

Corporate Information

Directors

B. Francis Saul II—Chairman & CEO
B. Francis Saul III—Vice Chairman
Philip D. Caraci—President
Gilbert M. Grosvenor
Philip C. Jackson, Jr.
General Paul X. Kelley, USMC (Ret.)
Charles R. Longsworth
Patrick F. Noonan
Mark Sullivan III
James W. Symington
John R. Whitmore

Transfer Agent

First Chicago Trust Company of New York
New York, NY 10805-3989

Exchange Listing

New York Stock Exchange Symbol: BFS

Saul Centers, Inc.

8401 Connecticut Avenue
Chevy Chase, Maryland 20815
(301) 986-6200

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



nineteen hundred ninety nine
1999
Third Quarter Report
to shareholders



Visit our web site at www.saulcenters.com

Message

TO OUR SHAREHOLDERS

Funds From Operations (FFO) increased 12.2% to \$8,149,000 in the quarter ended September 30, 1999 compared to \$7,267,000 for the same quarter in 1998. For the nine month period ended September 30, 1999, FFO increased 9.2% to \$23,910,000 compared to \$21,904,000 for the same period in 1998. On a per share basis, FFO was \$.45 per share for the 1999 third quarter, a 6.3% increase over the same quarter last year. For the nine month period ended September 30, 1999, FFO per share increased 3.6% to \$1.33 per share over the comparable period in 1998. 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 and nonrecurring items and before real estate depreciation and amortization. During the third quarter, the Company paid a \$.39 per share dividend to its shareholders.

Total revenues for the 1999 third quarter increased 4.3% to \$18,409,000 compared to \$17,650,000 for the 1998 quarter. The company reported net income of \$3,127,000 or \$.24 per share for the 1999 quarter, a per share increase of 18.3% compared to net income of \$2,550,000 or \$.20 per share for the 1998 quarter (basic and diluted). For the 1999 nine month period, revenues increased 3.6% to \$54,393,000 compared to \$52,483,000 for the comparable period in 1998. The company reported net income of \$9,211,000 or \$.71 per share for the 1999 nine month period, a per share increase of 23.1% compared to net income of \$7,228,000 or \$.57 per share for the comparable 1998 period (basic and diluted).

Same center net operating income in the shopping center portfolio grew 3.3 % for the 1999 third quarter and 4.1% for the nine month period ended September 30, 1999 compared to the same periods in 1998. Same property net operating income in the office portfolio grew 10.8% for the 1999 third quarter and 3.2% for the 1999 nine month period compared to the same periods in 1998. Overall same property net operating income for the total portfolio grew 5.1% for the 1999 third quarter and 3.9% for the 1999 nine month period compared to the same periods in 1998. As of September 30, 1999, 92% of the portfolio was leased. Excluding the 200,000 square foot warehouse redevelopment which is currently 9% leased, 95% of the portfolio was leased.

The Company has completed redevelopment of the Beacon Center, located along U.S. Route 1 in Alexandria, Virginia. Beacon Center's central enclosed mall area was demolished and construction of a 148,000 square foot Lowe's home improvement and garden center store was completed during the third quarter of this year. Lowe's celebrated their grand opening during the first week in November.

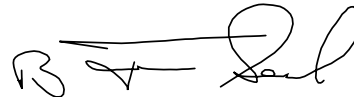
The Company also recently completed another significant redevelopment during 1999 with the opening of a 53,000 square foot SuperFresh grocery store at the Shops at Fairfax, located in Fairfax, Virginia. A small enclosed mall comprising a portion of the shopping center was demolished and replaced by the new SuperFresh building and an additional 7,500 square feet of small shop space. SuperFresh opened for business in late September.

The Company recently 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 is being developed into a 32,000 square foot in-line expansion to the existing shopping center, containing approximately 18,000 square feet of retail space and 14,000 square feet of professional office suites. Construction began during the first week of November, with substantial completion scheduled for the spring of 2000.

Development of the Company's 230,000 square foot class A, mixed-use office/retail complex located along North Washington Street in historic Old Town Alexandria, Virginia is proceeding on schedule. Construction of the underground parking deck has been substantially completed, and concrete work on the first and second floors of the office buildings is continuing. Base building construction is scheduled to be completed by the summer of 2000.

Looking into the latter part of next year, these new developments should further enhance the operating performance of our core portfolio of shopping center and office properties.

For the Board



B. Francis Saul II
Chairman of the Board

November 30, 1999

CORPORATE PROFILE

Saul Centers, Inc. (NYSE: BFS) operates and manages a real estate portfolio of 35 community and neighborhood shopping centers and office properties totaling approximately 5.9 million square feet of leasable area, with over 80 percent of the cash flow generated from properties in the metropolitan Washington, D.C./Baltimore area. Saul Centers' primary operating strategy is to continue its program of internal growth, renovations, and expansions of community and neighborhood shopping centers, which primarily service the day-to-day necessities and services subsector of the overall retail market.

Consolidated

Statements of Operations

(Unaudited)



(Dollars in thousands, except per share amounts)

For the Three Months
Ended September 30,
1999

For the Three Months
Ended September 30,
1998

For the Nine Months
Ended September 30,
1999

For the Nine Months
Ended September 30,
1998

Revenue

Base rent	\$ 14,952	\$ 14,044	\$ 43,752	\$ 41,505
Expense recoveries	2,529	2,625	7,410	7,339
Percentage rent	478	588	1,508	1,995
Other	450	393	1,723	1,644
Total revenue	<u>18,409</u>	<u>17,650</u>	<u>54,393</u>	<u>52,483</u>

Operating expenses

Property operating expenses	2,074	2,016	5,909	5,902
Provision for credit losses	57	123	182	275
Real estate taxes	1,476	1,577	4,636	4,563
Interest expense	5,636	5,696	16,734	16,972
Amortization of deferred debt expense	104	106	312	315
Depreciation and amortization	3,004	2,840	8,793	8,488
General and administrative	913	865	2,710	2,552
Total operating expenses	<u>13,264</u>	<u>13,223</u>	<u>39,276</u>	<u>39,067</u>

Operating income

5,145 4,427 15,117 13,416

Extraordinary item

Early extinguishment of debt --- (50) --- (50)

Cumulative effect of change in accounting method

--- --- --- (771)

Net income before minority interests

5,145 4,377 15,117 12,595

Minority interests

Minority share of income	(1,451)	(1,177)	(4,203)	(3,338)
Distributions in excess of earnings	(567)	(650)	(1,703)	(2,029)
Total minority interests	<u>(2,018)</u>	<u>(1,827)</u>	<u>(5,906)</u>	<u>(5,367)</u>

Net income

\$ 3,127 \$ 2,550 \$ 9,211 \$ 7,228

Per share data (basic and diluted)

Net income (a) \$ 0.24 \$ 0.20 \$ 0.71 \$ 0.57

Funds from Operations (b) \$ 0.45 \$ 0.42 \$ 1.33 \$ 1.28

(a) Based upon weighted average common shares outstanding of 13,157,931 and 12,691,486 for the three months and 13,037,234 and 12,591,536 for the nine months ended September 30, 1999 and 1998, respectively.

(b) Assumes conversion of operating partnership units, combined with weighted average common shares outstanding, for a total of 18,287,850 and 17,341,977 shares for the three months and 18,043,366 and 17,123,723 shares for the nine months ended September 30, 1999 and 1998, respectively.



Consolidated

Balance Sheets

(Unaudited)



<i>(Dollars in thousands)</i>	September 30, 1999	December 31, 1998
Assets		
Real estate investments		
Land	\$ 63,795	\$ 64,339
Buildings and equipment	291,670	283,722
	<u>355,465</u>	<u>348,061</u>
Accumulated depreciation	(109,838)	(101,910)
	245,627	246,151
Construction in progress	22,665	4,506
Cash and cash equivalents	2,304	2,395
Accounts receivable and accrued income, net	7,186	6,347
Prepaid expenses	8,402	6,873
Deferred debt costs, net	3,304	3,604
Other assets	1,771	1,158
Total assets	<u>\$ 291,259</u>	<u>\$ 271,034</u>
Liabilities		
Notes payable	\$ 302,511	\$ 290,623
Accounts payable, accrued expenses and other liabilities	18,122	14,856
Deferred income	3,231	2,839
Total liabilities	<u>323,864</u>	<u>308,318</u>
Minority Interests		
	—	—
Stockholders' equity (deficit)		
Common stock, \$0.01 par value, 30,000,000 shares authorized; 13,198,675 and 12,836,378 shares issued and outstanding, respectively	132	129
Additional paid-in capital	42,755	31,967
Accumulated deficit	(75,492)	(69,380)
Total stockholders' equity (deficit)	<u>(32,605)</u>	<u>(37,284)</u>
Total liabilities and stockholders' equity	<u>\$ 291,259</u>	<u>\$ 271,034</u>

