten tenants now occupy 78% of the facility and several other leases are under negotiation.

Portfolio Leasing Status

At September 30, 2001, the portfolio consisted of 28 Shopping Centers and 5 predominantly Office Properties, all of which are located in 7 states and the District of Columbia.

At September 30, 2001, 94.8% of the Company's 5,900,000 square feet of operating leasable space (excluding properties under lease-up and development, Ashburn Village IV and Washington Square) was leased to tenants, as compared to 92.3% at September 30, 2000. The shopping center portfolio (excluding Ashburn Village IV) was 94.8% leased at September 30, 2001 as compared to 93.9% leased at September 30, 2000. The Office Properties (excluding Washington Square) were 94.7% leased at September 30, 2001 compared to 84.0% as of September 30, 2000. The overall improvement in the 2001 period's leasing percentage compared to the prior year's period resulted primarily from the Company's successful leasing at Crosstown Business Center and Southside Plaza.

Results of Operations

The following discussion compares the results of the Company for the three-month periods ended September 30, 2001 and 2000, respectively. This information should be read in conjunction with the accompanying consolidated financial statements and the notes related thereto. These financial statements include all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the interim periods presented.

Three Months Ended September 30, 2001 Compared to Three Months Ended September 30, 2000

Revenues for the three-month period ended September 30, 2001 (the "2001 Quarter"), totaled \$21,533,000 compared to \$19,724,000 for the comparable quarter in 2000 (the "2000 Quarter"), an increase of \$1,809,000 (9.2%).

Base rent income was \$17,546,000 for the 2001 Quarter, compared to \$15,934,000 for the 2000 Quarter, representing an increase of \$1,612,000 (10.1%). The increase in base rent resulted primarily from new leases in effect at recently developed and acquired properties: Ashburn Village II and III, a portion of Washington Square (approximately 100,000 square feet) and Avenel VI during the 2001 Quarter.

Expense recoveries were \$2,881,000 for the 2001 Quarter compared to \$2,786,000 for the comparable 2000 Quarter, representing an increase of \$95,000 (3.4%). The increase in expense recoveries resulted primarily from new leases in effect at the recently developed and acquired properties.

Percentage rent was \$557,000 in the 2001 Quarter, compared to \$588,000 in the 2000 Quarter, a decrease of \$31,000 (5.3%). The decline in percentage rent resulted primarily from the absence of percentage rent from a tenant at Lumberton Plaza whose sales breakpoint increased when it began paying increased minimum rent.

Other income, which primarily consists of parking income, kiosk and temporary leasing, and fees associated with early termination of leases, was \$549,000 in the 2001 Quarter, compared to \$416,000 in the 2000 Quarter, representing an increase of \$133,000 (32.0%). The comparative increase in other income resulted primarily from parking income collected at Washington Square during the 2001 Quarter.

Operating expenses, consisting primarily of repairs and maintenance, utilities, payroll, insurance and other property related expenses, increased \$191,000 (9.8%) to \$2,131,000 in the 2001 Quarter from \$1,940,000 in the 2000 Quarter. The increase in operating expenses resulted primarily from expenses incurred at recently acquired and developed properties, mainly Washington Square.

The provision for credit losses increased \$68,000 (94.4%) to \$140,000 in the 2001 Quarter from \$72,000 in the 2000 Quarter. The credit loss increase resulted from additions to credit loss reserves for several shopping center tenants.

Real estate taxes increased \$153,000 (9.6%) to \$1,744,000 in the 2001 Quarter from \$1,591,000 in the 2000 Quarter. The increase in real estate tax expense in the 2001 Quarter resulted primarily from tax expense accrued at Avenel VI acquired in October 2000 and the recently developed Washington Square. Real estate tax expense also increased for 601 Pennsylvania Avenue due to the property's increased assessed value.

Interest expense increased \$166,000 (2.7%) to \$6,203,000 for the 2001 Quarter from \$6,037,000 reported for the 2000 Quarter. The increase resulted from increased average borrowing balances used to fund the acquisition of Avenel VI and the development of Ashburn Village II and III and the portion of Washington Square placed in service. The increase was offset in part by a 300 basis point reduction in the average interest rate charged on variable rate debt.

Amortization of deferred debt expense increased \$19,000 (15.4%) to \$142,000 for the 2001 Quarter compared to \$123,000 for the 2000 Quarter. The increase resulted from the amortization of additional loan costs related to the refinancing of the Company's line of credit in 2000 and \$15 million of new fixed rate mortgage borrowings in 2001.

Depreciation and amortization expense increased \$716,000 (22.6%) from \$3,164,000 in the 2000 Quarter to \$3,880,000 in the 2001 Quarter, reflecting increased depreciation expense for developments and acquisitions placed in service during the past twelve months.

General and administrative expense, which consists of payroll, administrative and other overhead expense, was \$1,004,000 for the 2001 Quarter, an increase of \$66,000 (7.0%) over the 2000 Quarter. The increase in 2001 expenses compared to 2000 resulted primarily from an increase in payroll expenses.

Nine Months Ended September 30, 2001 Compared to Nine Months Ended September 30, 2000

Revenues for the nine-month period ended September 30, 2001 (the "2001 Period"), totaled \$63,688,000 compared to \$58,119,000 for the comparable period in 2000 (the "2000 Period"), an increase of \$5,569,000 (9.6%).

Base rent income was \$52,301,000 for the 2001 Period, compared to \$47,315,000 for the 2000 Period, representing an increase of \$4,986,000 (10.5%). The increase in base rent resulted primarily from new leases in effect at recently developed and acquired properties: Ashburn Village II, a portion of Washington Square (approximately 100,000 square feet) and Avenel VI during the 2001 Period.

Expense recoveries were \$8,392,000 for the 2001 Period compared to \$8,153,000 for the comparable 2000 Period, representing an increase of \$239,000 (2.9%).

Percentage rent was \$1,410,000 in the 2001 Period, compared to \$1,437,000 in the 2000 Period, a decrease of \$27,000 (1.9%).

Other income, which primarily consists of parking income, kiosk and temporary leasing, and fees associated with early termination of leases, was \$1,585,000 in the 2001 Period, compared to \$1,214,000 in the 2000 Period, representing an increase of \$371,000 (30.6%). The comparative increase in other income resulted primarily from proceeds collected from a tenant's bankruptcy estate in excess of the recorded receivable and to a lesser extent, parking income collected at Washington Square during the 2001 Period.

Operating expenses, consisting primarily of repairs and maintenance, utilities, payroll, insurance and other property related expenses, increased \$201,000 (3.3%) to \$6,357,000 in the 2001 Period from \$6,156,000 in the 2000 Period.

The provision for credit losses increased \$116,000 (38.0%) to \$421,000 in the 2001 Period from \$305,000 in the 2000 Period. The credit loss increase resulted primarily from additions to credit loss reserves for several shopping center tenants.

Real estate taxes increased \$515,000 (10.8%) to \$5,300,000 in the 2001 Period from \$4,785,000 in the 2000 Period. The increase in real estate tax expense in the 2001 Period resulted primarily from tax expense accrued at Avenel VI acquired in October 2000 and the recently developed Washington Square. Real estate tax expense also increased for 601 Pennsylvania Avenue due to the property's increased assessed value.

Interest expense increased \$1,055,000 (6.0%) to \$18,750,000 for the 2001 Period from \$17,695,000 reported for the 2000 Period. The increase resulted from increased average borrowing balances used to fund the acquisition of Avenel VI and the development of Ashburn Village II and the portion of Washington Square placed in service. The increase was offset in part by a 180 basis point reduction in the average interest rate charged on variable rate debt.

Amortization of deferred debt expense increased \$85,000 (25.8%) to \$415,000 for the 2001 Period compared to \$330,000 for the 2000 Period. The increase resulted from the amortization of additional loan costs related to a new mortgage financing and refinancing of the Company's line of credit in 2000 and \$15 million of new fixed rate mortgage borrowings in 2001.

Depreciation and amortization expense increased \$1,725,000 (18.3%) from \$9,447,000 in the 2000 Period to \$11,172,000 in the 2001 Period, reflecting increased depreciation expense on developments and acquisitions placed in service during the past twelve months.

General and administrative expense, which consists of payroll, administrative and other overhead expense, was \$3,009,000 for the 2001 Period, an increase of \$183,000 (6.5%) over the 2000 Period. The increase in 2001 expenses compared to 2000 resulted from increased payroll and related expenses.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to certain financial market risks, the most predominant being fluctuations in interest rates. Interest rate fluctuations are monitored by management as an integral part of the Company's overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on the Company's results of operations. The Company does not enter into financial instruments for trading purposes.

The Company is exposed to interest rate fluctuations primarily as a result of its variable rate debt used to finance the Company's development and acquisition activities and for general corporate purposes. As of September 30, 2001, the Company had variable rate indebtedness totaling \$64,342,000. Interest rate fluctuations will affect the Company's annual interest expense on its variable rate debt. If the interest rate on the Company's variable rate debt instruments outstanding at September 30, 2001 had been one percent higher, its annual interest expense relating to these debt instruments would have increased by \$643,000, based on those balances. Interest rate fluctuations will also affect the fair value of the Company's fixed rate debt instruments. As of September 30, 2001, the Company had fixed rate indebtedness totaling \$285,905,000. If interest rates on the Company's fixed rate debt instruments at September 30, 2001 had been one percent higher, the fair value of those debt instruments on that date would have decreased by approximately \$18,526,000.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

Exhibits

3. (a) First Amended and Restated Articles of Incorporation of Saul Centers, Inc. filed with the Maryland Department of Assessments and Taxation on August 23, 1993 and filed as Exhibit 3.(a) of the 1993 Annual Report of the Company on Form 10-K are hereby incorporated by reference.
- (b) Amended and Restated Bylaws of Saul Centers, Inc. as in effect at and after August 24, 1993 and as of August 26, 1993 and filed as Exhibit 3.(b) of the 1993 Annual Report of the Company on Form 10-K are hereby incorporated by reference. The First Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited Partnership, the Second Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited Partnership, the Third Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited Partnership and the Fourth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited Partnership as filed as Exhibit 3.(b) of the 1997 Annual Report of the Company on Form 10-K are hereby incorporated by reference.
10. (a) First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit No. 10.1 to Registration Statement No. 33-64562 is hereby incorporated by reference. The First Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership, the Second Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership, and the Third Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 10.(a) of the 1995 Annual Report of the Company on Form 10-K is hereby incorporated by reference. The Fourth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 10.(a) of the March 31, 1997 Quarterly Report of the Company is hereby incorporated by reference. The Fifth Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Holdings Limited Partnership filed as Exhibit 4.(c) to Registration Statement No. 333-41436, is hereby incorporated by reference.
- (b) First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I Limited Partnership and Amendment No. 1 thereto filed as Exhibit 10.2 to Registration Statement No. 33-64562 are hereby incorporated by reference. The Second Amendment to the First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary I

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

- (c) First Amended and Restated Agreement of Limited Partnership of Saul Subsidiary II Limited Partnership and Amendment No. 1 thereto filed as Exhibit 10.3 to Registration Statement No. 33-64562 are hereby incorporated by reference. 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) Saul Centers, Inc. 1993 Stock Option Plan filed as Exhibit 10.8 to Registration Statement No. 33-64562 is hereby incorporated by reference.
- (i) Agreement of Assumption dated as of August 26, 1993 executed by Saul Holdings Limited Partnership and filed as Exhibit 10.(i) of the 1993 Annual Report of the Company on Form 10-K is hereby incorporated by reference.
- (j) Deferred Compensation Plan for Directors dated as of December 13, 1993 as filed as Exhibit 10.(r) of the 1995 Annual Report of the Company on Form 10-K, as amended and restated by the Deferred Compensation and Stock Plan for Directors, dated as of March 18, 1999, filed as Exhibit 10.(k) of the March 31, 1999 Quarterly Report of the Company on Form 10-Q, as amended and restated by the Deferred Compensation and Stock Plan for Directors dated as of April 27, 2001 filed as Exhibit 99 to the Registration Statement No. 333-59962, is hereby incorporated by reference.
- (k) Loan Agreement dated as of November 7, 1996 by and among Saul Holdings Limited Partnership, Saul Subsidiary II Limited Partnership and

PFL Life Insurance Company, c/o AEGON USA Realty Advisors, Inc., filed as Exhibit 10.(t) of the March 31, 1997 Quarterly Report of the Company, is hereby incorporated by reference.

- (l) Promissory Note dated as of January 10, 1997 by and between Saul Subsidiary II Limited Partnership and The Northwestern Mutual Life Insurance Company, filed as Exhibit 10.(z) of the March 31, 1997 Quarterly Report of the Company, is hereby incorporated by reference.
- (m) Loan Agreement dated as of October 1, 1997 between Saul Subsidiary I Limited Partnership as Borrower and Nomura Asset Capital Corporation as Lender filed as Exhibit 10.(p) of the 1997 Annual Report of the Company on Form 10-K is hereby incorporated by reference.
- (n) Revolving Credit Agreement dated as of October 1, 1997 by and between Saul Holdings Limited Partnership and Saul Subsidiary II Limited Partnership, as Borrower and U.S. Bank National Association, as agent, is as filed as Exhibit 10.(q) of the 1997 Annual Report of the Company on Form 10-K, as amended by the First Amendment to Revolving Credit Agreement dated as of July 18, 2000, as filed as Exhibit 10.(q) of the September 30, 2000 Quarterly Report of the Company, is hereby incorporated by reference.
- (o) Promissory Note dated as of November 30, 1999 by and between Saul Holdings Limited Partnership as Borrower and Wells Fargo Bank National Association as Lender filed as Exhibit 10.(r) of the 1999 Annual Report of the Company on Form 10-K is hereby incorporated by reference.

99. Schedule of Portfolio Properties

Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SAUL CENTERS, INC.
(Registrant)

Date: November 12, 2001

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

Date: November 12, 2001

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

Saul Centers, Inc.
Schedule of Current Portfolio Properties
September 30, 2001

Property	Location	Leasable Area (Square Feet)	Year Developed or Acquired (Renovated)	Land Area (Acres)	Percentage Leased		Anchor / Significant Tenants
					Sep-2001	Sep-2000	
Shopping Centers							
Ashburn Village I & II	Ashburn, VA	154,792	1994, 2000	19.3	100%	98%	Giant Food, Blockbuster
Ashburn Village III & IV	^(a) Ashburn, VA	28,645	2000/01	7.1	100%	<i>n/a</i>	
Beacon Center	Alexandria, VA	352,915	1972 (1993/99)	32.3	100%	95%	Lowe's, Giant Food, Office Depot, Outback Steakhouse, Marshalls, Hollywood Video, Hancock Fabrics
Belvedere	Baltimore, MD	54,941	1972	4.8	86%	100%	Food King
Boulevard	Fairfax, VA	56,350	1994 (1999)	5.0	93%	100%	Danker Furniture, Petco, Party City
Clarendon	Arlington, VA	6,940	1973	0.5	100%	100%	
Clarendon Station	Arlington, VA	4,868	1996	0.1	78%	100%	
Flagship Center	Rockville, MD	21,500	1972, 1989	0.5	100%	100%	
French Market	Oklahoma City, OK	245,184	1974 (1984/98)	13.8	94%	86%	Burlington Coat Factory, Bed Bath & Beyond, Famous Footwear, Lakeshore Learning Center, BridesMart, Staples, Dollar Tree
Germantown	Germantown, MD	26,241	1992	2.7	100%	97%	
Giant	Baltimore, MD	70,040	1972 (1990)	5.0	100%	100%	Giant Food
The Glen	Lake Ridge, VA	112,639	1994	14.7	99%	100%	Safeway Marketplace, CVS Pharmacy
Great Eastern	District Heights, MD	254,398	1972 (1995)	23.9	100%	100%	Giant Food, Pep Boys, Big Lots, Run N' Shoot
Hampshire Langley	Langley Park, MD	131,700	1972 (1979)	9.9	100%	100%	Safeway, Blockbuster
Leesburg Pike	Baileys Crossroads, VA	97,880	1966 (1982/95)	9.4	100%	100%	Zany Brainy, CVS Pharmacy, Kinko's, Hollywood Video
Lexington Mall	Lexington, KY	315,719	1974	30.0	69%	81%	Dillard's
Lumberton	Lumberton, NJ	189,898	1975 (1992/96)	23.3	89%	82%	SuperFresh, Rite Aid, Blockbuster, Ace Hardware
Olney	Olney, MD	53,765	1975 (1990)	3.7	94%	93%	Rite Aid
Ravenwood	Baltimore, MD	87,750	1972	8.0	100%	98%	Giant Food, Hollywood Video
Seven Corners	Falls Church, VA	560,998	1973 (1994-7)	31.6	100%	100%	Home Depot, Shoppers Club, Best Buy, Michaels, Barnes & Noble, Ross Dress For Less, G Street Fabrics, Champs
Shops at Fairfax	Fairfax, VA	68,743	1975 (1993/99)	6.7	100%	100%	SuperFresh, Blockbuster
Southdale	Glen Burnie, MD	484,115	1972 (1986)	39.6	97%	100%	Giant Food, Home Depot, Circuit City, Kids R Us, Michaels, Marshalls, PetSmart, Value City Furniture

Saul Centers, Inc.
Schedule of Current Portfolio Properties
September 30, 2001

Property	Location	Leasable Area (Square Feet)	Year Developed or Acquired (Renovated)	Land Area (Acres)	Percentage Leased		Anchor / Significant Tenants
					Sep-2001	Sep-2000	
Shopping Centers (continued)							
Southside Plaza	Richmond, VA	340,691	1972	32.8	91%	78%	CVS Pharmacy, Community Pride Supermarket, Maxway
South Dekalb Plaza	Atlanta, GA	163,273	1976	14.6	100%	100%	MacFrugals, Pep Boys, The Emory Clinic, Maxway
Thruway	Winston-Salem, NC	348,770	1972 (1997)	30.5	95%	93%	Harris Teeter, Fresh Market, Bed Bath & Beyond, Stein Mart, Eckerd Drugs, Houlihan's, Borders Books, Zany Brainy, Blockbuster
Village Center	Centreville, VA	143,109	1990	17.2	100%	100%	Giant Food, Tuesday Morning, Blockbuster
West Park	Oklahoma City, OK	76,610	1975	11.2	57%	58%	Homeland Stores, Family Dollar
White Oak	Silver Spring, MD	480,156	1972 (1993)	28.5	99%	98%	Giant Food, Sears, Rite Aid, Blockbuster
	Total Shopping Centers	4,932,630		426.7	94.8%	93.9%	
Office Properties							
Avenel Business Park	Gaithersburg, MD	388,620	1981-2000	37.1	100%	100%	General Services Administration, VIRxSYS, Paragea Communications, Boston Biomedica, Broadsoft, NeuralSTEM, Quanta Systems
Crosstown Business Center	^(b) Tulsa, OK	197,135	1975 (2000)	22.4	78%	28%	Compass Group, Roxtec, Par Electric
601 Pennsylvania Ave	Washington, DC	225,414	1973 (1986)	1.0	99%	100%	General Services Administration, Credit Union National Assn, Southern Company, HQ Global, Alltel, American Arbitration, Capital Grille
Van Ness Square	Washington, DC	156,493	1973 (1990)	1.2	97%	95%	INTELSAT, Team Video Intl, Office Depot, Pier 1
Washington Square	Alexandria, VA	234,756	1975 (2000)	2.0	59%	49%	Vanderweil Engineering, World Wide Retail Exch., American Management Systems, Trader Joe's, Kinko's, Blockbuster
	Total Office Properties	1,202,418		61.7	94.7%	84.0%	
	Total Portfolio	6,135,048		488.4	94.8%	92.3%	

^(a) Undeveloped land acquired August 2000. Construction was completed May 2001 for a 28,000 square foot in-line and pad expansion named Ashburn Village III, which is 100% leased. Phase IV consists of approximately 3.1 acres of undeveloped land.

^(b) Currently operational, but under development to convert former shopping center to office park/warehouse use.

^(c) Washington Square and Ashburn Village IV, currently under development and not yet fully operational, are excluded from these averages.