

CORPORATE PROFILE

SAUL CENTERS, INC.

Saul Centers, Inc. 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 41 community and neighborhood shopping center and office properties totaling approximately 7.3 million square feet of leasable area. Over 83% of our cash flow is generated from properties in the metropolitan Washington, D.C./ Baltimore area.

DIRECTORS

B. Francis Saul II
 B. Francis Saul III
 Philip D. Caraci
 The Honorable
 John E. Chapoton
 Gilbert M. Grosvenor
 Philip C. Jackson, Jr.
 David B. Kay
 General Paul X. Kelley
 Charles R. Longworth
 Patrick F. Noonan
 The Honorable
 James W. Symington
 John R. Whitmore

WEB SITE

www.saulcenters.com

HEADQUARTERS

7501 Wisconsin Ave.
 Suite 1500
 Bethesda, MD 20814-6522
 Phone: (301) 986-6200

EXCHANGE LISTING

New York Stock Exchange
 Symbol: BFS

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. The Plan's prospectus is available for review in the Shareholders Information section of the Company's web site.

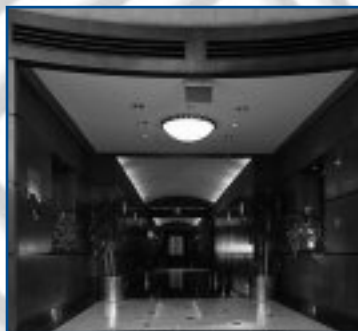
To receive more information please call our shareholder relations representative at (301) 986-6016.

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

First Quarter 2005

Report to Stockholders



During the first quarter of 2005, Saul Centers, Inc. again reported increased operating income from its core portfolio of metropolitan Washington, DC/Baltimore based, grocery-anchored shopping centers. Supplementing the core portfolio growth was operating income from seven properties, acquired or developed, and placed in service during 2005 and 2004. The development properties, Shops at Monocacy and Broadlands Village II, and acquisitions, Boca Valley Plaza, Countryside, Cruse MarketPlace, Briggs Chaney Plaza and Palm Springs Center contributed \$2.2 million, or 78.6% of the Company's overall \$2.8 million operating income improvement over the prior year quarter's results.

Total revenues for the quarter ended March 31, 2005 increased 15.1% to \$30,307,000 compared to \$26,341,000 for the 2004 quarter. Operating income before minority interests and preferred stock dividends increased 3.7% to \$8,639,000 compared to \$8,329,000 for the comparable 2004 quarter. After preferred stock dividends and minority interests, the Company reported net income available to common stockholders of \$4,610,000 or \$0.28 per share (basic & diluted) for the 2005 quarter, a per share increase of 3.7% compared to net income available to common stockholders of \$4,305,000 or \$0.27 per share (basic & diluted) for the 2004 quarter.

Overall same property revenues for the total portfolio increased 4.3% for the 2005 first quarter compared to the same quarter in 2004 and same property operating income increased 3.1%. 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 property operating income in the shopping center portfolio increased 2.9% for the 2005 first quarter, compared to the prior year's quarter, despite the departure of two tenants, whose spaces combined total 152,000 square feet, and the resulting loss of revenues relating to these tenants during the entire 2005 quarter. One of the spaces totaling 38,500 square feet has subsequently been leased. While these spaces represent approximately 2.0% of the Company's total gross leaseable area, the combined rent payments were less than 1.0% of the Company's 2004 annual revenues. The loss of rental revenues from these tenants at Great Eastern Plaza and Southside Plaza was more than overcome by increased rental revenue from redevelopments of portions of Thruway and Southdale and operations at the balance of the Company's shopping center portfolio. Same property operating income in the office portfolio grew 3.6% for the 2005 quarter, due primarily to the completion of re-tenanting of space at 601 Pennsylvania Avenue, which was being prepared for new occupancy during a portion of early 2004.

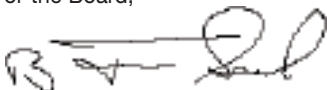
As of March 31, 2005, 92.4% of the portfolio was leased, compared to 94.2% a year earlier. On a same property basis, 92.2% of the portfolio was leased, compared to the prior year level of 94.2%. The comparative decrease in the 2005 same property leasing percentage is largely attributable to the early departure of the two tenants at Great Eastern Plaza and Southside Plaza.

Funds From Operations (FFO) available to common shareholders (after deducting preferred stock dividends) increased 11.7% to \$12,254,000 in the 2005 first quarter compared to \$10,967,000 for the same quarter in 2004. The \$1,287,000 increase in FFO available to common shareholders in the 2005 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 Thruway, Southdale and 601 Pennsylvania Avenue. On a diluted per share basis, FFO available to common shareholders increased 7.7% to \$0.56 per share in 2005 compared to \$0.52 for the 2004 quarter. 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.

In March 2005, the Company acquired the 126,000 square foot Albertsons anchored, Palm Springs Center for a purchase price of \$17.5 million. This grocery anchored neighborhood shopping center located in Altamonte Springs near Orlando is the Company's second Florida center. The property is 100% leased and includes tenants complementing Albertsons, such as Office Depot, Mimi's Café and TooJay's Deli.

The Company expects to complete the Kentlands Place development during mid 2005. The Company is actively proceeding with development plans for additional retail properties and continues to evaluate potential properties for acquisition. These activities and the operating income from recently completed developments and acquisitions should fuel operating income growth for the balance of the year and beyond.

For the Board,



B. Francis Saul II
Chairman of the Board
May 15, 2005

**CONSOLIDATED STATEMENTS
OF OPERATIONS** (Unaudited)

SAUL

*(Dollars in thousands, except per share amounts)***Revenue**

| |
|--------------------|
| Base rent |
| Expense recoveries |
| Percentage rent |
| Other |
| Total revenue |

Operating expenses

| |
|--|
| Property operating expenses |
| Provision for credit losses |
| Real estate taxes |
| Interest expense and amortization of deferred debt |
| Depreciation and amortization of leasing costs |
| General and administrative |
| Total operating expenses |

Income before minority interests**Minority interests**

| |
|-------------------------------------|
| Minority share of income |
| Distributions in excess of earnings |
| Total minority interests |

Net income

| |
|---------------------|
| Preferred dividends |
|---------------------|

Net income available to common stockholders**Per share data available to common stockholders
(basic and fully diluted)**

| |
|--------------------------------------|
| Net income ^(a) |
| Funds from operations ^(b) |

(a) Based upon fully diluted weighted average common stock outstanding of 16,557,112 and 15,974,436 for the three months ended March 31, 2005 and 2004, respectively.

CENTERS, INC.

For the Three Months Ended March 31,
2005

2004

| | |
|-----------|-----------|
| \$ 24,132 | \$ 21,276 |
| 4,980 | 3,894 |
| 504 | 444 |
| 691 | 727 |
| 30,307 | 26,341 |
| 3,773 | 2,892 |
| 54 | 69 |
| 2,583 | 2,391 |
| 7,409 | 6,266 |
| 5,615 | 4,638 |
| 2,234 | 1,756 |
| 21,668 | 18,012 |
| 8,639 | 8,329 |
| (1,593) | (1,557) |
| (436) | (467) |
| (2,029) | (2,024) |
| 6,610 | 6,305 |
| (2,000) | (2,000) |
| \$ 4,610 | \$ 4,305 |
| \$ 0.28 | \$ 0.27 |
| \$ 0.56 | \$ 0.52 |

(b) Assumes conversion of operating partnership units, combined with fully diluted weighted average common stock outstanding, for a total of 21,758,161 and 21,164,178 shares for the three months ended March 31, 2005 and 2004, respectively.

**CONSOLIDATED
BALANCE SHEETS**

SAUL

*(Dollars in thousands except per share amounts)***Assets**

Real estate investments

Land

Buildings and equipment

Construction in progress

Accumulated depreciation

Cash and cash equivalents

Accounts receivable and accrued income, net

Leasing costs, net

Prepaid expenses, net

Deferred debt costs, net

Other assets

Total assets

Liabilities

Mortgage notes payable

Dividends and distributions payable

Accounts payable, accrued expenses
and other liabilities

Deferred income

Total liabilities

Stockholders' equitySeries A Cumulative Redeemable Preferred stock,
1,000,000 shares authorized and 40,000 shares
issued and outstandingCommon stock, \$0.01 par value, 30,000,000 shares
authorized, 16,501,166 and 16,399,442 shares
issued and outstanding, respectively

Additional paid-in capital

Accumulated deficit

Total stockholders' equity

Total liabilities and stockholders' equity

CENTERS, INC.

| March 31, 2005 | December 31, 2004 |
|--------------------|----------------------|
| <i>(Unaudited)</i> | |
| \$ 125,308 | \$ 119,029 |
| 536,327 | 521,161 |
| 45,548 | 42,618 |
| 707,183 | 682,808 |
| (185,884) | (181,420) |
| 521,299 | 501,388 |
| 11,668 | 33,561 |
| 21,270 | 20,654 |
| 18,046 | 17,745 |
| 1,862 | 2,421 |
| 6,093 | 5,011 |
| 4,562 | 2,616 |
| \$ 584,800 | \$ 583,396 |
| \$ 450,876 | \$ 453,646 |
| 10,464 | 10,424 |
| 13,106 | 12,318 |
| 7,787 | 6,044 |
| 482,233 | 482,432 |
| 100,000 | 100,000 |
| 165 | 164 |
| 110,313 | 106,886 |
| (107,911) | (106,086) |
| 102,567 | 100,964 |
| \$ 584,800 | \$ 583,396 |