SAUL CENTERS, INC.

8401 Connecticut Avenue
Chevy Chase, Maryland 20815-5897
(301) 986-6000

Saul Centers, Inc. Reports 1998 Earnings, FFO grows 4.3% Per Share

February 8, 1999, Chevy Chase, MD.

Saul Centers, Inc. (NYSE: BFS), an equity real estate investment trust (REIT), announced its operating results for the year ended December 31,1998. Funds From Operations (FFO) increased 7.7% to $29,768,000 in the year ended December 31, 1998 compared to $27,637,000 for the 1997 year. For the quarter ended December 31, 1998, FFO increased 6.6% to $7,864,000 compared to $7,374,000 for the 1997 quarter. This growth resulted primarily from rental rate increases on tenant rollovers and renewals and the company's successful program of redeveloping and expanding its properties. On a per share basis, FFO was $1.73 per share for the 1998 year, a 4.3% increase over the prior year. For the quarter ended December 31, 1998, FFO increased 2.0% to $.45 per share over the comparable 1997 quarter. 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.

Total revenues for the 1998 year increased 4.2% to $70.6 million compared to $67.7 million for the 1997 year. Net income increased 257.7% to $9.1 million or $.72 per share for the 1998 year compared to $2.6 million or $.21 per share for the 1997 year (basic and diluted). For the quarter ended December 31, 1998, revenues increased 1.7% to $18.1 million compared to $17.8 million for the 1997 quarter. Net income totaled $1.9 million or $.15 per share for the quarter ended December 31, 1998 compared to a loss of $4.4 million or $.35 per share for the comparable 1997 quarter (basic and diluted). The comparative increase in net income for the year and the quarter ended December 31, 1998 resulted from extraordinary and non recurring debt restructuring charges taken during the 1997 fourth quarter.

Same center operating income increased 4.2% for the shopping center portfolio, 8.3% for the office properties and 5.1% overall. Space leased by tenants averaged 89.9% for 1998 compared to the 1997 average of 89.5%, however significant fourth quarter leasing activity increased the yearend 1998 leased percentage to 92.1% compared to 89.0% at yearend 1997.

During 1998, the company paid four quarterly distributions of $.39 per share to shareholders, of which 74.23% was taxable as ordinary income and 25.77% represented a return of capital.

Saul Centers, Inc. Reports 1998 Earnings (continued)

In 1998, the company adopted a new accounting method as directed by the Emerging Issues Task Force (EITF), Issue No. 98-9 Accounting for Contingent Rent In Interim Financial Periods. According to the new pronouncement, lessors are required to defer the accounting recognition of contingent rent, such as percentage rent, until the specific tenant sales breakpoint target is achieved. The Company's prior accounting method, which was permitted under generally accepted accounting principles, recognized percentage rent when a tenant's achievement of its sales breakpoint was considered probable. As expected, the new accounting method did not affect the amount of percentage rent income reported on an annual basis, but did impact the recognition of percentage rent income reported on an interim basis by increasing revenues the Company reported in the first and fourth quarters and decreasing revenues reported in the second and third quarters. The change in accounting method had no impact on the Company's cash flows. The 1997 fourth quarter results presented above were increased $409,000 or $.02 per share, to provide comparability with the 1998 fourth quarter results.

Saul Centers, Inc. operates and manages a real estate portfolio of 34 community and neighborhood shopping center and office properties totaling approximately 5.9 million square feet of gross leasable area, with over 80 percent of the cash flow generated from properties in the metropolitan Washington, D.C./Baltimore area.

Contact: Henry Ravenel, Jr.
(301) 986-6207

Saul Centers, Inc.

Condensed Consolidated Statements of Operations

($ in thousands, except per share amounts)

	Three Months Ended December 31, 1998	Three Months Ended December 31, 1997	Twelve Months Ended December 31, 1998	Twelve Months Ended December 31, 1997
Revenue		*(as adjusted) (2)*		
Total revenue reported	$ 18,100	$ 17,386	$ 70,583	$ 67,717
EITF 98-9 impact (1)	--	409	--	--
Total revenue	18,100	17,795	70,583	67,717
Operating Expenses				
Property and administrative expenses	4,477	4,623	17,769	18,043
Interest expense	5,655	5,697	22,627	20,308
Amortization of deferred debt costs	104	101	419	1,729
Depreciation and amortization	4,090	2,811	12,578	10,642
Total operating expenses	14,326	13,232	53,393	50,722
Operating Income	3,774	4,563	17,190	16,995
Extraordinary, Non-Operating and Nonrecurring Items				
Early extinguishment of debt	--	(2,828)	(50)	(3,197)
Sale of interest rate protection agreements	--	(4,392)	--	(4,392)
Change in Accounting Method	--	--	(771)	--
Minority Interests				
Minority share of income	(1,016)	810	(4,354)	(2,483)
Distributions in excess of earnings	(857)	(2,523)	(2,886)	(4,371)
Total minority interests	(1,873)	(1,713)	(7,240)	(6,854)
Net Income	$ 1,901	$ (4,370)	$ 9,129	$ 2,552
Per Share Amounts :				
Net income (basic and diluted)	$ 0.15	$ (0.35)	$ 0.72	$ 0.21
Funds From Operations	$ 0.45	$ 0.44	$ 1.73	$ 1.66
Weighted average shares outstanding :				
Common stock	12,799,948	12,402,961	12,643,639	12,297,253
Fully converted	17,561,021	16,796,124	17,233,047	16,690,416

(1) On May 21, 1998, the Emerging Issues Task Force (EITF) ruled that lessors should defer the accounting recognition of contingent rent, such as percentage rent, until the specific tenant sales breakpoint target is achieved. The Company's prior accounting method, which was permitted under generally accepted accounting principles, recognized percentage rent when a tenant's achievement of its sales breakpoint was considered probable.

(2) Fourth quarter 1997 amounts scheduled above are presented as previously reported except the EITF adjustment, in order to provide comparability with 1998 fourth quarter results. The EITF adjustment has no impact on the twelve month results.

Condensed Consolidated Balance Sheets

($ in thousands)

	December 31, 1998	December 31, 1997
Assets		
Real estate investments	$ 352,567	$ 336,242
Accumulated depreciation	(101,910)	(92,615)
Other assets	20,377	17,315
Total assets	$ 271,034	$ 260,942
Liabilities and Stockholders' Equity (Deficit)		
Notes payable	$ 290,623	$ 284,473
Other liabilities	17,695	14,523
Stockholders' equity (deficit)	(37,284)	(38,054)
Total liabilities and stockholders' equity (deficit)	$ 271,034	$ 260,942