

SAUL CENTERS, INC.

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Saul Centers, Inc. Reports Fourth Quarter and Annual 2004 Operating Results

February 23, 2005, Bethesda, MD.

Saul Centers, Inc. (NYSE: BFS), an equity real estate investment trust (REIT), announced its operating results for the quarter and year ended December 31, 2004. Total revenues for the quarter ended December 31, 2004 increased 13.2% to \$29,569,000 compared to \$26,129,000 for the 2003 quarter. Operating income, defined as net income available to common stockholders before gain on property sold, minority interests and preferred stock dividends increased 9.3% to \$8,256,000 compared to \$7,556,000 for the comparable 2003 quarter. After preferred stock dividends, the Company reported net income available to common stockholders of \$4,228,000 or \$0.26 per share (basic & fully diluted) for the 2004 quarter, a per share decrease of 7.1% compared to net income available to common stockholders of \$4,471,000 or \$0.28 per share (basic & fully diluted) for the 2003 quarter. Increased operating income in the 2004 fourth quarter was more than offset by (1) a full quarter of preferred stock dividends in 2004 (\$2,000,000) versus a partial quarter in 2003 (\$1,244,000); (2) increased accounting and administrative expenses related primarily to new Sarbanes-Oxley documentation and compliance requirements; and (3) the 2003 fourth quarter gain of \$182,000 resulting from the State of Maryland's condemnation and purchase of a piece of land at Avenel Business Park for improvement of an interchange on I-270, adjacent to the property.

Overall same property revenues for the total portfolio increased 2.3% for the 2004 fourth quarter compared to the same quarter in 2003 and same property operating income increased 2.8%. The same property comparisons exclude the results of operations of properties not in operation for each of the comparable reporting periods. Property operating income is calculated as total property revenue less property operating expenses, provision for credit losses and real estate taxes. Same center operating income in the shopping center portfolio decreased 2.2% for the 2004 fourth quarter, due primarily to a \$425,000 lease termination fee collected from a former shopping center tenant in the prior year's quarter. Same property operating income in the office portfolio grew 14.9% for the 2004 quarter, due primarily to the completion of lease-up of space and new tenant occupancy at 601 Pennsylvania Avenue contributing an incremental \$240,000, and the collection of a lease termination fee and a payment from a former bankrupt tenant at Avenel Business Park and a lease termination fee at Washington Square totaling a combined \$264,000. Excluding the impact of 601 Pennsylvania Avenue, overall portfolio same property operating growth was 1.8% for the 2004 quarter.

For the year ended December 31, 2004, total revenues increased 15.3% to \$112,842,000 compared to \$97,884,000 for the 2003 year. Operating income before gain on property sold, minority interests and preferred stock dividends increased 24.2% to \$33,707,000 compared to \$27,146,000 for the 2003 year. After preferred stock dividends, the Company reported net income available to common stockholders of \$18,174,000 or \$1.13 per share (basic) and \$1.12 per share (fully diluted) for the 2004 year, resulting in a fully diluted per share decrease of 2.6% compared to net income available to common stockholders of \$17,998,000 or \$1.15 per share (basic & fully diluted) for the 2003 year. Increased operating income in the 2004 year was more than offset by (1) a full year of preferred stock dividends in 2004 (\$8,000,000) versus a partial year in 2003 (\$1,244,000); (2) increased personnel expenses particularly related to the Company's acquisition and development program; and (3) increased accounting and administrative expenses related primarily to new Sarbanes-Oxley documentation and compliance requirements.

Overall same property revenues for the total portfolio increased 4.2% for the 2004 year compared to the 2003 year and same property operating income increased 5.0%. Same center operating income in the shopping center portfolio increased 2.2% for the 2004 year. Same property operating income in the office portfolio grew 11.2% for the 2004 year, due primarily to the completion of lease-up of space and new tenant occupancy at 601 Pennsylvania Avenue. Excluding the impact of 601 Pennsylvania Avenue, overall portfolio same property operating income growth was 2.5% for the 2004 year.

As of December 31, 2004, 93.9% of the portfolio was leased, compared to 94.4% a year earlier. On a same property basis, 94.0% of the portfolio was leased, compared to the prior year level of 94.4%. The comparative decrease in the year end 2004 same property leasing percentage is largely attributable to the departure of a 39,000 square foot local grocer at Southside Plaza in suburban Richmond, Virginia.

Funds From Operations (FFO) available to common shareholders (after deducting preferred stock dividends) increased 7.2% to \$12,084,000 in the 2004 fourth quarter compared to \$11,274,000 for the same quarter in 2003. The \$810,000 increase in FFO available to common shareholders in the 2004 quarter resulted from the combination of (1) increased operating income from retail acquisition and development properties and (2) successful leasing efforts in the core portfolio, primarily at 601 Pennsylvania Avenue; offset in part by the payment of \$2,000,000 (compared to \$1,244,000 for a portion of the 2003 quarter) in preferred dividends relating to the November 2003 offering. On a fully diluted per share basis, FFO available to common shareholders increased 3.7% to \$.56 per share in 2004 compared to \$.54 for the 2003 quarter. FFO available to common shareholders for the 2004 year increased by \$3,291,000 (7.5%) to \$47,031,000. Fully diluted per share FFO available to common shareholders increased 4.8% to \$2.20 per share in 2004 compared to \$2.10 for the 2003 year. FFO, a widely accepted non-GAAP financial measure of operating performance for real estate investment trusts, is defined as

net income plus minority interests, extraordinary items and real estate depreciation and amortization, excluding gains and losses from property sales.

Saul Centers is a self-managed, self-administered equity real estate investment trust headquartered in Bethesda, Maryland. Saul Centers currently operates and manages a real estate portfolio of 40 community and neighborhood shopping center and office properties totaling approximately 7.2 million square feet of leasable area. Over 80% of the Company's cash flow is generated from properties in the metropolitan Washington, DC/Baltimore area.

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Saul Centers, Inc.
Condensed Consolidated Balance Sheets

(\$ in thousands)

	<u>December 31,</u> 2004 <small>(Unaudited)</small>	<u>December 31,</u> 2003
Assets		
Real estate investments		
Land.....	\$ 119,029	\$ 82,256
Buildings.....	521,161	436,371
Construction in progress.....	<u>42,618</u>	<u>33,488</u>
	682,808	552,115
Accumulated depreciation.....	<u>(181,420)</u>	<u>(164,823)</u>
	501,388	387,292
Cash and cash equivalents.....	33,561	45,244
Accounts receivable and accrued income, net.....	20,654	14,642
Lease acquisition costs, net.....	17,745	15,344
Prepaid expenses.....	2,421	2,609
Deferred debt costs, net.....	5,011	4,224
Other assets.....	<u>2,616</u>	<u>2,261</u>
Total assets.....	<u>\$ 583,396</u>	<u>\$ 471,616</u>
Liabilities		
Mortgage notes payable.....	\$ 453,646	\$ 357,248
Dividends and distributions payable.....	10,424	9,454
Accounts payable, accrued expenses and other liabilities.....	12,318	7,793
Deferred income.....	<u>6,044</u>	<u>4,478</u>
Total liabilities.....	<u>482,432</u>	<u>378,973</u>
Stockholders' Equity		
Preferred stock.....	100,000	100,000
Common stock.....	164	159
Additional paid in capital.....	106,886	91,469
Accumulated deficit.....	<u>(106,086)</u>	<u>(98,985)</u>
Total stockholders' equity.....	<u>100,964</u>	<u>92,643</u>
Total liabilities and stockholders' equity.....	<u>\$ 583,396</u>	<u>\$ 471,616</u>

Saul Centers, Inc.
Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	(Unaudited)		(Unaudited)	
Revenue				
Base rent.....	\$ 23,774	\$ 20,434	\$ 91,125	\$ 78,167
Expense Recoveries.....	4,352	3,965	16,712	14,438
Percentage Rent.....	491	593	1,635	1,695
Other	952	1,137	3,370	3,584
Total revenue.....	<u>29,569</u>	<u>26,129</u>	<u>112,842</u>	<u>97,884</u>
Operating Expenses				
Property operating expenses.....	3,122	3,102	12,070	11,363
Provision for credit losses.....	189	53	488	171
Real estate taxes.....	2,585	2,189	9,789	8,580
Interest expense and deferred debt amortization.....	7,114	6,449	27,022	26,573
Depreciation and amortization.....	5,828	4,962	21,324	17,838
General and administrative.....	2,475	1,818	8,442	6,213
Total operating expenses.....	<u>21,313</u>	<u>18,573</u>	<u>79,135</u>	<u>70,738</u>
Operating Income.....	8,256	7,556	33,707	27,146
Gain on property disposition.....	--	182	572	182
Minority Interests.....	(2,028)	(2,023)	(8,105)	(8,086)
Net Income.....	6,228	5,715	26,174	19,242
Preferred Dividends.....	(2,000)	(1,244)	(8,000)	(1,244)
Net Income Available to Common Stockholders.....	\$ <u>4,228</u>	\$ <u>4,471</u>	\$ <u>18,174</u>	\$ <u>17,998</u>
Per Share Amounts :				
Net income available to common stockholders (basic).....	\$ <u>0.26</u>	\$ <u>0.28</u>	\$ <u>1.13</u>	\$ <u>1.15</u>
Net income available to common stockholders (fully diluted).....	\$ <u>0.26</u>	\$ <u>0.28</u>	\$ <u>1.12</u>	\$ <u>1.15</u>
Weighted average common stock outstanding :				
Common stock.....	16,352	15,817	16,154	15,591
Effect of dilutive options.....	100	25	57	17
Fully diluted weighted average common stock.....	<u>16,452</u>	<u>15,842</u>	<u>16,211</u>	<u>15,608</u>

Saul Centers, Inc.
Supplemental Information

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2004	2003	2004	2003
(1)				
Reconciliation of Net Income to Funds From Operations (FFO)				
Net Income.....	\$ 6,228	\$ 5,715	\$ 26,174	\$ 19,242
Less: Gain on sale of property.....	--	(182)	(572)	(182)
Add: Real property depreciation & amortization.....	5,828	4,962	21,324	17,838
Add: Minority Interests.....	2,028	2,023	8,105	8,086
FFO.....	14,084	12,518	55,031	44,984
Less: Preferred dividends.....	(2,000)	(1,244)	(8,000)	(1,244)
FFO available to common shareholders.....	\$ 12,084	\$ 11,274	\$ 47,031	\$ 43,740
Weighted average shares outstanding :				
Fully diluted weighted average common stock.....	16,452	15,842	16,211	15,608
Convertible limited partnership units.....	5,198	5,187	5,194	5,182
Fully diluted & converted weighted average shares.....	21,650	21,029	21,405	20,790
Per Share Amounts:				
FFO available to common shareholders.....	\$ 0.56	\$ 0.54	\$ 2.20	\$ 2.10
Reconciliation of Net Income to Same Property Operating Income				
Net Income.....	\$ 6,228	\$ 5,715	\$ 26,174	\$ 19,242
Add: Interest expense and deferred debt amortization.....	7,114	6,449	27,022	26,573
Add: Depreciation and amortization.....	5,828	4,962	21,324	17,838
Add: General and administrative.....	2,475	1,818	8,442	6,213
Less: Gain on property disposition.....	--	(182)	(572)	(182)
Less: Interest income.....	(82)	(53)	(257)	(91)
Add: Minority Interests.....	2,028	2,023	8,105	8,086
Property operating income.....	23,591	20,732	90,238	77,679
Less: Acquisitions & developments.....	(2,834)	(537)	(9,684)	(985)
Total same property operating income.....	\$ 20,757	\$ 20,195	\$ 80,554	\$ 76,694
Total Shopping Centers.....	\$ 14,014	\$ 14,328	\$ 53,997	\$ 52,811
Total Office Properties.....	6,743	5,867	26,557	23,883
Total same property operating income.....	\$ 20,757	\$ 20,195	\$ 80,554	\$ 76,694

(1) FFO is a widely accepted non-GAAP financial measure of operating performance of real estate investment trusts ("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 in the Company's SEC reports for the applicable periods. 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.